Continental Gold Limited

(A Development Stage Company)

Interim Financial Statements
Three and Six Months Ended June 30, 2010

(Expressed in U.S. Dollars)

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Continental Gold Limited (A Development Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2009, audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the period end unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the period end unaudited interim financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the period end unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the period end unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3[3][a], if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Continental Gold Limited
(A Development Stage Company)
Interim Balance Sheets
(Expressed in U.S. Dollars)
(Unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current		
Cash and cash equivalents	**$ 22,848,884**	$ 1,603,792
Marketable securities (note 6)	**658,919**	-
Inventory	**67,839**	84,137
Amounts receivable and prepaid expenses	**808,162**	4,612
Related party receivables (note 13)	**339,501**	227,772
	24,723,305	1,920,313
Restricted cash	**340,950**	83,044
Amounts receivable (note 6)	**623,000**	-
Intangible assets (note 7)	**170,608**	26,522
Prepaid taxes	**287,384**	159,828
Prepaid exploration costs	**399,621**	146,841
Equipment advance	**80,116**	48,250
Equipment (note 8)	**1,044,525**	655,290
Mineral properties (note 6)	**45,112,525**	45,648,328
	$ 72,782,034	$ 48,688,416
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**$ 1,369,560**	$ 1,572,837
Due to related party (note 13)	**-**	119,453
	1,369,560	1,692,290
Future income tax liability	**12,668,500**	12,318,500
Asset retirement obligation (note 12)	**63,000**	59,000
	14,101,060	14,069,790
Shareholders' equity		
Share capital (note 9)	**14,048**	11,733
Warrants and broker warrants (note 10)	**7,372,685**	3,129,104
Contributed surplus	**64,448,736**	35,379,168
Equity component of convertible debt	**-**	2,788,119
Deficit	**(13,154,495)**	(6,689,498)
	58,680,974	34,618,626
	$ 72,782,034	$ 48,688,416

Continuance of Operations (note 2)
Commitments and Contingencies (note 14)

The accompanying notes are an integral part of the unaudited interim financial statements.

Continental Gold Limited
(A Development Stage Company)
Interim Statements of Operations and Comprehensive Loss
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Expenses				
Stock based compensation (note 11)	**$ 1,356,279**	$ 156,380	**$ 2,406,113**	$ 926,980
Professional fees (note 13)	**187,498**	97,601	**691,733**	316,498
Head office salaries	**474,099**	226,406	**936,624**	497,238
Investor relations	**74,895**	-	**74,895**	-
Directors fees	**-**	34,497	**45,501**	68,994
General office and administration expense	**74,836**	23,211	**126,609**	35,002
Interest expense	**233**	-	**43,076**	-
Insurance	**29,740**	9,513	**39,655**	21,668
Depreciation of equipment	**19,769**	6,998	**34,540**	16,533
Amortization of intangible assets	**11,137**	2,634	**15,064**	7,854
Travel expenses	**48,716**	15,497	**48,716**	32,475
Regulatory fees	**200,370**	-	**200,370**	-
Rent expense	**17,903**	-	**17,903**	-
Accretion expense	**4,000**	-	**4,000**	-
Write-down of mineral properties (note 6)	**-**	-	**1,172,707**	-
Net loss before the following	**(2,499,475)**	(572,737)	**(5,857,506)**	(1,923,242)
Other income				
Interest income	**17,461**	9,395	**20,534**	15,204
Other income	**2,686**	18,542	**9,268**	26,146
Foreign exchange gain (loss)	**(415,015)**	175,622	**(398,495)**	73,865
Net loss and comprehensive loss for the period	**$ (2,894,343)**	$ (369,178)	**$ (6,226,199)**	$ (1,808,027)
Loss per common share - basic and diluted	**$ (0.04)**	$ (0.01)	**$ (0.11)**	$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	**71,589,920**	43,499,944	**57,738,940**	43,499,944

Interim Statements of Deficit
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Deficit				
Balance at beginning of period	**$ (10,260,152)**	$ (4,004,050)	**$ (6,689,498)**	$ (2,565,201)
Amalgamation effect (note 1)	-	-	**(238,798)**	-
Net loss for the period	**(2,894,343)**	(369,178)	**(6,226,199)**	(1,808,027)
Balance at end of period	**$ (13,154,495)**	$ (4,373,228)	**$ (13,154,495)**	$ (4,373,228)

The accompanying notes are an integral part of the unaudited interim financial statements.

