



## **Chesapeake Gold Corp.**

Condensed Consolidated Interim Financial Statements

June 30, 2014 – Second Quarter

(unaudited)

(expressed in thousands of Canadian dollars, except where indicated)

**Chesapeake Gold Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**

(Unaudited)

(expressed in thousands of Canadian dollars, except where indicated)

	Note	June 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 22,507.4	\$ 35,005.4
Other receivables and prepaid expenses		390.7	717.1
Marketable securities	3,4	2,788.0	2,862.9
Asset held for sale – royalty investment	8	9,859.5	-
		35,275.6	38,585.4
Investment in associate	5	79.7	174.0
Investment in mineral properties	6	63,649.5	62,788.2
Equipment	7	178.3	224.3
Reclamation bond		183.3	181.2
Total assets		\$ 99,636.4	\$ 101,953.1
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	3	\$ 957.1	\$ 1,774.7
Convertible debt		750.0	742.9
		1,707.1	2,517.6
Deferred income tax liabilities		6,381.6	6,381.6
Decommissioning obligation		246.1	244.9
Total liabilities		8,334.8	9,144.1
<b>Shareholders' equity</b>			
Share capital	10	147,594.4	147,594.4
Reserves		15,496.7	14,969.6
Deficit		(74,281.6)	(72,296.0)
		88,809.5	90,268.0
Non-controlling interest ("NCI")		2,492.1	2,541.0
Total shareholders' equity		91,301.6	92,809.0
Total liabilities and shareholders' equity		\$ 99,636.4	\$ 101,953.1

*Nature of operations (note 1)*

*Commitment (note 13)*

**Approved by the Board of Directors**

\_\_\_\_\_  
 "P. Randy Reifel"

Director

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 "Gerald L. Sneddon"

Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Chesapeake Gold Corp.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

(expressed in thousands of Canadian dollars, except where indicated)

	Note	Three months ended June 30,		Six months ended June 30,	
		2014	2013 (restated – Note 2)	2014	2013 (restated – note 2)
<b>General and administration expenses</b>					
Depreciation	7	\$ (22.4)	\$ (23.9)	\$ (46.0)	\$ (48.9)
Exploration		(91.7)	(168.3)	(306.7)	(363.7)
General and administrative		(272.1)	(483.1)	(670.8)	(933.0)
Management fees	12	(62.5)	(62.5)	(125.0)	(125.0)
Professional fees		(192.8)	(128.3)	(287.6)	(180.9)
Share-based compensation	11	(277.9)	(516.2)	(619.6)	(1,251.9)
		(919.4)	(1,382.3)	(2,055.7)	(2,903.4)
<b>Other (expenses) income, net</b>					
Finance income		133.4	99.1	269.4	290.6
Finance cost		(29.2)	(34.4)	(40.0)	(52.6)
Foreign exchange loss		(125.5)	(7.7)	(199.7)	(24.8)
Impairment on investment in associate	5	(80.4)	(57.9)	(80.4)	(68.8)
Loss from investment in associates	5	(7.6)	(2.9)	(13.9)	(10.1)
Other		(0.7)	-	68.9	-
<b>Net loss</b>		(1,029.4)	(1,386.1)	(2,051.4)	(2,769.1)
<b>Other comprehensive loss (“OCI”)</b>					
Items that may be reclassified subsequently to net earnings:					
Cumulative translation adjustment		(88.1)	(29.2)	(269.7)	(578.2)
Unrealized gain (loss) on available for sale investments	4	172.7	(245.2)	263.7	(212.5)
<b>Total comprehensive loss</b>		(944.8)	(1,660.5)	(2,057.4)	(3,559.8)
<b>Net loss attributable to</b>					
Owners of the Company		(979.2)	(1,308.1)	(1,985.6)	(2,620.5)
Non-controlling interest		(50.2)	(78.0)	(65.8)	(148.6)
		(1,029.4)	(1,386.1)	(2,051.4)	(2,769.1)
<b>Other comprehensive (loss) income attributable to</b>					
Owners of the Company		\$ 84.0	\$ (274.4)	\$ (6.6)	\$ (790.7)
Non-controlling interest		0.6	-	0.6	-
<b>Total other comprehensive loss</b>		\$ 84.6	\$ (274.4)	\$ (6.0)	\$ (790.7)
<b>Loss per share</b>					
Basic and diluted		\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.06)
<b>Weighted average shares outstanding (000’s)</b>					
Basic and diluted		44,216	44,216	44,216	44,216
<b>Total shares issued and outstanding (000’s)</b>		44,216	44,216	44,216	44,216

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Chesapeake Gold Corp.

## Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

	Notes	Shares ('000)	Attributable to owners of the Company					Total for owners	NCI	Total equity
			Share capital	Share based compensation reserves	Foreign translation reserves	Investment revaluation reserves	Deficit			
<b>Balance at January 1, 2014 (restated)</b>	2	44,416	\$ 147,594.4	\$ 13,804.1	\$ 415.5	\$ 750.0	\$ (72,296.0)	\$ 90,268.0	\$ 2,541.0	\$ 92,809.0
Net loss for the period		-	-	-	-	-	(1,985.6)	(1,985.6)	(65.8)	(2,051.4)
Cumulative translation adjustment		-	-	-	(269.7)	-	-	(269.7)	-	(269.7)
Unrealized gain in available for sale investments	4	-	-	-	-	263.1	-	263.1	0.6	263.7
Gain on sales of marketable securities		-	-	-	-	(69.6)	-	(69.6)	-	(69.6)
Share-based compensation charges	11	-	-	603.3	-	-	-	603.3	16.3	619.6
<b>Balance at June 30, 2014</b>		44,416	\$ 147,594.4	\$ 14,407.4	\$ 145.8	\$ 943.5	\$ (74,281.6)	\$ 88,809.5	\$ 2,492.1	\$ 91,301.6
<b>Balance at January 1, 2013</b>		44,216	\$ 146,590.8	\$ 11,980.8	\$ 393.5	\$ 779.9	\$ (65,292.6)	\$ 94,452.4	\$ 2,594.3	\$ 97,046.7
Net loss for the period		-	-	-	-	-	(2,620.5)	(2,620.5)	(148.6)	(2,769.1)
Cumulative translation adjustment		-	-	-	(578.2)	-	-	(578.2)	-	(578.2)
Unrealized loss in available for sale investments		-	-	-	-	(212.5)	-	(212.5)	-	(212.5)
Impairment of marketable securities		-	-	-	-	68.8	-	68.8	-	68.8
Hunt sales transaction to Gunpoint		-	-	-	-	-	-	-	15.9	15.9
Share-based compensation charges	11	-	-	1,223.9	-	-	-	1,223.9	28.0	1,251.9
<b>Balance at June 30, 2013 (restated – note 2)</b>		44,216	\$ 146,590.8	\$ 13,204.7	\$ 636.2	\$ 573.7	\$ (67,913.1)	\$ 92,334.0	\$ 2,489.6	\$ 94,823.5

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Chesapeake Gold Corp.

## Condensed Consolidated Interim Statement of Cash Flows

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2014	2013 (restated –	2014	2013 (restated – note 2)
<b>Cash used from operating activities</b>					
Net loss for the period		\$ (1,029.4)	\$ (1,386.1)	\$ (2,051.4)	\$ (2,769.1)
Items not affecting cash					
Depreciation	7	22.4	23.9	46.0	48.9
Unrealized foreign exchange (gain) loss		125.5	41.9	199.7	24.8
Loss from investment in associates	5	7.6	2.9	13.9	10.1
Impairment on investment in associates	5	80.4	57.9	80.4	68.8
Share-based compensation charges	11	277.9	516.2	619.6	1,251.9
Finance cost – accretion of convertible debt		-	7.9	7.1	16.4
Other		0.7	(23.2)	(68.9)	-
		(514.9)	(758.6)	(1,153.6)	(1,348.2)
Change in non-cash operating working capital					
Increase in accounts receivable and prepaid expense		348.6	539.8	326.4	351.9
Decrease in accounts payable and accruals		36.4	(608.7)	(816.3)	(710.4)
		(129.9)	(827.5)	(1,643.5)	(1,706.7)
<b>Cash flows used in investing activities</b>					
Proceeds from sale of marketable securities	4	-	39.4	338.6	472.3
Royalty investment expenditures	8	(9,859.5)	-	(9,859.5)	-
Mineral property expenditures		(478.1)	(736.3)	(1,130.3)	(2,085.9)
Purchase of equipment	7	-	(19.4)	-	(38.6)
		(10,337.6)	(716.3)	(10,651.2)	(1,652.2)
<b>Increase (decrease) in cash and cash equivalents</b>		(10,467.5)	(1,543.8)	(12,294.7)	(3,358.9)
<b>Foreign exchange impact on cash and cash equivalents</b>		(122.2)	(50.3)	(203.3)	(34.5)
<b>Cash and cash equivalents – beginning of period</b>		33,097.1	39,001.0	35,005.4	40,800.3
<b>Cash and cash equivalents – end of period</b>		22,507.4	37,406.9	22,507.4	37,406.9
Cash		\$ 982.8	\$ 3,483.8	\$ 982.8	\$ 3,483.8
Short term investment		21,524.6	33,923.1	21,524.6	33,923.1
<b>Cash and cash equivalents – end of period</b>		\$ 22,507.4	\$ 37,406.9	\$ 22,507.4	\$ 37,406.9

