Management's Discussion and Analysis

Year ended December 31, 2014 Report

(Expressed in Canadian dollars, unless otherwise noted)

April 30, 2015

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.chesapeakegold.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2014 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain Forward Looking Statements which are provided on Page 20.

OVERVIEW

Chesapeake Gold Corp. (the "Company") is a development stage company focusing on the discovery, acquisition and development of major gold-silver deposits in North and Central America. The Company trades on the TSX Venture Exchange under the symbol "CKG". The Company has its head office in Vancouver, B.C.

On April 8, 2015, the Company began trading on the OTCQX marketplace in the U.S. under the symbol CHPGF.

The Company's primary asset is the Metates gold-silver project ("Metates") located in Durango State, Mexico. The Metates project is one of the largest undeveloped gold and silver deposits in Mexico. A pre-feasibility study ("PFS") on Metates was completed and filed on SEDAR during the first quarter of 2013. During fiscal year 2014, the Company's focus has been completing an updated PFS ("Updated PFS") based on a lower initial 30,000 tpd production rate versus the Phase I 60,000 tpd in the PFS.

The Company also has a portfolio of exploration properties in Mexico comprising 49,808 hectares in the states of Durango, Sinaloa, Oaxaca and Veracruz. In November, 2010 the Company completed a business transaction to sell its Talapoosa project and two of its Mexican properties, La Gitana and La Cecilia, to Gunpoint Exploration Ltd. (formerly Christopher James Gold Corp.) in exchange for a controlling interest in Gunpoint Exploration Ltd. ("Gunpoint"). The Company currently owns approximately 74.75% of Gunpoint.

HIGHLIGHTS – FISCAL YEAR ENDED 2014

- Cash and cash equivalent balance as at December 31, 2014 was $29.0 million.
- The Company continued to evaluate and engineer the initial throughput of 30,000 tpd vs the Phase I 90,000 tpd in the PFS incorporating the recent test work and flexibility of the higher ore grades and lower strip ratio early in the mine life.
- During the year ended December 31, 2014, the Company spent $3.6 million on the Metates project conducting geotechnical reviews, comminution, metallurgical, civil and engineering work in support of the updated pre-feasibility study.
- The Updated PFS is expected to be released during Q2 2015.
- On May 9, 2014 the Company acquired the 1.5% net smelter return royalty ("Metates NSR") on the Metates project. The royalty was purchased pursuant to a right of first refusal held by the Company's subsidiary for a purchase price of $9.9 million (US$9.0 million). On August 9, 2014, the Company assigned the Metates NSR

to Silver Wheaton Corp. for US$9.0 million with the option to repurchase two thirds of the royalty (1.0% Metates NSR).

- Regional exploration identified significant polymetallic prospects near the Ranchito plant site which could provide potential synergies with the development of Metates.

METATES (Durango State, Mexico)

Overview

Metates is one of the largest, undeveloped disseminated gold and silver deposits in Mexico. The property is comprised of fourteen mineral concessions totaling 14,727 hectares. The Metates deposit is hosted by Mesozoic sedimentary rocks that have been intruded by a quartz latite body up to 300 meters thick and 1,500 meters long. Mineralization occurs in two zones: the Main Zone which is centered around the intrusive and the North Zone, within the sediments including conglomerate, sandstone and shale. The gold-silver mineralization occurs as sulphide veinlets and disseminations in both the intrusive and sedimentary host rocks.

The following table represents the year to date and project to date exploration expenditures on Metates:

(tabled amounts are expressed in thousands of CAD dollars)	**Year to date 2014 (12 months)**	**Year to date 2013 (12 months)**	**Project to date**
Acquisition from American Gold in 2006	-	-	20,213.3
Concession	95.4	112.6	587.2
Assay	89.4	100.4	1,343.0
Camp & Supplies	317.3	373.4	3,551.9
Drilling	6.2	277.7	5,982.5
Environmental	7.1	1.7	52.8
Geological and engineering	3,021.9	3,177.0	22,207.1
Travel & other	57.3	59.5	1,053.8
Total additions	3,594.6	4,102.3	54,991.6

Updated Pre-Feasibility Study

The Updated PFS, currently in progress, is based on a lower initial ore throughput rate of 30,000 tpd ("Phase 1") with a staged expansion up to 90,000 tpd ("Phase 2") to be funded primarily from internal cash flow. The Company believes this scalable approach will provide the most attractive combination of lower initial capital costs while maintaining key operating efficiencies. Phase 1 production will operate for the first four years of the mine life with Phase 2 production starting in year five. Active pit mining is planned for a total of 27 years followed by 10 years of processing the stockpiled low grade ore. Chesapeake is critically aware of the need to ensure a cost effective and reliable long term water source especially given Metates long mine life.

The Mexican national water agency (Conagua) recently published the payment schedule for consumptive water use for both surface and ground water (retro-active) for the 2015 calendar year. The new cost schedule has increased the water rates used in the PFS by nearly 100%. As an alternative to conventional water sources, the Company is evaluating the use of desalinated sea water as a long term water source. Recent advances in desalination technology and low cost electricity from natural gas fired power plants in western Mexico provides an opportunity to realize savings in both capital and operating costs in the Updated PFS. The close proximity to the Pacific coast and to key existing civil infrastructure provides a strategic advantage for the desalination option. Several desalination plants already operate in Mexico. Chesapeake would outsource the construction and operation of a desalination plant and plans to integrate this option into the water supply network.

A revised mine plan and analysis has optimized the mining of high value ore with a low sulfur content required only one autoclave and related ancillary equipment to process the majority of Phase 1 ore production. The single autoclave will result in a further reduction in the initial capital cost versus the two autoclaves required with the earlier mine schedule. Incorporating the single autoclave option into the Updated PFS has caused a delay in re-configuring the plant layout and modification to the capital cost estimates.

The Metates mine access road is a major component of the initial capital cost. Ongoing work and surveys to optimize the road alignment have reduced both the distance and the excavated material volumes leading to a lower construction cost.

Management expects the updated PFS to be released during Q2 2015.

Pre-Feasibility Study – March 2013

A PFS was prepared by M3 Engineering of Tucson ("M3"), Arizona and filed on SEDAR in March 2013. After a routine technical disclosure review conducted by the British Columbia Securities Commission, the Company subsequently filed an amended PFS on November 8, 2013. The project economics and the conclusions and recommendations in the amended report are the same and remain unchanged from those contained in the original PFS.

