

Management's Discussion and Analysis of Consolidated Financial Position and Consolidated Results of Operations

For the year ended December 31, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the activities, consolidated financial condition and consolidated results of the operations of Continental Gold Limited (the "Company" or "Continental Gold") constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the year ended December 31, 2013. This discussion, dated March 5, 2014, should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2013, together with the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts in this MD&A are in United States ("U.S.") dollars, unless stated otherwise. References to C\$ and COP are to Canadian dollars and Colombian pesos, respectively. Information contained herein is presented as of March 5, 2014, unless otherwise indicated.

Further information about the Company and its operations is available on SEDAR at www.sedar.com and on the U.S. Over-the-Counter market, OTCQX[®] International ("OTCQX"), at www.otcmarts.com.

FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking statements" within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Forward-looking information includes, but is not limited to: statements with respect to the potential of the Company's properties; the estimation of mineral resources; exploration results; potential mineralization; exploration and mine development plans; results of a pre-feasibility study; timing of the commencement of operations; the future price of gold and other mineral commodities; the realization of mineral resource estimates; success of exploration activities; cost and timing of future exploration and development; conclusion of economic evaluations; requirements for additional capital; other statements relating to the financial and business prospects of the Company; and other future events and information as to the Company's strategy, plans or future financial or operating performance.

Generally, forward-looking statements are characterized by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "is projected", "anticipates" or "does not anticipate", "believes", "targets", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "should", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management considered reasonable at the date the statements are made in light of management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that it believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the actual results of exploration activities; the inherent risks involved in the exploration and development of mineral properties; changes in project parameters as plans continue to be refined; delays in obtaining government approvals; the uncertainties of project cost overruns or unanticipated costs and expenses; uncertainties inherent in conducting operations in a foreign country; title risks related to the ownership of the Company's projects and the related surface rights and to the boundaries of the Company's projects; the Company's limited operating history; uncertainties related to the availability and costs of financing needed in the future; fluctuations in mineral prices; uninsurable risks related to exploration, development and production; reliance on a pre-feasibility study to determine the potential economic viability of the mineral resources comprising the Buriticá project; uncertainties of construction and operating cost overruns; the risk that the conclusion of pre-production studies may not be accurate; unexpected adverse changes that may result in failure to comply with environmental and other regulatory requirements; differing interpretations of tax regimes in

foreign jurisdictions; the loss of Canadian tax resident status; uncertainties inherent in competition with other exploration companies; non-governmental organization intervention and the creation of adverse sentiment among the inhabitants of areas of mineral development; uncertainties related to conflicts of interest of directors and officers of the Company; dependence on key management employees; reliance on outside contractors in certain mining operations; labour and employment matters; the presence of artisanal miners; the reliability of mineral resource estimates; the ability to fund operations through foreign subsidiaries; the residency of directors, officers and others; uncertainties related to holding minority interests in other companies; foreign currency fluctuations; unreliable historical data for projects; reliance on adequate infrastructure for mining activities; health and safety risks; compliance with government regulation; the market price of shares of the Company; the payment of future dividends; future sales of shares of the Company; accounting policies and internal controls; and Bermuda legal matters. See “Risks and Uncertainties” for further discussion regarding risk factors.

Although management of the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting shareholders in understanding the Company’s expected financial and operational performance and the Company’s plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements contained herein or incorporated by reference herein, except in accordance with applicable securities laws.

Differences in Reporting of Mineral Resource Estimates

This MD&A was prepared in accordance with Canadian standards for reporting of mineral resource estimates, which differ in some respects from United States standards. In particular, and without limiting the generality of the foregoing, the terms “inferred mineral resources,” “indicated mineral resources,” “measured mineral resources” and “mineral resources” used or referenced in this MD&A are Canadian mineral disclosure terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resources and Mineral Reserves (the “CIM Standards”). The CIM Standards differ significantly from standards in the United States. While the terms “mineral resource,” “measured mineral resources,” “indicated mineral resources,” and “inferred mineral resources” are recognized and required by Canadian regulations, they are not defined terms under standards in the United States. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies, except in limited circumstances. The term “resource” does not equate to the term “reserves”. Under United States standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Readers are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Readers are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable. Disclosure of “contained ounces” in a mineral resource is permitted disclosure under Canadian regulations; however, United States companies are only permitted to report mineralization that does not constitute “reserves” by standards in the United States as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of “reserves” are also not the same as those of the United States Securities and Exchange Commission (the “SEC”), and reserves reported by the Company in compliance with NI 43-101 may not qualify as “reserves” under SEC standards. Accordingly, information regarding mineral resources contained or referenced in this MD&A containing descriptions of our mineral deposits may not be comparable to similar information made public by United States companies.

EXECUTIVE SUMMARY

Continental Gold Limited (TSX:CNL; OTCQX:CGOOF) is an advanced-stage exploration and development company with four gold projects covering over 154,822 hectares in highly-prospective areas with known historical gold production in Colombia.

Formed in April 2007, the Company is committed to increasing its value through the exploration and development of precious metal deposits. The Company's international management team has a successful track record of discovering and developing bulk mining targets and multi-million ounce gold deposits while its technical team boasts more than 40 years of mining and exploration experience in Colombia. Their in-depth knowledge of Colombian mineral properties has guided the Company to acquire properties with substantial exploration and development potential.

The focus of the Company for 2013 was to continue to advance the exploration and development program at its flagship high-grade gold project, Buriticá, located in Antioquia, Colombia. Major objectives accomplished in fiscal 2013 included drilling programs that expanded and infilled the Veta Sur and Yaraguá zones; exploration drilling of other high-grade vein system targets; the development of multiple tunnels accessing the Yaraguá and Veta Sur vein systems; the submission of the final modification required to the existing Environmental Impact Assessment ("EIA"); preparation for the publishing of an updated mineral resource estimate in early 2014; and advancing various engineering studies that will form the foundation of a pre-feasibility study ("PFS") expected to be completed in 2015.

2013 Highlights

- Advancement of the exploration and development program at the Buriticá project:
 - Completed approximately 56,300 metres of diamond drilling during the year ended December 31, 2013 for an overall project life total of approximately 215,300 metres to December 31, 2013. Drilling has extended several vein sets and identified new veins outside of the current mineral resource and discovered new mineralized areas within the greater Buriticá area;
 - Drill results in the Veta Sur vein system included: BUUY121, which intersected 16.7 metres @ 58.7 g/t gold and 233 g/t silver, including 5.15 metres @ 184 g/t gold and 671 g/t silver; BUUY118, which intersected 18.7 metres @ 22.4 g/t gold and 80 g/t silver, including 3.8 metres @ 99.6 g/t gold and 254 g/t silver; BUUY126, which intersected 28.4 metres @ 20.5 g/t gold and 135 g/t silver, including 2.15 metres @ 135.3 g/t gold and 921 g/t silver and 10.9 metres @ 10.8 g/t gold and 85 g/t silver; and BUUY149, which intersected 0.5 metres @ 101.5 g/t gold and 20 g/t silver;
 - Drill results in the Yaraguá vein system included: BUUY083, which intersected 22.3 metres @ 23.9 g/t gold and 255 g/t silver; BUUY086, which intersected 20.2 metres @ 11.4 g/t gold and 59 g/t silver; BUUY114, which intersected 10.5 metres @ 108 g/t gold and 96 g/t silver; BUUY170, which intersected 2.7 metres @ 830.6 g/t gold and 65 g/t silver and 3.45 metres @ 27.1 g/t gold and 11 g/t silver; and BUUY120, which intersected 1 metre @ 329.5 g/t gold and 52 g/t silver;
 - Underground channel sampling in the Yaraguá vein system resulted in significant intervals including 56.3 g/t gold and 112 g/t silver across 1.34 metres along 32 metres and 121.4 g/t gold and 775 g/t silver across 0.45 metres along 60 metres;
 - Drill results in the La Estera vein system included: BUSY332, which intersected 9.83 metres @ 16.1 g/t gold and 50 g/t silver and 1.75 metres @ 36.7 g/t gold and 182 g/t silver; BUSY342, which intersected 3.5 metres @ 13.3 g/t gold, 181 g/t silver and 5.3% zinc, including 1 metre @ 21.3 g/t gold, 362 g/t silver and 8.2% zinc; and BUSY357, which intersected 0.5 metres @ 32.5 g/t gold and 64 g/t silver. The potential grades discussed for this target are conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource;

- Discovery of a new mineralized vein system called San Agustin. Drill results included: BUSY329, which intersected 0.4 metres @ 49.7 g/t gold and 163 g/t silver; BUUY093 which intersected 3.0 metres @ 7.2 g/t gold, 43 g/t silver and 8% zinc; and BUSY340, which intersected 0.72 metres @ 31.0 g/t gold and 3 g/t silver and 0.5 metres @ 12.0 g/t gold and 31 g/t silver. The potential grades discussed for this target are conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource;
 - Surface exploration outlined four new precious metal-mineralized systems. These new prospects are outside of the future Higabra valley infrastructure site ("VIS"), where expansion and resource delineation drilling continued in the Yaraguá, Veta Sur, La Estera and San Agustin vein systems. Three of the new prospects - Pinguro North, Pinguro and Obispo - are located 1 kilometre south, 3 kilometres south and 6 kilometres southeast of the VIS, respectively. The Guarco-Pajarito prospect is 4 to 10 kilometres northwest of the VIS. Each of these prospects is situated to the east of the Tonusco fault;
 - Continued underground development of the main access tunnel in the Higabra valley at an elevation of 1,150 metres above sea-level. In addition, commenced construction of two new ramps parallel to the Veta Sur and Yaraguá vein systems at an elevation of approximately 1,700 metres and 1,600 metres above sea-level, respectively. The Company's initial goal is to provide underground drilling access to grow the measured and indicated portion of the mineral resource estimate for both the Yaraguá and Veta Sur vein systems ahead of the PFS;
 - On April 11, 2013, the Company released updated metallurgical results for the Buriticá project. The preferred recovery process selected is gravity concentration followed by cyanidation of gravity tails. Overall metallurgical recoveries on all four 150-kilogram samples yielded 95.4% and 48.6% for gold and silver, respectively. In addition, a large proportion of the gold can be extracted using gravity separation with an average recovery rate of 73.8%;
 - On December 23, 2013, the Company submitted an Environmental Impact Assessment ("EIA") to Corantioquia, representing the final modification to the environmental license for the entire surface infrastructure required to build a mine in the Higabra valley. Corantioquia is the autonomous regional corporation responsible for issuing and controlling environmental permits in Antioquia, and is the same agency that approved the Company's first environmental permit modification on August 30, 2012, allowing the Company to commence construction of a six-kilometre switchback road and begin underground development; and
 - Completed the purchase of approximately 99% of the hectares required for the future infrastructure at the Buriticá project.
- On August 1, 2013, Cordoba Minerals Corp. ("Cordoba"), an unrelated public company, announced a binding agreement with respect to the acquisition by Cordoba of Sabre Metals Inc. ("Sabre"), an associate of the Company (the "Cordoba transaction"). Upon completion of the Cordoba transaction, the Company's ownership of Cordoba is expected to be less than 10%, including shares of Cordoba currently owned by the Company. As a result, upon completion of the Cordoba transaction, the investment in Sabre is expected to be reclassified and accounted for as an available-for-sale investment. As at March 5, 2014, the Cordoba transaction has not yet closed.