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Chesapeake Gold Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2014

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

### 1 Nature of operations

Chesapeake Gold Corp. (“Chesapeake” or the “Company”) is a Canadian mining company focused on the exploration, development and recovery of precious metals. The Company is in the development stage and does not generate mining revenues from operations. The Company’s operations are principally directed towards the development of the Company’s Metates project in Durango State, Mexico and generating a pipeline of exploration projects in north western Mexico.

The Company is domiciled in Vancouver, Canada and its common shares are listed on the TSX Venture Exchange under the trading symbol “CKG.V”. The Company’s registered office is at Suite 201 – 1512 Yew Street, Vancouver BC, V6K 3E4, Canada.

On November 26, 2010, the Company acquired an 81.93% interest in Gunpoint Exploration Ltd. (“Gunpoint”) through an acquisition of Gunpoint’s shares. As a result of this transaction the Company acquired control of Gunpoint. Subsequent to Gunpoint’s financing in October 26, 2012, the revised ownership decreased from 81.93% to 74.46%.

These condensed consolidated interim financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had a consolidated net loss of \$2,051.4 for the six months ended June 30, 2014, and an accumulated deficit of \$74,281.6 as at June 30, 2014. To date, the Company has not generated operating revenue from its mineral properties. The ability of the Company to continue as a going concern is dependent upon obtaining additional equity and/or debt financing to complete the exploration and development of its mineral property interests and to commence profitable operations. Despite the general economic slow-down and significant uncertainty to key economic variables, the Company currently has sufficient resources to fund its exploration and development operations for more than a year.

### 2 Basis of presentation

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting, on a basis consistent with the most recent annual consolidated financial statements. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and accordingly should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2013.

In May 2011, the IASB issued the following standards: IFRS 10, ‘Consolidated Financial Statements’, IFRS 11, ‘Joint Arrangements’, IFRS 12, ‘Disclosure of Interests in Other Entities’, IAS 27, ‘Separate Financial Statements’, IFRS 13, ‘Fair Value Measurement’ and amended IAS 28, ‘Investments in Associates and Joint Ventures’. Effective January 1, 2013, the Company adopted each of the new standards with no material impact on its consolidated interim financial statements.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 29, 2014.

#### Restatement of prior period

Balance	Three months ended June 30, 2013		Six months ended June 30, 2013	
	As restated	As previously reported	As restated	As previously reported
<b>Statement of Loss and Comprehensive Loss</b>				
Impairment on securities	(57.9)	(23.3)	(68.8)	(127.9)
Loss from investment in associates	(2.9)	-	(10.1)	-
Other comprehensive loss	(274.4)	(311.9)	(790.7)	(865.7)
Other comprehensive loss attributable to NCI	-	(9.3)	-	(18.9)
Loss per share	(0.03)	(0.03)	(0.06)	(0.06)

During the course of the preparation of the consolidated financial statements for the year ended December 31, 2013, management determined Gunpoint’s investment in Jiulian Resources Inc. (previously classified as marketable securities) should be classified as Investment in Associates as a subsidiary of the Company has significant influence over the investee. As a result, other comprehensive

# Chesapeake Gold Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2014

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

income losses were reversed and reclassified as loss from investment in associates for the three and six months ended June 30, 2013. These errors are not material to any of the periods presented and have been corrected retrospectively in these statements.

### 3 Financial instruments

#### Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	June 30, 2014		December 31, 2013	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Fair value through profit and loss ("FVTPL")</i>				
Cash and cash equivalents	22,507.4	22,507.4	35,005.4	35,005.4
Other receivables	316.1	316.1	591.4	591.4
Reclamation bond	183.2	183.2	181.2	181.2
<i>Available-for-sale</i>				
Marketable securities	2,788.0	2,788.0	2,862.9	2,862.9
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities	957.1	957.1	1,774.7	1,774.7

#### Fair value measurements

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.