Highlights of the PFS are summarized below:

- Proven and probable mineral reserves of 18.5 million ounces gold, 526 million ounces silver and 4.2 billion pounds of zinc
- Average annual production for year 2 through 7 of 845,000 ounces gold, 25.1 million ounces silver (1,309,000 ounce gold equivalent*) and 190 million pounds zinc, at an average gold equivalent cash cost of $355 USD per ounce, net of zinc credits
- 25 year mine life with average annual production of 659,000 ounces gold, 15.9 million ounces silver (954,000 ounces gold equivalent*) and 143 million pounds zinc, with an average life of mine ("LOM") gold equivalent cash cost of $493 per ounce, net of zinc credits.
- Average annual net operating income of $1.3 billion in operating years 2 through 7 with cumulative LOM pre-tax net operating income of $20.3 billion.
- Initial capital cost of $4.36 billion including $631 million in contingency costs and excluding sustaining capital cost of $584 million
- At base case metal prices**, pre tax capital payback of 4.1 years and 4.9 years after-tax
- Net present value ("NPV") pre-tax of 4.1 billion at an 8% discount rate generating an IRR of 21.1%, and after-tax NPV of $2.5 billion and 16.6% IRR

*Gold equivalent ounces are defined as gold ounces plus silver ounces/54.0 on base case metal prices
** Gold - US$1350/oz, Silver - US$25/oz and Zinc – US$1/lb

Mineral Reserves

The PFS uses as a basis the updated mineral resource estimate prepared by Independent Mining Consultants of Tucson, Arizona ("IMC") that was reported in February 2012. The open pit mineral reserves were estimated within a detailed engineered pit design by using the measured and indicated resources only.

IMC developed an ore mining schedule which employed an elevated cut-off strategy in early years (year 2-7) which shortened the capital payback period and improved overall project economics. The above cut-off but lower than mill feed grade ore mined in the earlier years is placed in a low grade ore stockpile which is processed during the last six years of the mine life (year 20-25). The production schedule optimized mining both the intrusive and sediment hosted ore rock types based on crusher throughput so that the annualized feed rates to be processed ranged from 109,000 tpd to 138,000 tons per daytpd after a two mine ramp up to full production. The table below presents the mineral reserves for the Metates project based on the mine and plant production schedules. Measured and indicated mineral resources in the production schedule are converted to proven and probable mineral reserves, respectively. The low grade stockpile is classified as probable mineral reserve regardless of the original classification of the in-situ resource. The mineral reserve amounts to 1.15 billion ore tonnes at 0.50 grams per ton ("g/t") gold, 14.2 g/t silver, and 0.17% zinc (including the low grade stockpile). Contained metal amount to 18.5 million ounces of gold, 526 million ounces of silver and 4.2 billion pounds of zinc.

Metates Mineral Reserve								
Reserve Class	**Ktonnes**	**AuEq* (g/t)**	**Gold (g/t)**	**Gold (Koz)**	**Silver (g/t)**	**Silver (Koz)**	**Zinc (%)**	**Zinc (M lbs)**
Proven Mineral Reserve								
Mill Ore	270,291	0.99	0.68	5,883	18.0	156,423	0.17	1,037
Probable Mineral Reserve								
Mill Ore	574,242	0.78	0.54	9,878	14.3	264,015	0.15	1,886
Low Grade Stockpile	304,328	0.46	0.28	2,691	10.8	105,673	0.19	1,261
Total Probable Reserve	**878,570**	**0.67**	**0.45**	**12,568**	**13.1**	**369,688**	**0.16**	**3,148**
Proven/Probable Reserve								
Mill Ore	844,533	0.85	0.58	15,761	15.5	420,438	0.16	2,923
Low Grade Stockpile	304,328	0.46	0.28	2,691	10.8	105,673	0.19	1,261
Total Proven/Probable	**1,148,861**	**0.74**	**0.50**	**18,452**	**14.2**	**526,111**	**0.17**	**4,185**

**Gold equivalent grade is defined as gold (g/t) plus silver (g/t)/58.4. Overall metal recoveries are 89% gold, 76% silver and 85% zinc. Contained resources may not add due to rounding.*

The PFS contemplates a conventional truck and shovel open pit mining operation with a nominal 120,000 tpd throughput. The key operating metrics of processed grades, tonnes mined and metal production are as follows:

Operating Metrics				
Operating Period	**Years 2-7**	**Years 1-19 Active Mining**	**Years 20-25 Stockpile**	**Years 1-25 Life of Mine**
Material Mined				
Total Ore Mined From Pit (Mtonnes)	454	1,149	0	1,149
Ore To Process (Mtonnes)	259	845	304	1,149
Low Grade Ore To Stockpile (Mtonnes)	195	304	0	304
Waste Rock (Mtonnes)	371	1,158	0	1,158
Strip Ratio (1)	0.82	1.00	0.00	1.00
Average Milling Rate (Ktonnes/year)	43,204	45,181	48,404	45,954
Average Milled Grades				
Gold (g/t)	0.68	0.58	0.28	0.50
Silver (g/t)	23.8	15.5	10.8	14.2
Gold Equivalent (g/t)	1.12	0.87	0.48	0.74
Zinc %	0.25	0.16	0.19	0.17
Cumulative Metal Production (2)				
Gold (oz.) (000) (Doré)	5,068	14,080	2,395	16,475
Silver (oz.) (000) (Doré)	150,539	317,384	80,319	397,703
Gold Equivalent (oz.) (000) (3)	7,856	19,958	3,882	23,840
Zinc (million lbs.)	1,051	2,275	1,075	3,350
Average Annual Production				
Gold (oz.) (000)	845	741	399	659
Silver (oz.) (000)	25,090	16,695	13,387	15,908

Gold Equivalent (oz.) (000)	1,309	1,050	645	954
Zinc (million lbs.)	175.1	131.9	179.2	143.3
Cash Cost ($/Au Eq Oz). Net of Zn/Cu	**355**	**482**	**524**	**493**

(1) Strip Ratio based on total ore tonnes mined to waste tonnes mined

(2) Overall metal recoveries are 89% Gold, 76% Silver and 85% Zinc

(3) Gold Equivalent based on Base Case metal price assumptions (Gold=$1,350/oz. Silver=$25/oz.) Gold Eq-Gold + Silver/54

Capital Costs and Project Economics

Total initial capital costs (including contingency) are estimated at $4.36 billion which represents both the direct and indirect material costs for the development of Metates. The capital investment reflects outsourcing the dedicated oxygen plant and gas electric power plant.