Subsequent to year end:

- On January 9, 2014, the Company announced additional drill results for the Veta Sur and La Estera vein systems which included BUSY355, which intersected 0.7 metres @ 26.8 g/t gold and 118 g/t silver;
- On February 5, 2014, the Company announced additional drill results for the Yaraguá vein system which included BUUY191, which intersected 36.48 metres @ 9.4 g/t gold and 43 g/t silver, including 1.8 metres @ 34.8 g/t gold and 61 g/t silver plus 2.6 metres @ 36.3 g/t gold and 47 g/t silver.

- On February 6, 2014, the Company invested C\$1.0 million, currently held in escrow, for the subscription of 2,000,000 units of Cordoba, to be issued upon the closing of the Cordoba transaction. The units consist of 2,000,000 common shares of Cordoba and 2,000,000 warrants with an exercise price of C\$0.75 per share and an expiry date of three years; and
- On February 6, 2014, the Company loaned C\$2.0 million to a company controlled by the Chairman of the Company (“the Chairman”) and received in exchange a promissory note bearing interest at 2.5% per annum and payable on the earlier of the closing or cancellation of the Cordoba transaction.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As at or Year ended In thousands of U.S. dollars	December 31 2013	December 31 2012	December 31 2011
	\$	\$	\$
Consolidated Financial Position			
Cash and cash equivalents	117,526	169,983	83,404
Exploration and development assets	163,888	121,154	83,521
Total assets	297,313	310,596	177,588
Shareholders' equity	278,747	296,656	155,804
Consolidated Operating Results			
Foreign exchange (loss) gain	(8,180)	277	(1,247)
Loss on sale or write-down of assets	(7,403)	(105)	(4,266)
Net (loss) income	(25,309)	(7,929)	18,204
Consolidated Cash Flow			
Acquisition of and investment in exploration and evaluation assets, net of gold sales	41,438	32,465	25,992
Cash flows from financing activities	654	134,304	21,273
Net cash (out) inflow	(44,769)	86,314	(12,527)

The Company's total assets at December 31, 2013 were \$297.3 million in comparison to \$310.6 million as at December 31, 2012 and \$177.6 million as at December 31, 2011. The decrease in total assets in 2013 is mainly due to impairment adjustments for exploration assets and unrealized foreign exchange losses while the increase in total assets in 2012 is mainly due to the completion of a bought deal financing and the exercise of share purchase warrants, broker warrants and stock options.

Cash and cash equivalents at December 31, 2013 was \$117.5 million compared to \$170.0 million at December 31, 2012 and \$83.4 million as at December 31, 2011. The decrease in cash and cash equivalents in 2013 is a result of expenditures for the continued advancement of the Buriticá project and a decline in Canadian dollar cash balances due to changes in the C\$:US\$ exchange rate. The increase in cash and cash equivalents in 2012 is a result of cash generated from the completion of a bought deal financing and the exercise of share purchase warrants, broker warrants, net of investments in exploration and evaluation assets.

Net loss for the year ended December 31, 2013 was \$25.3 million compared to \$7.9 million for the year ended December 31, 2012 and net income of \$18.2 million for the year ended December 31, 2011, which included a gain of \$nil, \$0.7 million and \$34.0 million, respectively, related to the revaluation of Canadian dollar-denominated warrants. In 2012 and 2011, there were Canadian dollar-denominated warrants outstanding that represented warrants listed on the Toronto Stock Exchange (“TSX”) for which changes in the fair values are recognized in the consolidated statement of operations and comprehensive loss. All such warrants were exercised or expired in 2012. The change in net loss in 2013 is mainly due to impairment charges for exploration assets, an impairment charge and a provision for bad debts relating to its investment in and receivable from ThunderBolt Resources Inc. (“ThunderBolt”), an associate of the Company, and foreign exchange losses on Canadian-dollar monetary balances and on Colombian peso tax balances. In 2012, the change in net income (loss) is mainly a result of a decrease in the gain on Canadian dollar denominated warrants, net of a loss on disposal of exploration assets and a one-time equity tax incurred in 2011.

The Company has no long-term financial liabilities, off-balance sheet financing arrangements or material contingent liabilities or contractual obligations, other than the equity tax liability. Excluding the impact of revaluations for financial liabilities and foreign exchange on Canadian-dollar cash balances, the Company expects to continue to incur losses until commercial mining operations from its exploration and evaluation assets have commenced.

DESCRIPTION OF BUSINESS

The Company is an advanced-stage exploration and development entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties in Colombia. The Company currently holds the rights to explore and develop four properties in Colombia totaling approximately 146,783 hectares and has pending concession applications totaling approximately 8,039 hectares. There is no guarantee that the Company will be granted the pending concession applications. See the “Risks and Uncertainties” section in this MD&A. Currently, the Company’s primary focus is on its Buriticá project.

The Company is governed by the laws of Bermuda and is a reporting issuer in Canada under applicable securities legislation in Ontario, Alberta, British Columbia and New Brunswick. It carries on its operations through a corporate office in Toronto, Canada and a foreign company branch office in Medellín, Colombia. The Company’s issued and outstanding common shares trade on the TSX and OTCQX under the symbols “CNL” and “CGOOF”, respectively.

The Company has a need for equity capital and other financing to fund working capital in the exploration and development of its properties. The Company’s ability to continue as an active mineral property explorer and developer is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or sufficient, or if the Company will attain profitable levels of operation.

EXPLORATION SUMMARY

Exploration expenditures, net of gold sales and recoveries, are summarized as follows:

Year ended December 31 In thousands of U.S. dollars	2013	2012
	\$	\$
Buriticá	49,782	34,859
Dojura	307	(147)
Berlin	158	287
Santander	66	47
Anza	–	(5)
Dominical	(565)	284
	49,748	35,325

Buriticá Project

The Buriticá project encompasses an aggregate area of 59,095 hectares and is located approximately 75 kilometres northwest of Medellín in the Antioquia Department of north-western Colombia. The project area is comprised of 15 registered concessions covering 13,729 hectares, 30 pending registration concessions totaling 43,693 hectares and five concession applications covering 1,673 hectares. As in the case of all the Company’s properties, concession applications in process give the Company priority on the properties in question during the application process; however, there is no guarantee that the Company will be granted the pending concession applications (see “Risks and Uncertainties” in this MD&A). The Buriticá project includes the Yaraguá mine that had previously been under small-scale production by the Company and is now utilized for underground exploration development and a bulk-sample testing operation.

Mineralization at Buriticá is a porphyry-related, carbonate base metal (“CBM”) gold vein/breccia system. High grade precious metal mineralization in CBM systems may occur over substantial vertical intervals, to well in excess of a kilometre, from the porphyry level to below the shallow epithermal range. Compared to low-sulfidation epithermal styles CBM mineralization is sulphide-rich, with abundant pyrite +/- pyrrhotite plus sphalerite and galena along with minor sulfosalts and chalcopyrite and with quartz-carbonate gangue mineralogy. Gold in CBM systems may be free-milling or refractory. Mineralization in CBM systems typically comprises sheeted veins, stockworks and mineralogically similar breccias with some fracture-related disseminations in wall-rocks.

On October 1, 2012, the Company announced an updated mineral resource estimate for the Buriticá project prepared in accordance with NI 43-101 which covers two major vein systems, with a combined Measured and Indicated mineral resource of 3,740,000 tonnes of mineralized material containing 1,640,000 ounces of gold grading 13.6 g/t gold, 4,600,000 ounces of silver grading 38 g/t silver, and 55,800,000 pounds of zinc grading 0.7% zinc. The combined Inferred mineral resource is 13,330,000 tonnes of mineralized material containing 3,760,000 ounces of gold grading 8.8 g/t gold, 14,200,000 ounces of silver grading 33 g/t silver and 156,500,000 pounds of zinc grading 0.5% zinc.

Drilling continues with eight drill rigs at the project, including five underground drill rigs and three surface drill rigs. During the three months ended December 31, 2013, the Company completed approximately 10,741 metres of diamond drilling in 32 holes for an overall project total of over 215,331 metres. Definition drilling on a 25 to 50-metre grid continued in the Yaraguá and Veta Sur vein systems, and step-out drilling continued in both areas. Drilling activities also continued in the La Estera and San Agustin areas, which are to the north and south of the Yaraguá and Veta Sur vein systems. Other areas, defined by soil anomalies to the north, south, east and west of currently known mineralization, were also drilled in a reconnaissance fashion.

Pre-development

On October 1, 2012, the Company announced an updated gold, silver and zinc mineral resource estimate for the Yaraguá and Veta Sur vein systems. The mineral resource estimate was based on 112,600 metres of drilling and 2,332 metres of underground sampling (as at June 30, 2012). Drill results from the 2012 drill campaign and the Company’s updated mineral resource estimate were disclosed in various Company news releases and the Company’s technical report (the “Technical Report”) entitled “2012 Mineral Resource Estimate of the Buriticá Gold Project, Colombia” dated November 15, 2012 with an effective date of October 22, 2012, prepared by Andrew J Vigar, BAppSc Geo, FAusIMM, MSEG, and Martin Recklies, BAppSC Geo, MAIG, each of Mining Associates Pty Limited, which are available under the Company’s profile on SEDAR at www.sedar.com.

Also in October 2012, the Company announced a revised development plan for the Buriticá project, including the commencement of a PFS. The Company’s decision to commence a PFS was based primarily on the larger than anticipated increase in the measured and indicated resources in the updated mineral resource estimate.

Many of the pre-development activities at the Buriticá project continued throughout fiscal 2013, including advancing the following studies which will form the foundation of the PFS: civil, metallurgical, hydrological, geotechnical, water management and electrical studies.

The Company continued with underground development of the main access tunnel in the Higabra valley at an elevation of 1,150 metres above sea-level. In addition, the Company commenced construction of two new ramps parallel to the Veta Sur and Yaraguá vein systems at an elevation of approximately 1,700 metres and 1,600 metres above sea-level, respectively. The Company’s initial goal is to provide underground drilling access to grow the measured and indicated portion of the mineral resource estimate for both the Yaraguá and Veta Sur vein systems ahead of the PFS.

On April 11, 2013, the Company released updated metallurgical results for the Buriticá project. The preferred recovery process selected is gravity concentration followed by cyanidation of gravity tails.

Overall metallurgical recoveries on all four 150-kilogram samples yielded 95.4% and 48.6% for gold and silver, respectively. In addition, a large proportion of the gold can be extracted using gravity separation with an average recovery rate of 73.8%.