	Level 1	Level 2	Level 3	Total June 30, 2014
Cash and cash equivalents	\$ 22,507.4	\$ -	\$ -	\$ 22,507.4
Marketable securities	2,788.0	-	-	2,788.0

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the six months ended June 30, 2014.

### 4 Investments

	December 31, 2013 Fair value	Redemption	Realized and unrealized gain	June 30, 2014 Fair value
Marketable securities	\$ 2,862.9	\$ (338.6)	\$ 263.7	\$ 2,788.0

## Chesapeake Gold Corp.

### Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2014

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

## 5 Investment in associate

The Company entered into an agreement with Jiulian Resources Inc. (“Jiulian”) effective January 25, 2011 whereby Jiulian acquired 100% interest in the Big Kidd and Little Fort mineral claims (“BC Claims”) for a \$100.0 cash payment and 18.75 million common shares of Jiulian with a market value of \$0.15 per share.

The Company is accounting for this investment using the equity method as the Company has determined that significant influence exists as the Company owns approximately 16% of Jiulian and one of Company’s member of management is on the Board of Directors of Jiulian.

The value of the Company’s investment in Jiulian was as follows:

<b>(Restated – see note 2)</b>	<b>Number of shares ('000)</b>	<b>Carrying value</b>
<b>Balance as at December 31, 2012</b>	<b>18,750</b>	<b>\$ 200.0</b>
Loss from investment in associate	-	(10.1)
Impairment on investment in associate	-	59.1
<b>Balance as at June 30, 2013</b>	<b>18,750</b>	<b>249.0</b>
Balance as of December 31, 2013	<b>18,750</b>	<b>174.0</b>
Loss from investment in associate	-	(80.4)
Impairment on investment in associate	-	(13.9)
<b>Balance as at June 30, 2014</b>	<b>18,750</b>	<b>79.7</b>

The reporting date of Jiulian is February 28, 2014. For the purpose of applying the equity method of accounting, the financial statements of Jiulian for the period ended February 28, 2014 have been used and appropriate adjustments have been made for the effects of significant transactions between February 28, 2014 and June 30, 2014.

The net asset value of Jiulian as of June 30, 2014 was \$1,126.7 (December 31, 2013: \$1,156.4). The net loss of Jiulian for the three and six months ended June 30, 2014 was \$9.8 and \$39.4 respectively (2013 - \$17.8 and \$62.3).



## Chesapeake Gold Corp.

### Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2014

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

## 6 Mineral properties

	La Cecilia	Talapoosa	Metates	Tatatila	Regional	Escorpion	Nicole	Total
<b>January 1, 2013</b>	\$ 205.6	\$ 7,672.4	\$ 49,804.9	\$ 207.4	\$ 885.3	\$ 175.5	\$ -	\$ 58,951.1
Concession acquisition	-	189.3	112.6	-	63.3	-	118.7	483.9
FX effects on translation from measurement to reporting	-	-	21.5	0.1	0.4	-	-	22.0
Assays	-	55.5	100.4	-	-	-	-	155.9
Camp & supplies	-	15.6	373.4	-	89.2	-	-	478.2
Drilling	-	0.5	277.7	-	-	-	-	278.2
Environmental	-	-	1.7	-	-	-	-	1.7
Geological & engineering	-	173.2	3,177.0	-	50.1	87.8	-	3,488.1
Travel	-	3.5	59.5	-	67.4	-	-	130.4
Impairment	-	-	-	-	(1,155.7)	-	-	(1,155.7)
Other	(7.0)	(38.6)	-	-	-	-	-	(45.6)
<b>December 31, 2013</b>	\$ 198.6	\$ 8,071.4	\$ 53,928.7	\$ 207.5	\$ -	\$ 263.3	\$ 118.7	\$ 62,788.2
Concession acquisition	-	17.5	60.4	-	34.4	12.9	-	125.2
FX effects on translation from measurement to reporting	-	-	(268.1)	(0.1)	-	-	-	(268.2)
Assays	-	69.1	35.7	-	-	-	-	104.8
Camp & supplies	-	-	34.6	-	15.3	-	-	49.9
Drilling	-	-	6.5	-	-	-	-	6.5
Environmental	-	-	3.5	-	-	-	-	3.5
Geological & engineering	-	54.5	729.7	-	11.3	-	-	795.5
Travel	-	0.7	26.5	-	17.7	-	-	44.9
<b>June 30, 2014</b>	\$ 198.7	\$ 8,213.2	\$ 54,557.5	\$ 207.4	\$ 78.7	\$ 276.2	\$ 118.7	\$ 63,649.5