The average life of mine operating costs, including mining, processing and G&A are estimated at $13.59 USD per tonne or $493 per ounce net of by-product revenue from zinc and copper production.

The financial results were developed for three different metal prices assumptions (base case, low case and high case); these assumptions were provided to M3 by Chesapeake.

The financial analysis for the base case indicates a pre-tax NPV of $4.10 billion at a 8% discount rate, a 21.1% IRR and a payback of 4.1 years. On an after-tax basis at 8% discount rate, the NPV is $2.50 billion USD with an 16.6% IRR and a payback of 4.9 years. The financial results are presented in table below:

Financial Results Summary			
Metal Price Assumptions	**Base Case**	**Low Case**	**High Case**
Gold ($/oz.)	$1,350.00	$1,200.00	$1,500.00
Silver ($/oz.)	$25.00	$22.22	$27.78
Zinc ($/lb.)	$1.00	$1.00	$1.00
Copper ($/lb.)	$3.00	$3.00	$3.00
Pre-Tax Economic Indicators			
NPV @ 5% ($000)	$6,684,234	$4,839,127	$8,529,340
NPV @ 8% ($000)	$4,081,428	$2,763,696	$5,399,160
IRR %	21.1	17.3	24.5
Payback (yrs)	4.1	4.7	3.6
After-Tax Economic Indicators			
NPV @ 5% ($000)	$4,458,983	$3,072,553	$5,840,683
NPV @ 8% ($000)	$2,503,940	$1,505,396	$3,498,342
IRR %	16.6	13.4	19.6
Payback (yrs)	4.9	5.8	4.3
Pre-Tax Cumulative Net Operating Income			
Total - All Metals Years 2-7 ($000)	$7,731,313	$6,555,509	$8,907,117
Total - All Metals Life of Mine ($000)	**$20,180,575**	**$16,612,569**	**$23,748,580**

Chesapeake is currently evaluating the opportunity to target mining at lower initial throughput of 30,000 tpd versus the Phase I 60,000 tpd case in the PFS. Currently, M3 and other leading international consultants are conducting geotechnical studies and civil engineering work that will facilitate sequential, scalable expansion for the 30,000 tpd case over the mine life.

Management believes the investigations and test work underway will further de-risk and add significant value to the Metates project. Metates is one of the few world-class, undeveloped precious metal deposits not controlled by a major mining company in a favourable geo-political jurisdiction.

Metates Regional Exploration

The Company has an ongoing program of systematic regional exploration focused within a 100 kilometer radius of the proposed Metates Ranchito plant site near Cosala in Sinaloa State, Mexico. Geological reconnaissance and results from mapping, rock chip channel sampling and geophysical surveys have identified three distinct areas with potential to host district scale mineralization.

Chesapeake believes this highly prospective corridor that parallels the Pacific coast and lies along the western margin of the Sierra Madre Occidental, could host numerous untested gold-silver-polymetallic deposits. Excellent infrastructure exists in the region with all three projects located within 50 kilometers of paved highways, power grid and a natural gas pipeline currently under construction. In addition, three operating process plants are located within trucking distance which would reduce the capital and permitting time to place a greenfield discovery into production. Chesapeake believes this under-explored region could generate an organic pipeline of high value projects with potential synergies associated with the future development of Metates.

Ranchito Area

The Ranchito area located near the proposed Ranchito processing site covers more than 100 square kilometers. The Ranchito area hosts widespread, near surface skarn-hosted mineralization along 20 kilometers of contact between a thick sequence of limestone and multiphase intrusive rocks. In addition, there are several distal mineralized zones within limestone and marble as well as quartz tourmaline breccias within intrusive rocks. The magnetite skarn outcrops were used as a signature for a ground magnetic survey. The survey identified multiple anomalies over covered areas which could lead to the discovery of blind deposits.

La Ventana Area

The La Ventana area is located about 50 kilometers northwest of Ranchito. This region contains several square kilometers of argillically altered and esites hosting epithermal quartz veins. The La Ventana system is an east-west trending swarm of at least five subparallel quartz veins and associated stock work that have been traced for 1.5 kilometers along strike and 100 meters in vertical extent.

Jacky Area

The Jacky area is located about 40 kilometers to the southeast of Ranchito and covers a structural corridor 10 kilometers long by 2 kilometers wide. Epithermal gold-silver mineralization is associated with east west trending quartz breccia and stock works. Several large areas of strong argillic alteration and silicification are peripheral to the quartz structures within the corridor. One quartz structure has been sampled over 1.2 kilometers in length, up to 25 meters in width and 300 meters vertically.

Royalty investment

On May 9, 2014 the Company acquired the 1.5% net smelter return royalty (“Metates NSR”) on the Metates project. The royalty was purchased pursuant to a right of first refusal held by the Company’s wholly owned Mexican subsidiary, American Gold Metates, S. de R.C. de C.V. ("AGM"), for a purchase price of $9.9 million (US$9.0 million).

On August 9, 2014, the Company entered into an agreement (the “Agreement”) whereby the Company has assigned its interest in the Metates NSR to Silver Wheaton Corp (“SLW”) in consider for US$9.0 million. As part of the Agreement, the Company will have the right at any time for a period of five years to repurchase two-thirds of the Metates NSR (that being a 1% net smelter returns royalty) from SLW for US$9.0 million with SLW continuing to hold a 0.5% interest of the Metates NSR. Also as part of the transaction, Chesapeake through AGM, will hold a right of first refusal to purchase the Metates NSR in the event SLW elects to sell the Metates NSR to a third party, on the same terms and conditions as the third party offer. The Agreement also contains customary terms and conditions for a royalty transaction. The Company has also entered into a right of first refusal agreement with SLW whereby the Company has granted SLW a right of first refusal on any future silver stream or royalty for which the Company receives and accepts an offer to purchase, on the same terms and conditions as the third party offer.

Q4 2014 MD&A (expressed in CAD Dollars) www.chesapeakegold.com

OTHER EXPLORATION PROJECTS

TALAPOOSA (Nevada, USA)

On November 26, 2010, Gunpoint acquired from Chesapeake a 100% interest in the Talapoosa gold project ("Talapoosa") located in Lyon County, Nevada.