The Company announced on September 19, 2013 that approximately 99% of the hectares required for future infrastructure have been purchased, and remains on track and within budget to complete the remaining land purchases ahead of construction.

During the third quarter of 2013, the Company announced that, based on road-building experience gained from constructing a dirt road to the Veta Sur Ramp, it now has the in-house capability to build a similar dirt road to the Higabra Valley. Construction is now expected to commence once market conditions improve.

On December 23, 2013, the Company submitted an EIA to Corantioquia, representing the final modification to the environmental license for the entire surface infrastructure required to build a mine in the Higabra Valley. Corantioquia is the autonomous regional corporation responsible for issuing and controlling environmental permits in Antioquia, and is the same agency that approved the Company's first environmental permit modification on August 30, 2012, allowing the Company to commence construction of a six-kilometre switchback road and begin underground development.

In addition, the Company took possession of its first two pieces of heavy mining equipment. Training and literacy programs continue to be implemented to prepare the Company's current workforce for modern mining methods.

Sustainability and Corporate Social Responsibility

Continental Gold is committed to conducting its operations in a safe, environmentally and socially responsible manner, while ensuring respect and transparency in any community in which we operate.

The Company's Corporate Social Responsibility ("CSR") model is aligned with international performance standards, aiming to protect the environment, deliver effective and sustainable community development, and improve the quality of life for its employees and contractors, their families, and the immediate community.

The Company's CSR model is based on economic, social and environmental criteria focusing to position the Company as:

- *A good employer* - emphasizing hiring local labor and respecting the dignity of employees; aligning management with their personal life projects;
- *A good neighbour* - committed to local development through respectful and empowering community participation; and
- *A good ally* - the construction and strengthening of trusting relationships with its stakeholders contributes to the Company's growth and promotes community development through the generation of safe and sustainable environments that support dignified living, human rights, and the strengthening of the local economy.

The Company's responsibility to the sustainable development of the Buriticá community is reflected in the implementation of programs aimed at improving health, education, and infrastructure. During 2013, the Company:

- Promoted education by awarding university scholarships, developing programs aimed at preparing students for standardized testing and continuing the community literacy campaign;
- Improved infrastructure at local schools, sports recreation centres and public areas;

- Introduced the “Smiles for the Future” and the second phase of the Company’s “Child Health Campaign”, with a focus on oral health for children in the community and on food safety; in 2012, the first phase of the program focused on visual health;
- Supported local businesses and farmers through partnerships;
- Established “Efficient Stoves”, a program aimed at rural households, school educational centers, and restaurants. These stoves use a minimal amount of fuel wood, thereby protecting the environment and contributing to health safety;
- Implemented environmentally-friendly processes in all mining activities, including reforestation campaigns and solid waste management programs;
- Encouraged productivity through the establishment of kitchen gardens and poultry farms; and
- Focused on implementing environmentally-friendly processes in all the Company’s mining activities, including the adoption of programs such as the recirculation of water in the processes of the Buriticá Project, allowing for the efficient reuse of an important resource. Also, in order to preserve the watershed, reforestation campaigns and programs of Integrated Solid Waste Management are conducted, serving the community and the Company’s partners.

For 2014, the Company plans to advance its CSR program to establish a solid foundation for sustainable development, with focus on, among other things, continued overall support of the community’s activities, support of local businesses, refining infrastructure and urban planning.

2013 Expenditures

During the three months and year ended December 31, 2013, the Company incurred \$13.8 million and \$56.4 million, respectively, of deferred exploration and development costs (three months and year ended December 31, 2012 – \$7.6 million and \$40.1 million, respectively), including \$0.4 million and \$2.8 million, respectively (three months and year ended December 31, 2012 – \$0.8 million and \$4.1 million, respectively) of capitalized share-based payments. Gold sales resulting from exploration work and drifting in ore at the Buriticá project amounted to \$1.2 million and \$6.6 million, respectively, for the three months and year ended December 31, 2013 (three months and year ended December 31, 2012 – \$1.6 million and \$5.2 million, respectively) and are treated as a capital credit as they support ongoing exploration of the Buriticá project and, accordingly, are not included as a revenue item in the Company’s consolidated statement of operations and comprehensive loss. As a result, net project expenditures for the three months and year ended December 31, 2013 totaled \$12.6 million and \$49.8 million, respectively (three months and year ended December 31, 2012 – \$6.0 million and \$34.9 million, respectively).

Dojura Project

The Dojura project covers an aggregate area of 44,874 hectares. It is located in the western cordillera in the Choco Department, 30 kilometres southeast of the Departmental capital city of Quibdó. The project is comprised of three registered concessions totaling 12,726 hectares, 11 pending registration concessions totaling 27,092 hectares and three concession applications totaling 5,056 hectares, and is subject to an option agreement dated October 4, 2006 between a third party option holder and a company controlled by the Chairman. The option agreement was assigned to the Company by way of an assignment agreement dated June 4, 2008.

The Company received payments totaling \$0.5 million from 2010 to 2012 from the option holder with regard to the Dojura project. Work was halted on the Dojura project on a partial force majeure basis until such time as security conditions in the area improve.

In 2013, the Company agreed to temporarily postpone the January 15, 2013 option payment of \$0.5 million to enable the two parties to discuss alternatives or amendments to the current agreement. As at December 31, 2013, a mutually acceptable agreement had not been reached and the two parties differ in opinion as to the status of the agreement. As it is uncertain whether the Company will be able to recover

its costs or commence exploration for the project, the Company has recorded a write-down for the year ended December 31, 2013 of \$1.4 million in the consolidated statement of operations and comprehensive loss in respect of the Dojura project.

Berlin Project

The Berlin project covers an aggregate area of 26,274 hectares. The project is comprised of 11 registered concessions totaling 22,851 hectares, eight pending registration concessions totaling 2,203 hectares and two concession applications covering 1,220 hectares. The project area is located 90 kilometres north of Medellín in the Antioquia Department.

No work was performed at the Berlin project during 2013 but the Company continues to anticipate the initiation of a diamond drilling campaign in the future.

For the three months and year ended December 31, 2013, activity for the Berlin project amounted to \$0.1 million and \$0.2 million, respectively, compared to \$0.3 million for the same respective periods in 2012, the majority of which related to cannon payments.

During 2013, the Company was notified of the particular areas of its property that will be required for the Ituongo hydro-electrical project that will be built by a Colombian public entity and which will be adjacent to the Berlin project. The affected areas represent approximately 2.5% of the Berlin project. The Company will enter into negotiations with the public entity in respect of compensation for the relinquishment of such areas. However, as there is no certainty in respect of the outcome of such negotiations, the Company has recorded a write-down for the year ended December 31, 2013 of \$0.4 million in the consolidated statement of operations and comprehensive loss for the area of property that is expected to be relinquished. Any resulting compensation will be recognized in income at the time of receipt.

Santander Project

The Santander project is located 35 kilometres northeast of Bucaramanga in the California Mining District in northeastern Colombia and covered an aggregate area of 3,471 hectares.

The Company recorded a write-down for the year ended December 31, 2013 of \$0.5 million (2012 – \$0.1 million) in the consolidated statement of operations and comprehensive loss in respect of the Santander project. The write-down in 2013 was a result of management's conclusion that it no longer wished to retain the Santander project subsequent to geological mapping and rock chip sampling undertaken during 2013. The write-down in 2012 was due to the voluntary relinquishment of the portion of its mineral exploration rights located within the Parque Natural Regional Páramo de Santurbán.

As a result of management's conclusion that it no longer wished to retain the Santander project, the Company transferred its remaining exploration rights to a company controlled by the Chairman during the fourth quarter of 2013 for no consideration.

Anza Project

The Anza project is located 50 kilometres west of Medellín in the Antioquia Department and consisted of two registered concessions covering 6,309 hectares.

This project was subject to an option agreement, along with five other parties (the "Optionors"), with a third party option holder, pursuant to which the option holder was obligated to incur certain exploration expenditures on the properties. The Company was entitled to receive 25% of all consideration flowing to the Optionors from the option holder. During 2013, the Optionors received the final option payment of \$2.0 million and 2,000,000 common shares of the option holder, of which the Company's share was \$0.5 million and 500,000 common shares, valued at \$0.1 million (2012 – \$0.3 million and 250,000 common shares, valued at \$0.1 million). During 2013, interest in the properties was transferred from the Optionors

to the option holder. The Optionors maintain a 2% net smelter royalty in the properties. The option holder has the option to purchase 1% of the net smelter royalty from the Optionors at a cost of \$1.0 million.

During 2013, the Company also entered into a loan agreement with the option holder for \$0.5 million with a maturity date of March 1, 2014 which was extended to September 1, 2014 subsequent to year end in exchange for 1,200,000 warrants in the option holder with an exercise price of C\$0.125 per warrant with a term of two years. The Company received a general security agreement over the option holder's personal property.

Dominical Project

The Dominical project encompasses an aggregate area of 24,579 hectares and is located in southern Colombia in the Cauca Department. The project area is comprised of four registered concessions totaling 5,590 hectares, 14 pending registration concessions totaling 18,899 hectares and one concession application covering 90 hectares.

No exploration activities were undertaken on the property during 2013.

For the three months and year ended December 31, 2013, activity for the Dominical project amounted to \$nil and \$0.6 million recovery, respectively, compared to \$0.1 million and \$0.3 million, respectively, for the same periods in 2012, the majority of which related to cannon payments.

As a result of worsening security conditions in the Cauca Department (see the "Risks and Uncertainties" section in this MD&A), the Company has re-evaluated its work plan and has concluded that no resources will be allocated to exploration activities at the project in the near future. Accordingly, a write-down of \$4.7 million was recorded for the year ended December 31, 2013 in the consolidated statement of operations and comprehensive loss in respect of the Dominical project.

Lunareja Project

As a result of clarifications from the Colombian mining authorities prohibiting mining in certain protected zone areas, the Company determined in early 2013 that it no longer desired to retain the Lunareja project, as the vast majority of its registered concessions were within the boundaries of a national park. During the second quarter of 2013, the Company disposed of the project, which consisted of three registered concessions totaling 616 hectares located approximately 65 kilometres west of Medellín to a company controlled by the Chairman for no consideration. As the book value for the Lunareja project was previously written-down to zero in 2010, no resulting gain or loss was recorded.

CONSOLIDATED OPERATING RESULTS

The following is a summary of the Company's consolidated operating highlights for the years ended December 31, 2013 and 2012:

Year ended December 31	2013	2012
Tonnes milled (tonnes)	4,472	5,957
Average grade (g/t)	25.14	18.01
Gold production (ounces)	4,802	2,988
	2013	2012
	\$	\$
Realized gold price	1,361	1,699
	2013	2012
In thousands of U.S. dollars, except per share amounts	\$	\$
Net loss	(25,309)	(7,929)
Net loss per share, basic and fully diluted	(0.20)	(0.07)

Pre-Production and Development Planning Activities

For the year ended December 31, 2013, the Company produced 4,802 ounces (2012 – 2,988 ounces) of gold, which were sold for an average realized price of \$1,361 per ounce (2012 – \$1,699 per ounce). The change is a result of lower tonnage milled in 2012. Head grade varies as production is dependent on exploration activities.