## 7 Equipment

	Cost December 31, 2012	Additions	Disposals	Cost December 31, 2013	Cost June 30, 2014
Office and furniture	\$ 66.3	\$ 2.0	\$ (32.8)	\$ 35.5	\$ 35.5
Computer equipment	5.0	-	(5.0)	-	-
Vehicles	381.6	36.6	(111.3)	306.9	306.9
Exploration equipment	367.0	3.2	-	370.2	370.2
	\$ 819.9	\$ 41.8	\$ (149.1)	\$ 712.6	\$ 712.6

## Chesapeake Gold Corp.

### Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2014

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

	Accumulated Depreciation December 31, 2012	Depreciation, depletion & amortization	Disposals	Accumulated Depreciation December 31, 2013	Depreciation, depletion & amortization	Accumulated Depreciation June 30, 2014
Office and furniture	\$ (53.7)	\$ (3.6)	\$ 32.8	\$ (24.5)	\$ (6.0)	\$ (30.5)
Computer equipment	(5.0)	-	5.0	-	-	-
Vehicles	(249.4)	(76.7)	111.3	(214.8)	(25.2)	(240.0)
Exploration equipment	(234.0)	(15.0)	-	(249.0)	(14.8)	(263.8)
	\$ (537.1)	\$ (95.3)	\$ 149.1	\$ (488.3)	\$ (46.0)	\$ (534.3)

Carrying amount	June 30, 2014	December 31, 2013
Office and furniture	\$ 5.0	\$ 11.0
Vehicles	66.9	92.1
Exploration equipment	106.4	121.2
	\$ 178.3	\$ 224.3

# Chesapeake Gold Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2014

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

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### 8 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 subsidiary, American Gold Metates S. de R.C. de C.V. ("AGM"), for a purchase price of \$9,859.5 (US\$9,000.0).

Subsequent to June 30, 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") for US\$9,000.0. 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\$9,000.0 with SLW continuing to hold a 0.5% interest in 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.

### 9 Convertible debenture

On March 15, 2012, Gunpoint issued a convertible debenture ("Debenture") of \$750.0. The Debenture carries interest at the rate of 5% per annum, payable on the earlier of conversion or maturity. The Debenture is unsecured. Each Debenture is convertible at the holder's option any time prior to or on maturity into fully paid units ("Units") of Gunpoint at a conversion price of \$0.80 per Unit. Each Unit consists of one fully paid common share in the capital of the Company and one-half of one share purchase warrant ("Warrant"). Each whole Warrant is exercisable for a period of 24 months from the date of issue of the Debentures to purchase an additional common share at \$1.00. The Company may redeem all or any portion of the Debenture at any time prior to or on the maturity date.

On March 14, 2014, Gunpoint extended the term of the Debenture by 12 months to March 16, 2015.

Based on the discount factor of 10% over the loan life of two years, the equity portion was valued at \$65.1. Accreted interest for the debenture for three and six months ended June 30, 2014 was \$nil and \$7.1 respectively (2013 – \$7.9 and \$16.4).

### 10 Share Capital

- a) The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of Series 1 Class A restricted voting shares without par value, convertible and redeemable at \$0.01 per share and an unlimited number of preferred shares without par value.
- b) As at June 30, 2014, 375,000 of the issued and outstanding common shares were held in escrow, subject to release upon approval of regulatory authorities.

### 11 Share based compensation

The Company has a share purchase option plan which provides for equity participation in the Company by its directors, officers, employees, consultants and consultant companies through the acquisition of common shares pursuant to the grant of options to purchase shares. The option plan is administered by the Board of Directors. Options may be granted on such terms as the Board may determine within the limitations of the option plan and subject to the rules and policies of applicable regulatory authorities. The maximum aggregate number of shares reserved for issuance for options granted under the option plan is 5,500,000 common shares. The exercise price for options granted may not be less than the market price of the shares on the day immediately preceding the date of the grant of the option.