Talapoosa is a low-sulphidation gold/silver property in the Walker Lane gold trend of western Nevada, approximately 45 kilometers east of Reno. The property consists of 535 unpatented lode mining claims and seven additional fee land sections which cover 10,780 hectares. Since 1977, eight mining companies have drilled 564 drill holes for 71,000 meters along with environmental and metallurgical work. By the late 1980s, four zones of mineralization had been identified – Main Zone, Bear Creek Zone, Dyke Adit, and East Hill.

The Talapoosa project has a NI 43-101 compliant resource estimate (September 2010) hosting a measured and indicated resource of 632,000 ounces of gold (23.1 million tons at a grade of 0.035 oz/t AuEq) and an inferred resource of 326,000 ounces of gold (12.6 million tons at a grade of 0.033 oz/t AuEq) using a cut-off of 0.015 oz/t gold equivalent.

During 2011 Gunpoint completed 15 core holes totaling 3,251 meters at Talapoosa. With the 2011 drill data, Gunpoint re-modeled and re-interpreted the resource with independent consultants. In 2013, Tetra Tech WEI Inc. ("Tetra Tech") provided an updated NI 43-101 resource estimate adding approximately 380,000 ounces of gold and 5.4 million ounces of silver compared to the previous NI 43-101 resource estimate. Set out in the table below is the updated Measured and Indicated Resource Estimate by Tetra Tech:

Cutoff Au g/t	Ore Type	Category	Tonnes	Grade Au g/t	Grade Ag g/t	Contained gold (ounces)	Contained silver (ounces)
0.45	Oxide	Measured	2,835,890	1.29	18,96	117,253	1,728,323
0.45	Sulphide	Measured	12,741,180	1.22	16.50	501,215	6,760,763
0.45	Oxide	Indicated	1,280,900	1.10	14.25	45,328	586,999
0.45	Sulphide	Indicated	11,504,500	0.94	12.36	349,005	4,573,274
0.45	Oxide	Total M&I	4,116,870	1.23	17.49	162,581	2,315,321
0.45	Sulphide	Total M&I	24,245,860	1.09	14.54	850,220	11,334,037
0.45	**Oxide + Sulphide**	**Total M&I**	**28,362,500**	**1.11**	**14.97**	**1,012,802**	**13,649,358**
0..45	Oxide - Sulphide	Inferred	10,159,000	0.72	6.65	233,532	2,172,766

(1) Prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum classification system
(2) The 2013 resource model used ordinary kriging (OK) grade estimate within a three-dimensional block model with mineralized zone defined by wireframed solids
(3) Resource estimate was completed in imperial units with the following conversions:
- *1 gram/tonne = 0.0291667 troy oz/short ton*
- *1tonnes = 1.10231 short ton*

(4) A base cutoff grade of 0.45 g/t Au was used for reporting resources
(5) Capping was implemented for gold grades at 23.52 g/t and silver grades at 329.14 g/t

In 2014, Gunpoint completed a study of the historic metallurgical work including the collection of representative composite samples for column leach testing on Talapoosa. The test work improved the metallurgical flow-path for Talapoosa and attracted interest in the project.

On April 1, 2015, Gunpoint closed a transaction with Timberline Resources Corporation ("Timberline"), granting Timberline an option (the "Option") to acquire from Gunpoint's subsidiary, American Gold Capital US Inc. ("American Gold"), a 100% interest in the Talapoosa gold project located in Nevada. In consideration for the Option, Timberline has paid US$100,000 and issued 2.0 million shares of common stock of Timberline to American Gold. As a result of this transaction, American Gold owns 16.7% of the outstanding shares issued in Timberline. The Timberline shares are subject to staged vesting over 24 months from closing.

Timberline has also agreed to pay an additional US$200,000 to American Gold within the next 180 days (subsequent to April 1, 2015). Timberline has within 30 months from March 12, 2015 to exercise the Option to acquire a 100% interest in Talapoosa. Timberline can exercise the Option by making a US$10.0 million cash payment to American Gold. For a period of five years after Timberline exercises the Option, Timberline would required to pay American Gold an additional US$10.0 million (payable in cash and Timberline common shares) if the daily price of gold averages US$1,600 per ounce or greater for a period of ninety consecutive days. Timberline plans to complete a feasibility study on Talapoosa during the option period. American Gold retains a 1% net smelter royalty on Talapoosa which Timberline can purchase for US$3.0 million.

LA CECILIA (Sonora State, Mexico)

In 2008, the Company completed its purchase of a 100% interest in the La Cecilia property from the Consejo de Recursos Minerales de Mexico ("CRM") for the total purchase price of US$100,000. The project consists of four mineral concessions totalling 6,435 hectares of which one concession comprising 5,641 hectares was staked by the Company.

La Cecilia is a low-sulphidation, epithermal-type gold-silver system related to two well-developed northwest and northeast trending sets of faults centred on "Cerro Magallanes", a rhyolite dome complex. The mineralization occurs as high grade in vein structures and as lower grade within broader zones of stockeworks and breccias. Numerous other anomalous zones of silicification, brecciation and argillic alteration exist across the extent of the flow dome complex, an area of more than 1 kilometre by 2 kilometres. In 2009 Chesapeake conducted a program of detailed mapping and sampling on La Cecilia.

On October 24, 2013, Gunpoint entered into an agreement to sell a 100% interest in La Cecilia to Precipitate Gold Corp. ("Precipitate") for the total consideration of $400,000 and 525,000 common shares of Precipitate. Of which Gunpoint received 58,000 common shares upon execution of the agreement.

However, in October 2014, Precipitate elected not to proceed with the agreement resulting in Gunpoint retaining a 100% in La Cecilia.

TATATILA (Veracruz State, Mexico)

In 2007, the Company acquired through purchase and staking the Tatatila project, a precious metal and polymetallic mining district in Veracruz State. Chesapeake acquired seven concessions of a National Mineral Reserve totaling 2,767 hectares in staged payments totaling US$56,000 from the CRM, a mining division of the Mexican government. The Company also staked one concession comprising 25,602 hectares.