Operating Results

The Company's net loss for the three months and year ended December 31, 2013 amounted to \$6.0 million (\$0.05 per share) and \$25.2 million (\$0.20 per share), respectively, compared to \$3.3 million (\$0.03 per share) and \$7.9 million (\$0.07 per share) for the same respective periods in 2012, which includes a gain on Canadian dollar-denominated warrants of \$0.7 million in 2012. The change for the quarter and year-to-date compared to the same periods in 2012 was primarily from the following:

- Corporate administration for the three months and year ended December 31, 2013 were \$2.0 million and \$10.3 million, respectively (three months and year ended December 31, 2012 – \$2.1 million and \$10.2 million, respectively), including share-based payments.
- Compensation costs related to share-based payments during the three months and year ended December 31, 2013 were \$1.1 million and \$6.7 million, respectively (three months and year ended December 31, 2012 – \$1.4 million and \$8.5 million, respectively), of which \$0.7 million and \$3.9 million, respectively (three months and year ended December 31, 2012 – \$0.6 million and \$4.4 million, respectively) were expensed and \$0.4 million and \$2.8 million, respectively (three months and year ended December 31, 2012 – \$0.8 million and \$4.1 million, respectively) were capitalized to exploration and evaluation assets.
- Changes related to share-based payments relate to the issuance of nil stock options and 2,365,000 stock options, respectively, during the three months and year ended December 31, 2013, with average grant date fair values of \$nil per share and \$3.12 per share, respectively, compared to 80,000 stock options and 2,878,788 stock options granted in the same respective periods in 2012, with average grant date fair values of \$3.56 per share and \$3.13 per share. The valuation of share-based payments is subjective and can impact net income (loss) significantly.
- Foreign exchange loss for the three months and year ended December 31, 2013 was \$3.3 million and \$8.2 million, respectively, compared to a \$1.0 million loss and a \$0.3 million gain for the same respective periods in 2012. The change is primarily the result of greater Canadian cash balances held throughout the 2013 and the fluctuation of the Canadian/U.S. dollar exchange rate.
- Loss on marketable securities during the three months and the year ended December 31, 2013 was \$0.6 million and \$0.7 million, respectively, compared to a gain of \$0.2 million for the same respective periods in 2012, and resulted from the revaluation of securities held.
- Write-down of exploration assets of \$7.0 million was recorded during the year ended December 31, 2013 (2012 – \$nil). In addition, a write-down and provision for bad debts totaling \$1.4 million was recorded in 2013 (2012 – \$nil) in respect of the Company's investment and receivable from ThunderBolt, an associated company.
- Deferred tax expense for the three months and year ended December 31, 2013 was \$0.9 million and \$0.7 million, respectively, compared to an expense of \$0.5 million and a recovery of \$0.5 million, respectively, for the same periods in 2012. The change is mainly a result of the impact of impairment charges on deferred tax liabilities and a reduction in Colombia tax rates applicable to tax losses, net of foreign exchange on the translation of foreign tax balances.

Excluding the effect of the revaluation of financial instruments and foreign exchange on cash balances, the Company will continue to incur losses until commercial mining operations from its exploration and evaluation assets have commenced.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

The Company currently capitalizes its exploration expenditures to mineral properties as deferred expenses.

The following table sets forth selected consolidated financial information for each of the Company's eight most recently completed quarters:

In thousands of U.S. Dollars, except per share amounts	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012	Q2-2012	Q1-2012
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss	(6.0)	(3,968)	(8,497)	(6,830)	(3,340)	(4,457)	1,034	(1,166)
Basic and diluted loss income per share	(0.05)	(0.03)	(0.07)	(0.05)	(0.03)	(0.04)	0.01	(0.01)

The Buriticá project is the Company's most significant project and is expected to continue to be the focus of most of the exploration and development work undertaken in the current and future fiscal years.

SELECTED ANNUAL INFORMATION

The following is a summary of the Company's financial operating results for the years ended December 31, 2013, 2012 and 2011:

Year ended December 31	2013	2012	2011
In thousands of U.S. dollars, except per share amounts	\$	\$	\$
Capitalized exploration expenditures, net of gold sales and recoveries (See "Exploration Summary")	49,748	35,325	25,992
Operating activities	(3,346)	(5,621)	(4,163)
Investing activities	(42,077)	(42,369)	(29,637)
Financing activities	654	134,304	21,273
Foreign exchange on cash and cash equivalents	(44,769)	86,314	(12,527)
Net decrease in cash and cash equivalents	(7,688)	265	(1,277)
Net (loss) income	(52,457)	86,579	86,579
Net (loss) income per share, basic	(25,309)	(7,929)	18,204
Net (loss) income per share, fully diluted	(0.20)	(0.07)	0.17
	(0.20)	(0.07)	0.16

Cash Flow Items

Operating Activities

Operating activity expenditures for the three months and year ended December 31, 2013 of \$1.0 million and \$3.3 million, respectively, compared to \$1.2 million and \$5.6 million for the same respective periods in 2012, decreased as a result of changes in working capital balances and increased interest income resulting from higher cash balances. The change in 2012 from 2011 was a result of changes in working capital balances.

Investing Activities

Investing activity expenditures for the three months and year ended December 31, 2013 of \$10.7 million and \$42.1 million, respectively (three months and year ended December 31, 2012 – \$13.9 million and \$42.4 million, respectively) have generally remained consistent and is mainly due to continued advancement and acceleration of the Buriticá exploration and development programs, net of capitalized gold sales revenues relating to such assets. The increase in 2012 expenditures from 2011 was mainly

due to acceleration of Buriticá exploration and development programs and the acquisition of additional exploration and evaluation assets.

Financing Activities

Financing activity for the three months and year ended December 31, 2013 of \$0.01 million and \$0.7 million, respectively, compared to \$83.8 million and \$134.3 million for the same respective periods in 2012, decreased as no warrants or broker warrants were outstanding as of December 31, 2012, while a total of \$49.3 million was received in 2012 from the exercise of warrants and broker warrants. In addition, the Company completed an equity financing in December 2012, resulting in gross proceeds totaling C\$86.3 million (approximately \$86.9 million). Conversely, the increase in 2012 from 2011 was a result of the completion of the equity financing and the exercise of the remaining warrants and broker warrants in 2012.

Operating Results

Operating results for the three months ended and year ended December 31, 2013 was a net loss of \$6.0 million and \$25.3 million, respectively, compared to a net loss of \$3.3 million and \$7.9 million for the same respective periods in 2012 and net income of \$18.2 million for the year ended December 31, 2011. Changes mainly relate to the revaluation of Canadian dollar-denominated warrants in 2012 and 2011, which were fully exercised or expired in 2012. The 2013 net loss also includes impairment charges for exploration assets, an impairment charge and a provision for bad debts relating to its investment in and receivable from ThunderBolt, an associate of the Company, and foreign exchange losses on Canadian dollar monetary balances and on Colombian peso tax balances. Net income in 2011 included one-time equity tax and a loss on disposal of exploration and evaluation assets.

Cash and Cash Equivalents

As at	December 31	December 31
In thousands of U.S. dollars	2013	2012
	\$	\$
Cash and cash equivalents	117,526	169,983

As at December 31, 2013, the Company maintained its surplus funds in cash with two major banks in Canada, one in Bermuda and select Colombian banks. Cash balances decreased in 2013 compared to \$170.0 million as at December 31, 2012 as a result of investing activities relating mainly to exploration and evaluation assets and unrealized foreign exchange losses on Canadian cash balances.

The Company had working capital of \$116.0 million as of December 31, 2013 (December 31, 2012 – \$175.2 million). The change in working capital in 2013 is a result of continued expenditures for the advancement of the Buriticá exploration and development programs.

Total Assets

Total assets as at December 31, 2013 of \$297.3 million was lower than the \$310.6 million as at December 31, 2012 mainly as a result of impairment charges and foreign exchange losses.

Investments in Associates

On August 1, 2013, Cordoba, an unrelated public company, announced a binding agreement with respect to the acquisition of Sabre by Cordoba. Upon completion of the proposed transaction, the Company's ownership of Cordoba is expected to be less than 20%, including shares of Cordoba currently owned by the Company. As a result, the investment in Sabre is expected to be reclassified as marketable securities and accounted for as a fair value through profit and loss investment at that time. As at March 5, 2014, the transaction has not yet closed.

Commitments

The Company has lease agreements expiring between 2013 to 2016 for office and warehouse facilities in Toronto and Colombia. The Company also has a sublet arrangement with a Canadian mining company to share a proportionate share of the rent payments, leasehold improvements and furniture and fixture costs for the office facilities in Toronto. The Company's estimated annual rents, net of the sublet arrangement, are approximately \$0.5 million, depending upon the actual annual operating costs for the Company's premises.

Contingencies

In November 2013, the Company was assessed a fine of COP\$2,947,500,000 from Corantioquia for alleged environmental infractions dating back to 2007 and 2008. The Company does not believe that the allegations have any merit and intends to vigorously defend this matter. However, in Colombia, the administrative process requires companies to pay the fine while they present their defence in the judicial system. As a result, the Company has recorded a liability of \$1,527,000 in accounts payable and accrued liabilities and \$1,527,000 in long-term prepaids and advances as the Company expects to recover the amount.

The Company's exploration, development and bulk sampling activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and becoming more restrictive. As of December 31, 2013, the Company did not believe that there were any significant environmental obligations requiring material capital outlays in the near-term and anticipated that such obligations, if any, will only arise when mine development commences.

Subsequent Events

On February 6, 2014, the Company loaned C\$2,000,000 to a company controlled by the Chairman to facilitate the closing of the Cordoba transaction. The company controlled by the Chairman is owed C\$2,000,000 from Sabre within one year of closing of the Cordoba transaction. The promissory note bears interest of 2.5% per annum and is payable on the earlier of the closing or cancellation of the Cordoba transaction. The funds loaned are currently held in escrow until the Cordoba transaction is closed or cancelled. In the event that the Cordoba transaction is cancelled, the funds held in escrow will be returned to the Company including accumulated interest.

On February 6, 2014, the Company invested C\$1,000,000, currently held in escrow, for the subscription of 2,000,000 units of Cordoba and to be issued upon closing of the Cordoba transaction. The units will consist of 2,000,000 common shares of Cordoba and 2,000,000 warrants with an exercise price of C\$0.75 for one common share of Cordoba and a period to expiry of three years from the date of issuance.

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

The adequacy of the Company's capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company's strategy, forward gold prices, the mining industry, economic conditions and associated risks. In order to maintain or adjust its capital structure, the Company may adjust project capital spending, issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or issue new debt.

Historically, the Company's sole source of funding has been the issuance of equity-based securities for cash.