The Company also has a Stock Bonus Plan ("Bonus Plan"). The Bonus Plan enables bonus common shares to be issued to any full-time or part-time employee or independent contractor (whether or not a director) of the Company or any of its subsidiaries who has rendered services that contributed to the success of the Company or any of its subsidiaries. Grants of bonus common shares will be on terms that

## Chesapeake Gold Corp.

### Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2014

(Unaudited)

(amounts expressed in thousands of Canadian dollars, except where indicated)

the Compensation Committee of the Board may determine, within the limitations of the Bonus Plan and subject to the rules and policies of applicable regulatory authorities. The maximum number of common shares issuable under the Bonus Plan is 200,000 common shares, representing approximately 0.52% of the current issued and outstanding common shares. In addition, in any calendar year, the number of bonus common shares issuable to insiders of the Company, also taking options into account, is limited to 0.5% of the total number of common shares which were issued and outstanding at the end of the preceding calendar year, 10% of the issued and outstanding common shares, and no more than 5% of the issued and outstanding shares to any one person in a 12-month period.

	June 30, 2014		December 31, 2013	
	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price
Outstanding – beginning of year	4,032	\$ 6.53	4,232	\$ 6.38
Granted	-	-	-	-
Exercised	-	-	(200)	3.30
Expired	(2,092)	3.30	-	-
Outstanding – end of period	1,940	\$ 10.02	4,032	\$ 6.53

The following is a table discloses the number of options and vested options outstanding as at June 30, 2014:

Number of options (000s)	Number of options vested (000s)	Price per share	Expiry Date
860	860	\$ 9.10	11-May-15
1,080	540	\$ 10.75	05-Feb-17
1,940	1,400		

During the six months ended June 30, 2014, the Company recognized \$619.6 (2013 - \$1,251.9) as share-based compensation expense respectively, of which \$555.0 (2013 - \$1,140.7) relates to the Company and \$64.6 (2013- \$111.2) relates to Gunpoint.

## 12 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 three and six months ended June 30:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Consulting	\$ 89.1	\$ 91.9	\$ 188.0	\$ 167.9
Legal	63.2	25.1	75.9	44.4
Management fees	62.5	62.5	125.0	125.0
Rental	6.0	6.0	12.0	12.0

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 fees were paid or accrued to a director of the Company. These expenses were measured at the exchange amounts agreed upon by the parties.

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As at June 30, 2014 the Company had amounts payable of \$317.5 (December 31, 2013 - \$188.3) to these parties. These amounts are unsecured and non-interest bearing.

### 13 Commitment

The Company is committed to spend \$2,000.0 in technical and exploration expense in 2014 to advance the development of the Metates project. During the six months ended June 30, 2014, \$836.5 in technical and exploration expenses were incurred.

### 14 Segment disclosures

The Company operates in one operating segment (Note 1) in three countries. Details of the investments in mineral properties are disclosed in Note 6. The Company's assets by country are:

June 30, 2014	Canada	Mexico	USA	Total
Cash and cash equivalent	\$ 22,468.0	\$ 39.4	\$ -	\$ 22,507.4
Accounts receivable and prepaid expense	129.1	261.6	-	390.7
Marketable securities	2,788.0	-	-	2,788.0
Royalty investment	-	9,859.5	-	9,859.5
	25,385.1	10,160.5	-	35,545.6
Investment in associates	79.7	-	-	79.7
Investment in mineral properties	-	55,436.3	8,213.2	63,649.5
Other long term assets	183.3	-	-	183.3
Fixed assets	4.3	174.0	-	178.3
Total assets	\$ 25,652.4	\$ 65,770.8	\$ 8,213.2	\$ 99,636.4
Segment loss for the three months ended	\$ 1,252.8	\$ 471.9	\$ 326.7	\$ 2,051.4
Segment loss for the six months ended	\$ 610.5	\$ 154.0	\$ 264.9	\$ 1,029.4

June 30, 2013 (restated – see Note 2)	Canada	Mexico	USA	Total
Cash and cash equivalent	\$ 37,402.6	\$ 4.3	\$ -	\$ 37,406.9
Accounts receivable and prepaid expense	74.9	896.9	-	971.8
Marketable securities	2,794.0	-	-	2,794.0
	40,271.5	901.2	-	41,172.7
Investment in associates	249.0	-	-	249.0
Investment in mineral properties	-	52,662.7	7,812.0	60,474.7
Other long term assets	178.5	-	-	178.5
Fixed assets	43.1	224.5	-	267.6
Total assets	\$ 40,742.1	\$ 53,788.4	\$ 7,812.0	\$ 102,342.5
Segment loss (income) for the three months ended	\$ 1,156.0	\$ (124.7)	\$ 354.8	\$ 1,386.1
Segment loss for the six months ended	\$ 2,118.3	\$ 26.8	\$ 624.0	\$ 2,769.1