The Tatatila project covers a 200 square kilometre district characterized by Cretaceous limestones and sedimentary rocks affected by multi-phase intrusions. The main intrusive complex is more than 10 kilometers in diameter and consists of granodiorites, quartz-diorites and granites of Tertiary age. Igneous activity generated intermittent hydrothermal events that formed widespread skarn-type alteration zones along the contact between the calcareous and intrusive rocks. Porphyry and epithermal occurrences have also been found in this district.

In July 2010 Quimicos Minerales de Mexico S.A. de C.V., a private Mexican company, ("Quimcos") agreed to acquire Tatatila for US$300,000 in staged payments over four years. The Company has received the 2010, 2011 and 2012 payments totalling US$145,000 towards the purchase price. The Company retains a 1% NSR in the Tatatila project. As at December 31, 2014, Quimcos elected not to proceed with the agreement.

RIO MINAS (Oaxaca State, Mexico)

Rio Minas is a silver – rich, polymetalicskarn prospect. To date, five major skarn zones have been identified within a 6 kilometer long, NE trending corridor associated with a NE-trending regional fault system. Rio Minas comprises one mineral concession that was acquired through staking totaling 7,425 hectares.

In 2008 a Phase I soil sampling program was completed on Rio Minas covering 3,750 hectares. The program consisted of 10 parallel sample lines totaling 45 line kilometers. Results reveal a strong, multi-element soil anomaly in the southwestern portion of the area. The large soil anomaly is 1,200 meters long and 200 to 300 meters wide and comprises adjacent zones of elevated and coincident copper, lead, zinc, and silver.

LA GITANA (Oaxaca State, Mexico)

La Gitana is a large low sulphidation epithermal system hosting precious metals mineralization that is both structurally and lithologically controlled. During 2005 and 2006, the Company completed 40 diamond drill holes comprising 8,462 meters on the La Gitana project. The drill program primarily tested Cerro di Oro, a 1.5 kilometer long, NW-trending, structurally-controlled, epithermal system where gold-silver mineralization is found as high-grade shoots in a set of N-W trending, sub-vertical structures, and as low grade disseminations within broad zones of quartz stockworks and breccias.

A NI 43-101 compliant technical report on the La Gitana Project concluded that the exploration program undertaken by the Company on the Cerro di Oro zone of the La Gitana project (including detailed surface mapping and sampling, ground geophysics and diamond drilling) provided sufficient information to confirm the existence of well-defined gold-silver mineralization extending 500 meters in length, 50 to 150 meters wide and 50 to 300 meters deep. Step out drilling also discovered additional gold-silver mineralization along strike for over 300 meters to the southeast.

The Company has transferred La Gitana to Gunpoint together with the Talapoosa project and La Cecilia property in Sonora State, Mexico.

REGIONAL PROPERTIES (Mexico)

The Company continues to explore for additional gold and silver prospects in western Mexico. At any given time, several targets may be under consideration for possible acquisition through staking or entering into third party option to purchase agreements.

Generative exploration targeting bulk tonnage, near surface gold and silver mineralization proximate to the Metates and Ranchito sites remains an important focus. Among several regional prospects under evaluation, the Nicole project located near Metates, has been advanced to the drill stage. As part of the Nicole project, the Company acquired two concessions from Firesteel Resources Ltd. in 2013 for the total price of US$125,000. Firesteel retains 2.5% NSR of which the Company has the option to purchase 60% or 1.5% NSR for US$1,000,000.

EL ESCORPION (Guatemala)

The Company has an option to purchase the El Escorpion property (“Escorpion”), a 900 hectare concession in eastern Guatemala. To earn a 100% interest, the option payments total US$351,000 over 5 years. A 1% NSR can be purchased for US$585,000. Mapping and sampling by Chesapeake has identified two prospective areas with intermediate sulfidation epithermal precious and base metal mineralization.

The Escorpion property is located 85 kilometers by paved road southeast of Guatemala City. Escorpion is situated 7 kilometers southwest and along trend of Tahoe Resources Inc.’s Escobal mine which has a NI 43-101 compliant indicated mineral resource of 367 million ounces of silver grading 422 g/t, plus 37 million ounces of silver grading 254 g/t in the inferred category. Mineralization at Escobal is associated with steeply dipping and northeast-southwest trending intermediate sulfidation epithermal silver rich quartz veins with significant values in gold, lead and zinc. The Escobal land package completely surrounds the Escorpion project.

The outcropping mineralization at Escorpion appears to have many similarities to that at Escobal and occurs in a fault controlled, intermediate sulfidation epithermal system characterized by several multistage, subparallel silver-lead-zinc quartz-carbonate veins and stockworks. To date, the northeast-southwest trending system has been traced is continuously for over 1500 meters along strike and remains open to the northeast and southwest. The system is characterized by carbonate-minor quartz vein swarms in the southwest (Mina Blanca zone) and quartz stockworks and quartz veins in the northeast part of the concession (Escorpion –Los Pozos zones). The epithermal system is hosted in volcaniclastic sediments, porphyritic andesites and rhyodacitic rocks, the same rock types which host mineralization at Escobal.

On June 14, 2013, the Company concluded an agreement in respect of the Escorpion project with Gunpoint, whereby Gunpoint acquired a 100% interest in the Company's Escorpion project by issuing and granting the following to Chesapeake.

- 500,000 common shares of Gunpoint
- 500,000 warrants exercisable at $1.50 per share for a term of five years
- A 1.5% NSR royalty in the event Chesapeake purchases the existing 1.0% NSR
- 1.0 million common shares of Gunpoint in the event a NI 43-101 measured and indicated resource estimate of 1.0 million gold equivalent ounces is achieved on the Escorpion property.