The Company's financial position at December 31, 2013 included \$117.5 million in cash and cash equivalents, compared to \$170.0 million at December 31, 2012. As at March 5, 2014, cash and cash equivalents amounted to approximately \$104 million.

As at December 31, 2013, 9,930,762 options were outstanding at an average exercise price of C\$5.82. Management does not know when and how much will be collected from the exercise of such securities, as this is dependent on the determination of the option holder and the market price of the common shares.

The Company continues to have no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Company's liquidity risk with financial instruments is minimal as excess cash is invested in interest-bearing accounts with two major Canadian banks. In addition, amounts receivable are comprised mainly of value-added-tax receivables (of which approximately 50% was received after quarter-end and the remainder is expected to be received within one year), interest receivable on cash and cash equivalents and a short-term receivable from an unrelated third party which is secured by a general security agreement over the assets held by the third party.

The Company has no operating revenues, and therefore must utilize its current cash reserves, income from short-term investments, funds obtained from the exercise of stock options and other financing transactions to maintain its capacity to meet working capital requirements and planned expenditures, or to fund any further development activities.

The Company's underground exploration development at the Buriticá project includes the gold production results from its bulk-sample testing operation from exploration work and drifting in ore. Aggregate gold sales for the three months and year ended December 31, 2013 were \$1.2 million and \$6.6 million, respectively (three months and year ended December 31, 2012 – \$1.6 million and \$5.2 million, respectively). Gold sales are viewed as a recovery of expenses and used as another source of funding the Company's exploration program. As a result, gold sales, net of costs, are treated as a capital credit and netted against deferred expenses that have been incurred to-date on the Buriticá project.

For the three months and year ended December 31, 2013, the Company capitalized costs related to mineral properties in the amount of \$12.7 million and \$49.7 million, respectively (three months and year ended December 31, 2012 – \$6.3 million and \$35.3 million, respectively). See "Exploration Summary".

MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The board of directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at December 31, 2013, total shareholders' equity (managed capital) was approximately \$278.8 million (December 31, 2012 – \$296.7 million).

The properties in which the Company currently has an interest are primarily in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient potential, if it has adequate financial resources to do so and if it fits with the Company's overall strategic plan.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended December 31, 2013.

The Company is not subject to any externally imposed capital requirements. The Company believes that its current capital resources were sufficient to discharge its liabilities as at December 31, 2013.

SHARE CAPITAL

Fully Diluted Shares

As at (In thousands)	December 31 2013	December 31 2012
Shares issued	126,635	126,191
Stock options outstanding	9,931	8,612
	136,566	134,803

As at December 31, 2013, 9,930,762 options were outstanding at an average exercise price of C\$5.82. Management does not know when and how much will be collected from the exercise of such securities as this is dependent on the determination of the holder and the market price of the common shares.

As at March 5, 2014, there were 126,733,005 common shares outstanding.

Stock Options

The Company has a stock option plan (the "Plan") in place under which directors, officers, employees and consultants may be granted stock options to subscribe for common shares. The maximum number of common shares issuable under the Plan is equal to 10% of the outstanding common shares of the Company at any point in time.

There were 9,930,762 outstanding stock options to purchase common shares of the Company as at December 31, 2013 (December 31, 2012 – 8,612,112), of which 7,729,815 were exercisable (December 31, 2012 – 6,632,396).

As at March 5, 2014, there were 9,676,512 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, being the price agreed between the parties. The following is a summary of related party transactions for the three months and year ended December 31, 2013:

- Gold sales to a refinery company (in which a director of the Company has an equity interest and is an officer) for the three months and year ended December 31, 2013 amounted to \$1.2 million and \$6.6 million, respectively, compared to \$1.6 million and \$5.2 million for the same respective periods in 2012, and are reported as a reduction to exploration and evaluation assets in the consolidated statement of financial position. Included in accounts receivable on December 31, 2013 is a receivable from the refinery company of \$nil (December 31, 2012 – \$0.2 million).
- As at December 31, 2013, \$0.02 million (December 31, 2012 – \$nil) was included in current receivables and \$nil (December 31, 2012 – \$1.1 million) was included in long-term receivables relating to exploration and administrative expenditures incurred by the Company on behalf of Sabre and ThunderBolt, associates of the Company. For the year ended December 31, 2013, the

Company recorded a provision of \$1.1 million, representing the receivable balance from ThunderBolt, in corporate administration expenses.

- For the year ended December 31, 2013, the Company has recorded an impairment adjustment of \$0.3 million in respect of its investment in ThunderBolt as management has determined that ThunderBolt's properties do not meet the criteria for the potential for an economically viable mine in the current precious metal environment.
- The Company has a consulting agreement with a company controlled by the Chairman for \$20,000 per month. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes. In February 2014, the Company advanced the payments for two months of services.
- The Company paid \$0.1 million to ThunderBolt for geological services during the year ended December 31, 2013.
- As of December 31, 2013, the Company has an outstanding letter of support to the Colombian Mining Authority representing a total of 257,690 hectares covered in exploration applications submitted on July 2, 2013 by Sabre, an associate of the Company. The letter of support indicates a financial commitment by the Company to financially support the exploration activities that is limited to an approximate cost of \$98/hectare, for future exploration expenditures for the three-year period commencing from the date a concession contract is registered in respect of the specified areas in the applications. The letter of support was required in order for Sabre to meet rules governing mineral exploration applications.

As of March 5, 2014, the application process for Sabre is still underway and no mining concession contracts have been registered to Sabre in respect of the areas covered in the noted applications. There is no certainty as to the number of hectares that will ultimately be awarded to Sabre and the Company expects that the number of hectares, for which concession contracts may be granted, will be reduced, resulting in a reduced financial commitment for the Company. Areas for which concession contracts are not expected to be granted include, but are not limited to, previously-contracted areas and environmentally protected areas. Under current Colombian mining law, exploration obligations commence upon the registration of concession contracts and, under previous interpretation of Colombian mining law, each applicant retains the right to desist from applications made before the Mining Authority at any point during the application phase, with no further liability to Sabre or the Company.

- During the year ended December 31, 2013, the Company transferred ownership of the exploration licenses for the Lunareja and Santander projects to a company controlled by the Chairman for no consideration. The book value of the properties prior to the transfer was \$nil, resulting in no gain or loss.
- On February 6, 2014, the Company loaned C\$2.0 million to a company controlled by the Chairman and received in exchange a promissory note bearing interest at 2.5% per annum and payable on the earlier of the closing or cancellation of the Cordoba transaction.

CONTRACTUAL OBLIGATIONS

As at December 31, 2013, the Company had the following payments due on contractual obligations and commitments:

Contractual Obligation In thousands of U.S. dollars	Total	< 1 year	1-3 years	4-5 years	>5 years
	\$	\$	\$	\$	\$
Operating lease obligations ⁽¹⁾	742	511	231	-	-
Rehabilitation obligations ⁽²⁾	1,529	-	-	1,529	-
Capital commitments ⁽³⁾	4,329	4,329	-	-	-
Total	6,600	4,840	231	1,529	-

⁽¹⁾ Represent lease agreements for office, warehouse and housing facilities in Toronto and Colombia.

⁽²⁾ Represents undiscounted cash flows.

⁽³⁾ Represents open contracts and purchase orders for the development of the Buriticá project.

As at December 31, 2013, a rehabilitation provision of \$1.4 million (December 31, 2012 – \$0.4 million) was recorded, representing the discounted value of the expected future cash flows. The change in the provision is a related to changes in the COP:USD exchange rate, discount rate and inflation rate.

FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company manages capital and its exposure to financial risks by ensuring it has sufficient financial capacity to support exploration and development plans and long-term growth strategy.

The Company is subject to various financial risks that could have a significant impact on financial conditions and the Company's ability to advance its exploration projects. These risks include liquidity risk, credit risk and financial market conditions relating to interest rates, gold price and currency rates.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company's management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has treasury policies designed to support managing liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows. As at December 31, 2013, the Company had cash and cash equivalents of \$117.5 million (December 31, 2012 – \$170.0) to settle current liabilities of \$5.8 million (December 31, 2012 – \$2.6 million). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has begun to examine its options to secure additional sources of funds including public issuances, private placements and the exercise of outstanding stock options.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. In the normal course of

business, the Company is not exposed to market risks as a result of its investments being held in cash or short-term investment certificates.

Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the U.S. dollar and major purchases are transacted primarily in U.S. dollars and Colombian pesos. The Company funds certain operations, exploration and administrative expenses in Colombia on a cash-call basis using Colombian pesos converted from its Canadian and/or U.S. dollar bank accounts held in Canada. During 2013, the Company maintained Canadian and U.S. dollar bank accounts in Canada, a U.S. dollar bank account in Bermuda and Colombian pesos bank accounts in Medellín, Colombia. The Company is subject to gains and losses due to fluctuations in the Colombian peso and the Canadian dollar against the Company's U.S. dollar functional currency. Sensitivity to a plus or minus 10% change in all foreign currencies (Colombian pesos and Canadian dollars) against the U.S. dollar, with all other variables held constant as at December 31, 2013, would affect net loss and comprehensive loss by approximately \$10.4 million.

Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of cash and cash equivalents being invested in interest-bearing instruments. Interest rate risk is minimal, as the Company's interest-bearing instruments have fixed interest rates.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from its properties. The Company's cash and cash equivalents are held with banks in Colombia, Bermuda and Canada. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least A or equivalent, or those which have been otherwise approved. All amounts receivable are current and consist of receivables from unrelated parties and a receivable from an associate as of December 31, 2013. Management believes that the credit risk concentration with respect to amounts receivable is minimal based on the Company's history with these unrelated and related parties.

Fair Value

As at December 31, 2013, the carrying and fair value amounts of the Company's financial instruments were approximately equivalent. The fair value of the Company's financial instruments at December 31, 2013 was determined using quoted market prices.

MARKET TRENDS

Global Financial Market Conditions

Events and conditions in the global financial markets particularly over the last two years continue to impact gold prices, commodity prices, interest rates and currency rates. These conditions as well as market volatilities may have a positive or negative impact on the Company's operating costs, project exploration and development expenditures, and planning of the Company's projects.

Gold Market

The Company's economic assessment of its gold projects is impacted by the market-driven gold price. The gold market is affected by negative real interest rates over the near-to-medium term, continued

sovereign debt risks, elevated geo-political risks, mine production and substantial above-ground reserves that can affect the price should a portion of these reserves be brought to market.

While many factors impact the valuation of gold, traditionally the key factors are actual and expected U.S. dollar value, global inflation rates, oil prices and interest rates.

The global financial market crisis affected the volatility of gold and other commodity prices, oil prices, currencies and the availability of credit. The gold price has displayed considerable volatility in the last few years. The spot daily gold price closing in 2013 was between \$1,192 and \$1,694 per ounce (\$1,540 and \$1,792 per ounce in 2012) for an average 2013 price of \$1,411 per ounce (2012: \$1,669 per ounce). Continued uncertainties in major markets, specifically in the U.S. and European countries, and increased investments from Asian countries, namely India and China, were the main driving forces in the demand for gold.