SUMMARY OF ANNUAL CONSOLIDATED CONDENSED LOSS

(tabled amounts are expressed in thousands of CAD dollars)	**2014**	**2013**	**2012**
Depreciation	(70.8)	(95.3)	(96.9)
Exploration	(708.4)	(746.4)	(647.2)
General & administration (1)	(2,001.3)	(2,537.0)	(2,075.0)
Share based compensation	(2,040.1)	(2,222.1)	(3,951.1)
	(4,820.6)	(5,600.8)	(6,770.2)
Finance (cost) income, net	439.2	627.8	640.4
Foreign exchange loss	194.8	(88.1)	(66.5)
Gain from sale of available for sales investment	69.0	-	1,043.9
Impairment on mineral properties	(403.7)	(1,155.7)	(3,757.3)
Impairment on investment	(102.5)	(61.9)	(367.4)
Other expense	(57.8)	(26.0)	(74.9)
Net loss before tax	(4,681.6)	(6,304.7)	(9,352.0)
Income tax provision	-	(823.1)	142.0(2)
Net loss after tax	(4,681.6)	(7,127.8)	(9,210.0)
Other comprehensive loss	(780.7)	(69.8)	585.8
Net loss and comprehensive loss	(5,462.3)	(7,197.6)	(8,624.2)
Basic/Diluted loss per share	(0.11)	(0.16)	(0.18)

(1) General and administration ("G&A") consists of general and administrative expenses, professional fees and management fees

The Company incurred a net loss after tax of $4.7 million ($0.11 loss per share) for the year ended December 31, 2014 compared to a loss of $7.1 million ($0.16 loss per share) in the same period in 2013. The $2.4 million lower loss was primarily due to a decrease of $0.2 million in non-cash stock based compensation expense as the majority of the stock options were vested in the prior year. Also, there was a higher impairment cost ($0.4 million compared to $1.2 million) in the prior year as well. In addition, general and administration has decreased as the Company is conserving its cash until market conditions improve.

Other comprehensive loss fluctuated over the fiscal periods. This was mainly due to the volatility of the stock market from international economic environment and the IFRS non-cash adjustment related to the translation of measurement currency to reporting currency.

Consolidated quarterly loss – 8 quarters historic trend

(tabled amounts are expressed in thousands of CAD dollars)	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**
Amortization	(8.3)	(16.5)	(22.4)	(23.6)	(23.3)	(23.1)	(23.9)	(25.0)
Exploration	(278.9)	(122.8)	(91.7)	(215.0)	(150.8)	(231.9)	(168.3)	(195.4)
General & administration [1]	(576.0)	(341.9)	(527.4)	(556.0)	(781.5)	(516.6)	(673.9)	(565.0)
Share-based compensation	(874.6)	(545.9)	(277.9)	(341.7)	(483.6)	(486.6)	(516.2)	(735.7)
	(1,737.8)	(1,027.1)	(919.4)	(1,136.3)	(1,439.2)	(1,258.2)	(1,382.3)	(1,521.1)
Finance (cost) income, net	101.3	108.5	104.2	125.2	177.8	212.0	64.7	173.3
Foreign exchange (loss) gain	314.7	79.8	(125.5)	(74.2)	(9.7)	(53.6)	(7.7)	(17.1)
Gain (loss) on sales of available for sales investments	(0.6)	-	-	69.6	-	-	-	-
Impairment of marketable securities	(102.5)	-	-	-	(27.7)	(99.5)	(23.3)	(10.9)
Impairment of mineral properties	(403.7)	-	-	-	(1,155.7)	-	-	-
Other expenses	18.3	18.9	(88.7)	(6.3)	(2.9)	(13.0)	(2.9)	(7.2)
Income taxes	-	-	-	-	(823.1)	-	-	-
Net loss	(1,810.3)	(819.9)	(1,029.4)	(1,022.0)	(3,280.5)	(1,112.8)	(1,351.5)	(1,383.0)
Other comprehensive (loss) income	(834.1)	59.4	84.6	(90.6)	430.6	290.3	(274.4)	(516.3)
Total comprehensive loss	(2,664.4)	(760.5)	(944.8)	(1,112.6)	(2,849.9)	(922.0)	(1,625.9)	(1,899.3)
Basic/Diluted loss per share	(0.06)	(0.02)	(0.02)	(0.02)	(0.06)	(0.03)	(0.03)	(0.03)
Total assets	98,480.7	99,493.1	99,636.4	100,266.2	101,953.1	102,033.9	102,501.2	104,056.0

(1) General and administration ("G&A") consists of general and administrative expenses, professional fees and management fees

Three months ended December 31, 2014 vs. prior quarters in 2014 and historic quarters in 2013

The Company incurred a net loss after tax of $2.7 million ($0.06 loss per share) for the three months ended December 31, 2014. When compared with the prior quarters in fiscal 2014, the net loss in the current quarter was higher due to higher non-cash stock-based compensation expense and the timing difference of general and administration expense and exploration expense.

When the current quarter is compared with Q4 2013, the loss in the current quarter was lower as there was an impairment of mineral property expense of $1.2 million and a non-cash income tax expense of $0.8 million in Q4 2013.

When the current quarter is compared with Q1 2013 to Q3 2013, the loss in the current quarter was higher due to higher non-cash stock based compensation expense and an impairment expense of $0.4 million.

Other comprehensive loss fluctuated over the fiscal periods. This was mainly due to the volatility of the stock market due to the international economic environment and the IFRS non-cash adjustment related to the translation of measurement currency to reporting currency.

LIQUIDITY AND CAPITAL RESOURCES

	Year ended December 31,		
(tabled amounts are expressed in thousands of CAD dollars)	**2014**	**2013**	**2012**
Cash outflows from operating activities	(2,200.9)	(1,992.4)	(3,975.2)
Cash inflows from financing activities	-	660.0	33,220.9
Cash outflows from investing activities	(4,010.5)	(4,389.6)	(597.9)
Net cash flows	(6,211.4)	(5,721.9)	28,647.8
Cash balance	28,992.0	35,005.4	40,800.3

(tabled amounts are expressed in thousands of CAD dollars)	**2014**	**2013**	**2012**
Opening balance – cash and cash equivalent	**35,005.4**	**40,800.3**	**12,073.8**
Chesapeake Gold Corp – warrants exercised	-	660.0	34,858.1
Gunpoint – convertible debt proceeds	-	-	750.0
Gunpoint – equity financing proceeds	-	-	1,869.2
Proceeds from sales of other investment	338.6	630.0	7,496.2
Investment income – cash received	521.0	703.5	768.8
Decrease in accounts receivables and prepaid expense	170.8	606.3	-
Purchase of royalty investment	(9,859.5)	-	-
Proceeds from sale of royalty investment	9,883.8	-	-
Increase in accounts payable	-	23.5	-
General & administration and other overhead	(2,001.3)	(2,537.0)	(2,075.0)
General exploration expense	(708.4)	(746.4)	(647.2)
Capitalized Exploration Expense (e.g. Metates)	(4,373.4)	(4,977.8)	(8,012.9)
Increase in accounts receivables and prepaid expense	-	-	(448.4)
Settlement of margin payable	-	-	(4,256.4)
Settlement of accounts payable	(108.3)	-	(1,342.9)
Other	123.3	(157.0)	(233.0)
Ending balance - cash and cash equivalent	**28,992.0**	**35,005.4**	**40,800.3**

As at December 31, 2014 the Company's net working capital was $29.5 million, down from a net working capital of $36.1 million as at December 31, 2013. Cash and cash equivalents are primarily held in major Canadian chartered banks and Canadian government securities with short-term maturity dates. The $6.6 million decrease in working capital balance was principally from expenditures on engineering, geotechnical work, exploration and other operating activities, net of working capital adjustments.