(\$/ounce of gold)	2013	2012
Average market gold price for the year	1,411	1,669
Closing market gold price as at December 31	1,204	1,658

Currency

The Company's functional and reporting currency is the U.S. dollar. Movement in the Canadian dollar against the U.S. dollar has a direct impact on the Company's corporate office cost base and cash balances. Movement in the Colombian peso has a direct impact on the Company's exploration activities. Currencies continued to experience volatility relative to the U.S. dollar in 2013. The key currencies to which the Company is exposed are the Canadian dollar and the Colombian peso.

	Closing Rate As at		Average Rate Year ended	
	December 31 2013	December 31 2012	December 31 2013	December 31 2012
Canadian dollar/U.S.\$	0.9402	1.0051	0.9713	1.001
Colombian peso /U.S.\$	0.00052	0.00057	0.00054	0.00053

During 2014, the Company will have significant U.S. dollar and Colombian peso requirements due to exploration activities, the majority being expenditures to advance the Buriticá project. As at December 31, 2013, the Company held \$13.4 million in U.S. dollars, which represents approximately 73% of planned exploration expenditures for the first three months of 2014. As at March 5, 2014, the Company held approximately \$13 million in U.S. dollars, representing approximately 13% of total cash balances, to protect against currency volatility in 2014.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements under IFRS requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements. The accounting estimates considered to be significant are the valuation of the Company's mineral resource assets and equity instruments, the factors considered in determining the Company's functional currency, and the inputs used in determining the balances recorded for the rehabilitation provision, commitments and contingencies. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

The policy of capitalizing exploration costs to date does not necessarily relate to the future economic value of the exploration properties. The valuation of mineral resource properties is dependent entirely upon the discovery of economic mineral deposits.

The Company uses the Black-Scholes model to determine the fair value of stock options and warrant investments. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data in the estimate of the stock price volatility.

Changes in the accounting estimates in the items discussed above may have a material impact on the consolidated financial position of the Company.

Other items requiring estimates are accounts receivable, accounts payable and accrued liabilities, asset retirement obligations and future income taxes. Changes in the accounting estimates in these items may have a material impact on the financial position of the Company.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions:

IFRS 10 – Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of *IAS 27, Consolidated and Separate Financial Statements* (“IAS 27”).

The adoption of IFRS 10 effective January 1, 2013 did not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13 – Fair Value Measurement

IFRS 13, *Fair Value Measurement* (“IFRS 13”), is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

The adoption of IFRS 13 effective January 1, 2013, on a prospective basis, did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 – Presentation of Financial Statements

IAS 1, *Presentation of Financial Statements* (“IAS 1”), has been amended to require entities to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not items may be recycled in the future. These changes did not result in any adjustments to OCI on January 1, 2013.

Future Accounting Changes

The following revised standards and amendments have not been applied in preparing the consolidated financial statements. Management has not yet considered the potential impact of their adoption and does not plan to adopt these standards early.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments (“IFRS 9”), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement (“IAS 39”), for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment. However, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in OCI.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

IAS 32 – Financial Instruments: Presentation

IAS 32, Financial Instruments: Presentation (“IAS 32”), clarify some of the requirements for offsetting financial assets and financial liabilities in the consolidated statement of financial position.

IAS 32 is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.

IFRIC 21 – Levies

IFRIC 21, *Levies* sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized.

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

There were no significant changes in the Company’s internal controls, or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation as of December 31, 2013, nor were there any significant deficiencies or material weaknesses in the Company’s internal controls identified requiring corrective actions.

The Company’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2013, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

The Company’s management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

QUALIFIED PERSON

Mark Moseley-Williams, President and Chief Operating Officer of the Company, is a qualified person within the meaning of NI 43-101 – *Standards of Disclosure for Mineral Projects* and has reviewed and approved the scientific and technical information contained in this MD&A.

For additional information on the Buriticá project, please refer to the Technical Report, available on the Company's website at www.continentalgold.com and under the Company's profile on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The business of the Company is subject to a variety of risks and uncertainties. The Company's common shares should be considered highly speculative due to the nature of its business and the present stage of exploration, development and the location of its properties in Colombia. The reader should carefully consider the risks disclosed in the Company's Annual Information Form (the "AIF") for the year ended December 31, 2013, audited annual consolidated financial statements, management's discussion and analysis and other publicly-filed documentation regarding the Company, available under the Company's profile on SEDAR at www.sedar.com and on OTCQX at www.otcmarkets.com. In addition, the AIF is available upon request from the Company. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations and any of these risk elements could have a material adverse effect on the business of the Company.

Nature of Mineral Exploration

Resource exploration and development is a speculative business and involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The properties in which the Company holds an interest, with the exception of the Buriticá Project, are without a known mineral resource. Each of the proposed programs on the properties is an exploratory search for resources or additional resources. There is no assurance that commercial quantities of resources will be discovered. There is also no assurance that even if commercial quantities of resources are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade, ground conditions and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of economic commercial quantities of ore.

Foreign Country Risk

The Company's principal mineral properties are located in Colombia. Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including, but not limited to, inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require the Company to suspend operations on its properties. Although the Company is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in the

Company's operations, renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining, changes in taxation policies, or other matters.

The Company also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that the Company is relying upon. Currently, there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

It is not possible for the Company to accurately predict such development or changes in laws or policy or the extent to which any such developments or changes may have a material adverse effect on the Company's operations. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the properties, business, operations or financial condition of the Company.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada.

Foreign Operations

The Company's key asset, the Buriticá Project, and operations are located in Colombia. Colombia's legal and regulatory requirements in connection with companies conducting mineral exploration and mining activities, banking system and controls as well as local business culture and practices are different from those in Canada. The officers and directors of the Company must rely, to a great extent, on the Company's Colombian legal counsel and local consultants retained by the Company in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist the Company with its governmental relations. The Company must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of the Company and may adversely affect its business.

No Assurance of Titles or Boundaries

The Company is not the registered holder of all of the licences or concessions that comprise its Colombia Projects. Some of the licences and concessions that comprise the Colombia Projects are registered in the names of certain entities, including entities controlled by Bullet Holding Corporation ("Bullet"). The Company's interest in the Colombia Projects is derived from the Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia, dated December 20, 2007, between Bullet and the Company (the "Concession Sale Agreement"). Under the Concession Sale Agreement, Bullet has agreed to transfer the licences and concessions that comprise such properties to the Company. There can be no assurance, however, that such transfers will be effected or that events occur in the entities, including entities controlled by Bullet, that are unrelated to the Colombia Projects' licences and concessions that would prevent Bullet or the other entities from being able to transfer such licences and concessions to the Company. In addition, in the event of a dispute between the parties to the

Concession Sale Agreement, the Company's only recourse against Bullet will be to seek enforcement of the terms of the Concession Sale Agreement. If the Company is required to commence legal proceedings to enforce the terms of the Concession Sale Agreement, there is no assurance that the Company will succeed in such proceedings, and, therefore, may never succeed in obtaining title to such properties.

The Company has obtained a title report from Colombian legal counsel with respect to title to the Buriticá Project and the Colombia Projects held by the Company or Bullet, as applicable, but this should not be construed as a guarantee of title. Other parties may dispute title to any of the Company's mineral properties and any of the Company's properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected encumbrances or defects or governmental actions or errors. A successful challenge to the precise area and location of the Buriticá Project or the Colombia Projects could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties. The Company does not have all of the surface rights at the Colombia Projects and there is no assurance that these surface rights will be granted or they will be on reasonable terms if granted.

Artisanal Miners/Mineral Extraction by Third Parties without Title

The Company's mining concessions are held in remote areas of Colombia that have historically been mined by artisanal miners. As the Company further explores and advances mining projects towards production, it must evict or negotiate with artisanal miners operating on the Company's mining concessions illegally. There is a risk that such artisanal miners may oppose the Company's operations and efforts to evict them from the Company's mining concessions, which may result in violence or a disruption to the planned development and/or to mining and processing operations.

In addition, artisanal miners are extracting precious metals from the Company's mineral resource. Historically, the rate of extraction has been minimal; however, there is a risk that the number of artisanal miners could increase or the method of extraction change whereby the rate of extraction could increase and deplete a material portion of the Company's mineral resource estimate.

Artisanal miners have also historically used chemicals that are harmful to the environment to separate the precious metals from the ore. While the Company has implemented a course of action to minimize its exposure for environmental liabilities caused by artisanal miners, there is no assurance that the Company will not be subject to these environmental liabilities in the future. This could have a material adverse effect on the Company's business, operating results and financial position. See "Environmental and Other Regulatory Requirements".

Limited Operating History

The Company has no history of generating operating revenues or profits. There can be no assurance that it will generate operating revenues or profits in the future.

Requirement for Further Financing

The Company has sufficient financial resources to undertake its currently planned exploration and development programs for 2014, but will require additional funds to finance further exploration, future acquisitions and additional development and mine construction programs. The further exploration and development of the various mineral properties in which the Company holds interests and the acquisition of additional properties depend upon the Company's ability to obtain financing through joint ventures of projects, debt financing, equity financing or other means. There can be no assurance that the Company will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to existing shareholders. Failure to obtain additional financing on a timely basis may result in delays or an indefinite postponement of exploration, development, or production on any or all of the Company's properties, and could cause the Company to reduce or terminate its operations or lose its interest in its properties.

Fluctuation in Mineral Prices

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resource are discovered, a profitable market will exist for the sale of same or mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond the control of the Company may affect the ability of the Company to attract investors and receive further funds for exploration. Metal prices have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the Canadian and United States dollars and the Colombian peso relative to other currencies), interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. In particular, the supply of and demand for gold are affected by, among other factors, political events, economic conditions and production costs in major gold-producing regions and governmental or central bank policies with respect to gold holdings.

Insurance and Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, risks relating to the shipment of precious metal concentrates or doré bars, and political and social instability. Such occurrences could result in damage to mineral properties, damage to underground development, damage to production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in the ability to undertake exploration, monetary losses and possible legal liability. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not always available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. The Company does not currently maintain insurance against political risks, underground development risks, production facilities risks, business interruption or loss of profits, theft of doré bars, the economic value to re-create core samples, environmental risks and other risks. Furthermore, insurance limits currently in place may not be sufficient to cover losses arising from insured events. Losses from any of the above events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Construction and Operating Cost Estimates

Estimated construction and operating costs may differ significantly from those actually incurred which could negatively impact the economic return on the Buriticá Project or render the Buriticá Project uneconomic. It is not unusual for new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, the costs, timing and complexities of mine construction and development are increased by the remote location of some of the Company's mining properties. Accordingly, there are no assurances that the Company will successfully develop and expand mining operations or profitably produce precious metals at its properties, including at the Buriticá Project.

Environmental and Other Regulatory Requirements

All phases of the Company's operations are subject to environmental regulation (including environmental impact assessments and permitting). Environmental legislation and international standards are evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation and standards, if any, will not adversely affect the Company's business, condition or operations. Environmental hazards may exist on the properties in which the Company holds interests which are unknown to the Company at present and which have been caused by artisanal miners, previous or existing owners or operators of the properties. In addition, the Company has a right to conduct small-scale mining operations on such properties which may result in environmental hazards on the properties. Government approvals and permits are current, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation of existing laws, could have a material adverse impact on the Company and cause increases in exploration expenses or capital expenditures or require abandonment or delays in development of new exploration properties.

The Company cannot give any assurances that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially or adversely affect its financial condition. There is no assurance that any future changes to environmental regulation, if any, will not adversely affect the Company.

Differing Interpretations in Tax Regimes in Foreign Jurisdictions

Tax regimes in foreign jurisdictions may be subject to sudden changes. The Company's interpretation of taxation law where it operates and as applied to its transactions and activities may be different than that of applicable tax authorities. As a result, tax treatment of certain operations, actions or transactions may be challenged and reassessed by applicable tax authorities, which could result in adverse tax consequences for the Company, including additional taxes, penalties or interest. See also "Risks of the Business – Bermuda Legal Matters - The Company May Become Subject to Taxes in Bermuda".

Canadian Tax Resident Status

Although the Company is a Bermuda company, it is considered resident in Canada for purposes of the *Income Tax Act* (Canada) because, under the common law test of corporate residency, its central management and control are located in Canada. If the Company's central management and control moved outside Canada, the Company could cease to be a resident of Canada for Canadian tax purposes and there could be material adverse tax consequences for the Company.

Competition

The Company may compete with other exploration companies which may have greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

The Company's ability to increase the number of properties that it holds in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects. Further, the gross disparity in size between large and small mining producers in Colombia restricts small producers in that they have limited influence to secure access to Colombia's transportation infrastructure, including rail and port facilities. This access is necessary for producers to access international export markets for its production and to competitively sell Colombian minerals in international markets. If the Company is successful in bringing a property into production, the Company may have difficulties successfully accessing transportation infrastructure necessary to export the minerals it may produce in the future.

Non-Governmental Organization Intervention

The Company's relationship with the communities in which it operates is critical to ensure the future success of its existing operations and the construction and development of its projects. A number of non-governmental organizations are becoming increasingly active in Colombia as the security and safety in Colombia increases. These organizations may create or inflame public unrest and anti-mining sentiment among the inhabitants in areas of mineral development. Such organizations have been involved, with financial assistance from various groups, in mobilizing sufficient local anti-mining sentiment to prevent the issuance of required permits for the development of other mineral projects. While the Company is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of natural resource exploration and development. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the Bermuda Act and the Bye-laws to disclose his interest.

Bullet is one of the largest shareholders of the Company. Robert W. Allen, who controls Bullet and Grupo de Bullet S.A. ("Grupo"), is a director and Chairman of the Company. By virtue of its status as one of the largest shareholders of the Company, there exists the possibility for Bullet to be in a position of conflict with the Company. In general, the interests of Bullet and the Company will be aligned to maximize the value of the Colombia Projects, and thereby maximize the value of the Company. Should conflicts arise, the conduct of Bullet will be subject to Canadian securities and applicable legislation concerning related party transactions and shareholder rights and remedies. In addition, the majority of directors of the Company who are independent of Bullet are responsible to act in the best interests of the Company as noted above.

Dependence on Key Management Employees

The Company's development to date has strongly depended, and in the future will continue to depend, on the business and technical expertise of key executives, including the directors of the Company and a small number of highly-skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of any of these individuals or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company does not have key man insurance in place with respect to any of these individuals.

Special Skill and Knowledge

Various aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of permitting, geology, drilling, metallurgy, logistical planning and implementation of exploration programs as well as finance and accounting. The Company has been able

to recruit and retain employees and consultants with the necessary skills and knowledge, and believes it will continue to be able to do so; however, no assurance can be made in that regard.

Outside Contractor Risks

It is common for certain aspects of mining operations, such as drilling, blasting and underground development, to be conducted by outside contractors. Exploration drilling and underground development at the Buriticá Project is undertaken by contractors and, as a result, the Company is subject to a number of risks, including: reduced control over the aspects of the drilling and underground development that are the responsibility of the contractors; failure of the contractors to perform under its agreement with the Company; inability to replace the contractors if their contracts are terminated; interruption of drilling and/or underground development in the event that the contractors cease operations due to insolvency or other unforeseen events; failure of the contractors to comply with applicable legal and regulatory requirements; and failure of the contractors to properly manage its workforce resulting in labour unrest or other employment issues.

Pre-Development Risks

The Company is currently using a contractor to develop tunnels at the Buriticá Project in order to be able to drill underground. In particular, the Company plans on initially targeting the depths of the Yaraguá and Veta Sur vein systems from underground which has seen limited drilling to date. Due to the challenging topographic conditions, the Company believes that this is the most efficient and cost-effective method of growing the measured and indicated categories of the mineral resource estimate ahead of the PFS. If development pace deteriorates or if there is a rock cave-in, it would negatively impact the Company's ability to drill underground, could limit its ability to grow the measured and indicated categories of the mineral resource and impair the Company's ability to prepare a PFS as a result of having an insufficient number of measured and indicated ounces in the mineral resource estimate.

Labour and Employment Matters

While the Company has good relations with its employees, these relations may be impacted by changes in labour laws which may be introduced by the relevant governmental authorities in jurisdictions in which the Company carries on business. Adverse changes in such legislation may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's workforce at the Buriticá Project is governed by a union and a cooperative agreement. Although labour relations with its employees have historically been good, there is no assurance that this will continue in the future. Any significant disruption in labour arrangements with either the union or cooperative could have a material adverse effect on the Company's ability to continue to operate.

Reliability of Mineral Resource Estimates

There is no certainty that any of the mineral resources on the Buriticá Project or any other project with mineral resources will be realized. Until a deposit is actually mined and processed, the quantity of mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral resources may vary. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of any project undertaken by the Company. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a large scale test under on-site conditions or during production.

Fluctuations in gold and base or other precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition. In addition, the grade of

minerals ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to uncertainty that may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to measured and indicated resources or proven and probable reserves as a result of continued exploration.

Foreign Subsidiaries

The Company conducts certain of its operations through foreign subsidiaries and some of its assets are held in such entities. Any limitation on the transfer of cash or other assets between the Company and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Reliance on a Single Property

The only material property interest of the Company is the Buriticá Project. Unless the Company acquires additional property interests or advances its other exploration properties, any adverse developments affecting the Buriticá Project could have a material adverse effect upon the Company and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Company. While the Company may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that the Company will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to the Company or at all. See "Material Mineral Property".

Joint Ventures

The Dojura project is the subject of joint venture arrangements with another mining company and will be subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the viability of the Company's interests held through joint ventures, which could have a material adverse impact on the Company's results of operations and financial conditions:

- inability to exert influence over certain strategic decisions made in respect of joint venture properties;
- disagreement with joint venture participants on how to develop and operate mines efficiently;
- inability of participants to meet their obligations to the joint venture or third parties; and
- litigation between participants regarding joint venture matters.

Residency of Directors, Officers and Others

A number of the directors and officers of the Company reside outside of Canada. Substantially all of the assets of these persons, and the Company, are located outside of Canada. As a result, it may not be possible for investors to effect services of process within Canada upon these directors or officers. It may also not be possible to enforce against certain of the Company's directors and officers, and certain experts named herein, as judgments obtained in Canadian courts are predicated upon civil liability provisions of applicable securities laws in Canada.

Investment Interests

The Company holds interests in Sabre Metals Inc. (“Sabre”) and Thunderbolt Resources Inc. (“Thunderbolt”) with related and third parties. The Company accounts for these investments as investments in associates. The Company’s interest in Sabre and Thunderbolt are subject to the risks normally associated with having minority interests in an investment. The existence or occurrence of one or more of the following circumstances and events - disagreement with controlling shareholder on how to explore, develop and operate mines efficiently; inability of shareholders to meet their obligations; inability to sell a shareholder’s minority interest to third parties; or litigation arising between shareholders regarding matters - could have a material adverse impact on the Company’s profitability or the viability of its interests held through minority interests, which could have a material adverse impact on future cash flows, earnings, results of operations and financial condition.

Property Interests

The ability of the Company to carry out successful mineral exploration and development activities and mining operations will depend on a number of factors. The section of this annual information form entitled “Description of the Business” identifies the Company’s obligations with respect to acquiring and maintaining the Company’s interest in certain of its current properties. No guarantee can be given that the Company will be in a position to comply with all such conditions and obligations, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licenses may be renewed, extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed. A number of the Company’s interests are the subject of pending applications to register assignments, extend the term, and increase the area or to convert licenses to concession contracts and there is no assurance that such applications will be approved as submitted.

There is no assurance that the Company’s rights and foreign interests will not be revoked or significantly altered to the detriment of the Company.

Environmentally-Protected Areas/Forest Reserves

Colombia has a number of environmentally-protected areas or forest reserves (“Protected Areas”) that can, in certain circumstances, restrict mining activities. There are varying levels of Protected Areas within the country with different levels of restrictions. Some of the Company’s exploration properties are within local forest reserves and while the Company does not expect any difficulties in obtaining the necessary permits to conduct mining activities in these areas, there can be no assurances that the laws or boundaries will not change or that permits are not granted which could have a material impact on the Company’s operations.

Foreign Currency Fluctuations

The Company’s current and proposed exploration operations in Colombia render it subject to foreign currency fluctuations, which may materially affect its financial position and results. The Company’s reporting currency is the United States dollar, which is exposed to fluctuations against other currencies. In addition, the Company maintains its principal office in Canada, maintains cash accounts in Canadian dollars, United States dollars and Colombian pesos and has monetary assets and liabilities in United States and Canadian dollars, and Colombian pesos; the Company holds Canadian and U.S. dollars and sends funds to Colombia by converting these funds into Colombian pesos. The important exchange rates for the Company are currently the rate between the U.S. dollar, Canadian dollar and the Colombian peso. While the Company is funding work in Colombia, the Company’s results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company’s Common Shares trade on the TSX and OTCQX, a Canadian stock exchange and U.S. Over-the-Counter market, respectively. Prior and future equity financings result in the generation of Canadian dollar proceeds to fund the Company’s activities which are

principally incurred in U.S. dollars or Colombian pesos. To the extent funds from such financings are maintained in Canadian dollars, the Company's results can be significantly impacted by adverse changes in exchange rates between the Canadian dollar and the U.S. dollar and Colombian peso. The Company has not undertaken to mitigate transactional volatility in the United States dollars, Colombian pesos, or the Canadian dollar at this time. The Company may, however, enter into foreign currency instruments in order to match or partially offset existing currency exposures.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk will be to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known precisely when the Company will require external financing in future periods.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Global Economic Conditions

There are significant uncertainties regarding the price of gold, other precious and base metals and other minerals and the availability of equity financing for the purposes of mineral exploration and development. Currently, prices of certain commodities such as gold have shown volatility, which has had an impact on the Company and the mining industry in general. The Company's future performance is largely tied to the development of the Buriticá Project and the Colombia Projects and the commodity and financial markets. There can be no certainty that commodity prices will increase or maintain the same levels. Current financial markets are likely to continue to be volatile in Canada potentially through 2014 and beyond, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has also led to increased difficulties in financing activities. As a result, the Company may have difficulty raising debt or equity financing for the purposes of mineral exploration and development and, if obtained, on terms favourable to the Company and/or without excessively diluting existing shareholders of the Company. These economic trends may limit the Company's ability to develop and/or further explore its mineral property interests.

Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such volatility and market turmoil continue, the Company's business and financial conditions could be adversely impacted.

Unreliable Historical Data

The Company has compiled technical data in respect of the Colombia Projects, some of which was not prepared by the Company. While the data represents a useful resource for the Company, much of it must be verified by the Company before being relied upon in formulating exploration programs.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Management of the Company believes that the potential for infrastructure weaknesses in Colombia is comparable to those in any remote mining location located in other parts of the world.

Government Regulation

The mining, processing, development and mineral exploration activities of the Company are subject to various laws and regulations governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, waste disposal, land claims of local people, mine development, and other matters. Although the Company's mining and processing operations and exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have an adverse impact on the Company.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company's mineral exploration and mining activities in Colombia may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase royalties or the costs related to the Company's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, government-imposed royalties, claim fees, export controls, income taxes, and expropriation of property, environmental legislation and mine safety. The effect of these factors cannot be accurately predicted. Although the Company's exploration and development activities are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Furthermore, any shift in political attitudes, or amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof are beyond the control of the Company and could have a substantial adverse impact on the Company.

Health and Safety Risk

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the Company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer. The Company has procedures in place to manage health and safety protocols in order to reduce the risk of occurrence and the severity of any accident and is continually investing time and resources to enhance health and safety at all operations.

The Company has limited insurance policies in place to cover some accidents and regularly monitors the adequacy of such policies; however, not all risks are covered with insurance policies due to either coverage not being available or not being available at commercially reasonable prices.

Market Price of Common Shares

Securities of mineral exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in precious and base metal mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not continue to follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities to be delisted from the exchange on which they trade, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dividend Policy

No dividends on the Shares of the Company have been paid by the Company to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs (see "Dividends"). At this time, the Company has no source of cash flow and anticipates using all available cash resources towards its stated business objectives and retaining all earnings, if any, to finance its business operations.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares. The Company has previously completed private placements at prices per share which are from time to time lower than the market price of the Common Shares. Accordingly, a significant number of shareholders of the Company have an investment profit in the Common Shares that they may seek to liquidate.

Accounting Policies and Internal Controls

The Company prepares its financial reports in accordance with IFRS applicable to publicly accountable enterprises. In preparing financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited consolidated financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and consolidated financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

Passive Foreign Investment Corporation (“PFIC”)

It is likely that, for United States federal income tax purposes, the Company was a “passive foreign investment company (“PFIC”) as defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, for its 2013 tax year. A U.S. shareholder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to special U.S. federal income taxation rules, which may have adverse tax consequences to such shareholder. However, a U.S. shareholder may be eligible to make certain elections under two alternative tax regimes to potentially mitigate such adverse tax consequences. A U.S. shareholder should consult its own tax advisor with respect to an investment in the Common Shares and to ascertain which elections, if any, might be beneficial to the U.S shareholder’s own facts and circumstances.

Litigation Risk

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which the Company may become subject could have a material effect on the Company’s financial position, results of operations or the Company’s property development.

Unknown Liabilities in Connection with Acquisitions

As part of the Company’s acquisitions, the Company has assumed liabilities and risks. While the Company conducted due diligence, there may be liabilities or risks that the Company failed, or was unable, to discover in the course of performing the due diligence investigations or for which the Company was not indemnified. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Company’s financial position and results of operations.

Acquisitions and Integration

From time to time, it can be expected that the Company will examine opportunities to acquire additional exploration and/or mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company’s business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company’s success in its acquisition activities depends upon its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. If the Company chooses to raise debt capital to finance any such acquisitions, the Company’s leverage will be increased. If the Company chooses to use equity as consideration for such acquisitions, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisitions with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Compliance with Anti-Corruption Laws

The Company is subject to various anti-corruption laws and regulations including, but not limited to, the Canadian *Corruption of Foreign Public Officials Act*. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. The Company’s primary operations are located in Colombia and, according to Transparency International, Colombia is perceived as having fairly high levels of corruption relative to Canada. The Company cannot predict the nature, scope or effect of future regulatory requirements to which its operations might be subject or the manner in which existing laws might be administered or interpreted.

Failure to comply with the applicable legislation and other similar foreign laws could expose the Company and its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially or adversely affect the Company's business, financial condition and results of operations. Likewise, any investigation of any potential violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on the Company's business, financial conditions and results of operations, as well as on the market price of the Common Shares. As a consequence of these legal and regulatory requirements, the Company instituted policies with regard to its Code of Business Conduct and Ethics. There can be no assurance or guarantee that such efforts have been and will be completely effective in ensuring the Company's compliance, and the compliance of its employees, consultants, contractors and other agents, with all applicable anti-corruption laws.

Indigenous Peoples

Various international and national laws, codes, resolutions, conventions, guidelines, and other materials relate to the rights of indigenous peoples. The Company holds exploration rights located in some areas presently or previously inhabited or used by indigenous peoples. Many of these materials impose obligations on government to respect the rights of indigenous people. Some mandate that government consult with indigenous people regarding government actions which may affect indigenous people, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. The Company's current or future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development on those projects or operations on which the Company holds an exploration right. Such opposition may be directed through legal or administrative proceedings or protests, roadblocks or other forms of public expression against the Company or the owner/operator's activities. Opposition by indigenous people to such activities may require modification of or preclude operation or development of projects or may require the entering into of agreements with indigenous people. Claims and protests of indigenous people may disrupt or delay activities of the owners/operators of the Company's exploration assets.

Bermuda Legal Matters

The Company is incorporated and existing under the Bermuda Act and is thereby subject to the laws of Bermuda. The following is a non-exhaustive summary of certain laws of Bermuda which are relevant to the operations of the Company.

Bermuda Monetary Authority Consent Required for Free Transferability of Common Shares of the Company

The Bermuda Monetary Authority (the "BMA") must approve all issues and transfers of shares of a Bermuda exempted company under the *Exchange Control Act 1972* (Bermuda) and regulations thereunder. The BMA has given a general permission which will permit the issue of the Common Shares of the Company and the subsequent transfer of such shares so long as voting securities of the Company are listed for trading on an appointed stock exchange, and the TSX and TSX-V qualify for this purpose.

Enforcement of Judgments in Bermuda May be Difficult

As the Company is a Bermuda company, the rights of shareholders will be governed by Bermuda law and the Memorandum and Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Although the majority of the directors of the Company are residents of Canada, the majority of the Company's assets are located outside of Canada, which could make it difficult for investors to effect service of process on directors outside of Canada or to enforce in Canada judgments obtained in the Canadian courts against the Company or those persons who may be liable under Canadian law. The current position with regard to enforcement of judgments in Bermuda is set out below but this may be subject to change. A final and conclusive judgment of a foreign court against the Company, under which a sum of money is payable (not being a

sum of money payable in respect of multiple damages, or a fine, penalty tax or other charge of a like nature) may be the subject of enforcement proceedings in the Supreme Court of Bermuda (the “Bermuda Court”) under the common law doctrine of obligation by action on the debt evidenced by the foreign court’s judgment. On general principles, such proceedings would be expected to be successful provided that:

- (a) the court which gave the judgment was competent to hear the action in accordance with private international law principles as applied in Bermuda; and
- (b) the judgment is not contrary to public policy in Bermuda, has not been obtained by fraud or in proceedings contrary to natural justice, and is not based on an error in Bermuda law.

Enforcement of such a judgment against assets in Bermuda may involve the conversion of the judgment debt into Bermuda dollars, but the BMA has indicated that its present policy is to give the consents necessary to enable recovery in the currency of the obligation.

No stamp duty or similar or other tax or duty is payable in Bermuda on the enforcement of a foreign judgment. Court fees will be payable in connection with proceedings for enforcement.

The Company May Become Subject to Taxes in Bermuda

Bermuda currently has no income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable in respect of capital gains realized on a disposition of Common Shares of the Company or in respect of distributions by the Company with respect to Common Shares of the Company other than the application of Bermuda taxes to persons ordinarily resident in Bermuda. The Bermuda Minister of Finance, under the *Exempted Undertakings Tax Protection Act 1966, as amended* (Bermuda), has given the Company assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to the Company or any of the Company’s operations, shares or other obligations until March 31, 2035.

Exemption from Exchange Controls

The Company is designated as “non-resident” for exchange control purposes by the BMA. Where a company is so designated, it is free to deal in currencies of any other country outside the Bermuda exchange control area which are freely convertible into currencies of any other country.

Limitations on Carrying on Business

The Company has been incorporated in Bermuda as an “exempted company”. Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from a principal place in Bermuda. As a result, they are exempt from Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians, but they may not participate in certain business transactions, including:

- (a) the acquisition or holding of land in Bermuda (except that required for their business and held by way of lease or tenancy for terms of not more than 50 years) without the express authorization of the Bermuda legislature;
- (b) the taking of mortgages on land in Bermuda to secure an amount in excess of BD\$50,000 without the consent of the Minister of Finance;
- (c) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities; or

- (d) the carrying on of business of any kind in Bermuda, except in furtherance of their business carried on outside Bermuda or under license granted by the Minister of Finance of Bermuda.

Compulsory Acquisition Rules

Pursuant to the Bermuda Act, where a scheme or contract involving the transfer of shares of a Bermuda company has been approved by the holders of 90% of the shares, the offeror can then give notice in the prescribed form to any dissenting shareholder(s) and, unless on an application made by the dissenting shareholder (within one month from the date on which the notice was given), the Bermuda Court thinks fit to order otherwise, the offeror shall be entitled and bound to acquire the holdings of the dissenting shareholder(s).

Pursuant to the Bermuda Act, a holder of 95% of the shares of a Bermuda company can, on giving notice to the minority shareholders, force them to sell their interest to such 95% holder provided that the terms offered are the same for all of the holders of the shares whereupon the acquiring shareholder is bound to acquire the outstanding shares on the terms set out in the notice. The 5% shareholders can apply to the Bermuda Court for an appraisal of their shares. Once notice has been given, the acquiring shareholder is bound to acquire the outstanding shares on the terms set out in the notice.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's AIF, is available under the Company's profile on SEDAR at www.sedar.com and on the OTCQX at www.otcmarts.com, and is available upon request from the Company.



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