Cash outflow from operating activities in the year ended December 31, 2014 was $2.3 million. The cash outflow was primarily attributable to general exploration ($0.8 million), corporate and consulting expenses ($0.5 million) in support of the updated pre-feasibility study being prepared for the Metates project.

During the year ended December 31, 2014, there were no financing activities.

During the year ended December 31, 2014, cash outflow from investing activities was reasonably consistent with 2013.

Cash and cash equivalent balance as at December 31, 2014 is $29.0 million

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds. The Company has sufficient working capital to fund the planned development and corporate expenses through 2015.

SHAREHOLDERS' EQUITY

As at the date of this report the Company had 44,416,366 shares and 4,408,000 share purchase options outstanding.

As at the date of this report, the Company has 375,000 shares in escrow.

The following is a summary of stock options outstanding as at the date of this report:

Number of options ('000s)	Number of options vested ('000s)	Price per share	Expiry Date
2,643	-	$ 3.30	29-Aug-24
810	645	9.10	11-May-15
955	270	10.75	05-Feb-17
4,408	915	5.98	

REGULATORY DISCLOSURES

Off-Balance Sheet Arrangements

As at the date of this report, the Company had no off-balance sheet arrangements.

Related Party Transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The Company incurred the following expenses with related parties during the period ended December 31:

The remuneration of the Company's directors and other key management personnel during the year ended December 31, are as follows:

Amounts in '000s	2014	2013
Short-term employee benefits	$ 645.8	$ 609.4
Share-based compensation	1,679.5	1,996.1

Amounts in '000s	2014	2013
Consulting	$ 395.8	$ 359.4
Legal	150.0	114.6
Management fees	250.0	250.0
Rental	24.0	24.0

Legal fees were paid or accrued to a legal firm of which one of the partners has been the Corporate Secretary of the Company during 2014 and 2013. Management and rental fees were paid or accrued to a Company owned by an officer of the Company. Consulting and travel and promotion fees were paid or accrued to a director of the Company. These expenses were measured at the exchange amounts agreed upon by the parties. As at December 31, 2014 the Company had amounts payable of $161,700 (2013 - $188,300) to these parties. These amounts are unsecured and non-interest bearing.

Financial Instruments

The following provides a comparison of carrying and fair values of each classification of financial instrument:

Amounts in '000s	December 31, 2014		December 31, 2013	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Fair value to profit and loss ("FVTPL")				
Cash and cash equivalents	28,992.0	28,992.0	35,005.4	35,005.4
Other receivables	431.6	431.6	591.4	591.4
Reclamation bond	195.4	195.4	181.2	181.2
Available-for-sale				
Marketable securities	2,475.0	2,475.0	2,862.9	2,862.9
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	1,669.3	1,669.3	1,774.7	1,774.7

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Amounts in '000s				
	Level 1	Level 2	Level 3	Total December 31, 2014
Cash and cash equivalents	$ 28,992.0	$ -	$ -	$ 28,992.0
Marketable securities	2,475.0	-	-	2,475.0

Significant Accounting Policies

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minerales El Prado S.A. de C.V. (Mexico) and American Gold Capital Corporation (British Columbia). The accounts of American Gold Capital Corporation's wholly-owned subsidiaries, Metates Mining Enterprises LLC (Delaware) and its wholly-owned subsidiary American Gold Metates S. de R.L. de C.V. (Mexico) are also included in these consolidated financial statements. During 2010, the Company acquired an 81.93% interest in Gunpoint Exploration Ltd. (British Columbia) (formerly Christopher James Gold Corp.) ("Gunpoint") in exchange for transferring all of its interest in American Gold Capital US Inc. (Nevada) ("American Gold US") to Gunpoint. These consolidated financial statements include the accounts of American Gold US for 2010 and 2011. From March 26, 2010 onwards, they also include the accounts of Gunpoint as well as the recognition of an 18.07% non-controlling interest in Gunpoint and American Gold US. Subsequent to Gunpoint's financing in October 2012, the revised non-controlling interest is 25.54%. All significant inter-company balances and transactions have been eliminated upon consolidation.

Special Purpose Entities (‘‘SPE’s’’) as defined in SIC 12 Consolidation – Special Purpose Entities are entities which are created to accomplish a narrow and well-defined objective. SPE’s are subject to consolidation when there is an indication that an entity controls the SPE. The Company has determined that its investment in Hunt Exploration S.A. (“Hunt”) is a SPE that the Company controls. The accounts of Hunt are consolidated with those of the Company.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method in accordance with IFRS 3, Business Combinations. The cost of an acquisition is measured as the sum of the consideration transferred, measured at the acquisition date fair value and the amount of any non controlling interest in the acquiree. Non controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Corporation’s net assets in the event of liquidation may be initially measured either at fair value or at the non controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. The excess of (i) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (ii) the non controlling interests in the acquiree, over the acquisition date fair value of net assets acquired, is recorded as goodwill. Acquisition costs incurred are expensed.

Goodwill arising on an acquisition is recognized as an asset and initially measured at cost. Goodwill is not amortized; rather it is tested annually for impairment or at any time during the year that an indicator of impairment is identified.

Cash and cash equivalents

Cash and cash equivalents include cash on account, highly liquid short term deposits and guaranteed investment certificates with major financial institutions, and fixed income securities with a term to maturity of three months or less at the date of acquisition that are readily convertible into known amounts of cash.

Reclamation bond

The Company maintains cash deposits that are restricted to the funding of reclamation costs. For the Talapoosa property in Nevada State, USA, the Company has placed cash on deposit to fund future reclamation costs anticipated under a reclamation plan approved by the State of Nevada. Reclamation deposits are designated as fair value through profit and loss, are recorded at fair value, and are classified as a non-current asset.

Comprehensive income or loss

Comprehensive income or loss is the change in equity (net assets) of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. In accordance with this standard, the Company reports comprehensive income or loss in its statement of operations and accumulated other comprehensive income or loss in its statement of changes in equity. The components of other comprehensive income or loss include unrealized gains and losses on financial assets classified as available-for-sale.

Foreign currency translation

The functional currency of the reporting entity and each of its foreign operations must be assessed independently giving consideration to the primary economic environment in which each operates. Management has determined that the functional currencies of Minerales el Prado, its Mexican subsidiary is the Mexican Peso as this is the currency of the primary economic environment in which the Company operates. The Company and its other subsidiaries have the Canadian Dollar as their functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Exploration and evaluation assets

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating mineral reserves on specific properties are capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments are applied against exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Exploration and evaluation expenditures are evaluated annually and then reclassified as mineral properties upon completion of technical feasibility and commercial viability.

Equipment

Equipment is recorded at cost. Amortization is provided at annual rates on a declining balance basis over the estimated useful lives of the equipment as follows:

Asset	Rate
Office, furniture and computer	10%
Vehicles	25%
Exploration equipment	10%

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of operations.

Impairment

The Company reviews the carrying value of long-lived assets for impairment when circumstances indicate an asset's value may not be recoverable. The evaluation is based on the higher of the asset's fair value less costs to sell and its value in use, which is present value of future cash flows expected to be derived from the asset in its current state. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds its recoverable amount.

Decommissioning obligation

The Company recognizes statutory, contractual and other legal obligations related to the retirement of tangible long-lived assets. These obligations are initially measured at fair value and subsequently adjusted for the accretion of any discount and changes in the underlying future cash flows and discount rate. The asset retirement cost is capitalized to the related asset and amortized to operations over time.

The Company recognizes the fair value of the liability for a decommissioning obligation in the period in which it is incurred and record a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to retire the obligation. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties.

Share-based compensation

The Company's share option plan provides for the granting of stock options to directors, officers, consultants and employees, which allow them to purchase common shares of the Company. The fair value of all stock based awards is estimated using the Black Scholes option pricing model at the grant date and expensed to operations over each award's vesting period. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in the share based payment reserve is recorded as an increase in issued capital. In the event that the options expire or are cancelled, previously recognized compensation expense associated with such stock option is not reversed.

When the Company issues Units that are comprised of a combination of common shares and warrants, the value is assigned to common shares and warrants based on their relative fair values. The fair value of the on the warrants is estimated using the Black Sholes option pricing model at the issuance dates.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and other deductions carried forward.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a deferred tax asset is recorded against any deferred tax asset if it is probable that there will be future taxable income to offset. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

Recognition of interest income

Interest from cash and cash equivalents, fixed income marketable securities and Asset Backed Commercial Paper ("ABCP") is recorded on an accrual basis when collection is reasonably assured.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period. As the Company has recorded a net loss for each of the periods presented, basic and diluted net loss per share are the same as the exercise of stock options or share purchase warrants are anti-dilutive.

Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments – recognition and measurement

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

- Financial assets and liabilities classified as fair value through profit or loss are required to be measured at fair value, with gains and losses recognized in net earnings.
- Financial assets classified as held-to-maturity, loans and receivables and other liabilities are required to be measured at amortized cost using the effective interest method of amortization.
- Available-for-sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income (loss).

The Company has implemented the following classification:

- Cash and cash equivalents and loans and other receivables are classified as fair value through profit or loss.
- Marketable securities, ABCP and reclamation bonds are classified as available-for-sale.
- Accounts payable and accrued liabilities, margin balance payable and convertible debt are classified as other financial liabilities.

Transaction costs related to financial instruments classified as fair value through profit or loss are recognized immediately into income. For financial instruments classified as other than fair value through profit or loss, transaction costs are added to the financial instrument.

Changes in accounting standards

IFRS 10 "Consolidated Financial Statements" (IFRS 10)

IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" (IAS 27) and SIC 12 "Consolidation-Special Purpose Entities". IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

There was no significant impact on these consolidated financial statements as a result of adopting these amendments.

IFRS 11 "Joint Arrangements" (IFRS 11)

IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (IAS 31) and SIC 13 "Jointly Controlled Entities – Non-Monetary-Contributions by Venturers". It aligns more closely the accounting by investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

There was no significant impact on these consolidated financial statements as a result of adopting these amendments.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cashflows.

IFRS 13 "Fair Value Measurement" (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning or after January 1, 2013. IAS requires particular IFRS 13's disclosures in the financial statements which are provided in Note 6.

Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information herein include, but are not limited to, statements regarding prospective gold, silver and zinc production, timing and expenditures to develop the Metates property, gold, silver and zinc resources, grades and recoveries, cash costs per ounce, capital and operating expenditures and sustaining capital and the ability to fund mine development at Metates. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law.

Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Chesapeake and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: ability to finance mine development, fluctuations in the prices of gold, silver and zinc, fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological conditions, pressures, cave-ins and flooding); inadequate insurance, or inability to obtain insurance; availability of and costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, diminishing quantities or grades of mineral reserves as properties are mined; risks in obtaining necessary licenses and permits, and challenges to the Company's title to properties.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.

Other technical information

Mr. Gary Parkison, Metates Project Manager and a Qualified Person as defined by NI 43-101 is responsible for the technical information on Metates, Mr. Doug Austin, P.E., Senior Vice President, Dr. Art Ibrado, QP Member, MMSA, Project Manager and Mr. Richard Zimmerman, R.G. Environmental Geologist with M3 and Mr. Michael Hester F AUS IMM, Vice President, and Ms. Sylvia Y. Genglet, Senior Geological Engineer of IMC, Dr. Deepak Malhotra, SME, President of Resource Development Inc., and Mr. Grenvil M. Dunn, P. Eng, C. Eng, Director of Hydromet (Pty) Ltd. prepared the NI 43-101 Pre-feasibility study, Reserves Estimates and Mine Planning in accordance with NI 43-101.

E. Max Baker, Ph.D., M. Aust.IMM, director of Gunpoint, is the Qualified Person as defined by National Instrument 43-101 and is responsible for the technical information on Talapoosa. Mr. Todd McCracken (P. Geo) of Tetra Tech is the Qualified Person as defined by National Instrument 43-101 and is responsible for technical information in the updated Resource Estimate for Talapoosa.