Continental Gold Limited
(A Development Stage Company)
Interim Statements of Changes in Shareholders' Equity
(Expressed in U.S. Dollars)
(Unaudited)

	Share Capital	Warrants and Broker Warrants	Contributed Surplus	Equity Component of Convertible Debt	Deficit	Total
Balance December 31, 2008	**$ 11,733**	**$ 2,706,104**	**$ 34,134,860**	**$ -**	**$ (2,565,201)**	**$ 34,287,496**
Stock based compensation	-	-	926,980	-	-	926,980
Net loss for the period	-	-	-	-	(1,808,027)	(1,808,027)
Balance June 30, 2009	**$ 11,733**	**$ 2,706,104**	**$ 35,061,840**	**$ -**	**$ (4,373,228)**	**$ 33,406,449**
Balance December 31, 2009	**$ 11,733**	**$ 3,129,104**	**$ 35,379,168**	**$ 2,788,119**	**$ (6,689,498)**	**$ 34,618,626**
Conversion of debenture	205	-	2,069,720	(2,788,119)	-	(718,194)
Conversion of subscription receipts	1,917	-	24,798,806	-	-	24,800,723
Warrants valuation	-	3,665,913	(208,455)	-	-	3,457,458
Broker warrants valuation	-	765,154	-	-	-	765,154
Exercise of stock options	121	-	1,266,140	-	-	1,266,261
Exercise of warrants	39	-	665,946	-	-	665,985
Exercise of broker warrants	33	-	476,348	-	-	476,381
Fair value of broker warrants exercised	-	(187,486)	187,486	-	-	-
Cost of issue - Cash	-	-	(2,592,536)	-	-	(2,592,536)
Stock based compensation	-	-	2,406,113	-	-	2,406,113
Amalgamation effect	-	-	-	-	(238,798)	(238,798)
Net loss for the period	-	-	-	-	(6,226,199)	(6,226,199)
Balance June 30, 2010	**$ 14,048**	**$ 7,372,685**	**$ 64,448,736**	**$ -**	**$ (13,154,495)**	**$ 58,680,974**

The accompanying notes are integral part of the unaudited interim financial statements.

Continental Gold Limited
(A Development Stage Company)
Interim Statements of Cash Flows
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cash provided by (used in)				
Operating activities				
Net loss for the period	**$ (2,894,343)**	$ (369,178)	**$ (6,226,199)**	$ (1,808,027)
Items not affecting cash:				
Stock-based compensation	**1,356,279**	156,380	**2,406,113**	926,980
Depreciation and amortization	**30,906**	9,632	**49,604**	24,387
Interest expense	-	-	**42,843**	-
Write-down of mineral properties	**-**	-	**1,172,707**	-
Accretion expense	**4,000**	-	**4,000**	-
Changes in non-cash working capital balances:				
Inventory	**10,982**	(134,925)	**16,298**	(28,894)
Amounts receivable and prepaid expenses	**(790,101)**	41,294	**(803,550)**	110,811
Accrued loan interest receivable	**-**	1,586	**-**	-
Related party receivables	**(208,494)**	-	**(124,026)**	-
Accounts payable and accrued liabilities	**(1,646,101)**	117,733	**(629,012)**	581,878
Due to related party	**-**	-	**(119,453)**	-
Effect of non-cash working capital as a result of amalgamation	**-**	-	**(341,781)**	-
	(4,136,872)	(177,478)	**(4,552,456)**	(192,865)
Investing activities				
Restricted cash	**(239,856)**	(11,575)	**(257,906)**	(2,894)
Amounts receivable	**(623,000)**	-	**(623,000)**	-
Prepaid taxes	**(231,234)**	(21,342)	**(127,556)**	(126,411)
Intangible assets	**(161,602)**	-	**(163,266)**	(5,544)
Prepaid exploration costs	**(223,921)**	(125,139)	**(252,780)**	(256,257)
Equipment advance	**(33,965)**	-	**(31,866)**	-
Equipment	**(175,142)**	(142,694)	**(485,510)**	(192,900)
Change in accounts payable attributable to property exploration	**550,055**	119,184	**425,735**	61,455
Depreciation and amortization attributable to property exploration	**44,268**	15,647	**65,853**	28,080
Change in advances attributable to property exploration	-	(11,611)	**-**	2,776
Mineral properties	**(3,517,363)**	(365,859)	**(4,845,635)**	552,463
Recoveries in property from gold sales	**1,965,059**	-	**3,899,812**	-
Cash acquired on amalgamation	**-**	-	**102,983**	-
	(2,646,701)	(543,389)	**(2,293,136)**	60,768

The accompanying notes are an integral part of the unaudited interim financial statements.

Continental Gold Limited
(A Development Stage Company)
Interim Statements of Cash Flows
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Financing activities				
Cash proceeds from subscription receipts	**-**	-	**25,669,763**	-
Cash proceeds from exercise of stock options, warrants, and broker warrants	**2,408,624**	-	**2,408,624**	-
Advances to related party	**-**	218,043	**12,297**	-
	2,408,624	218,043	**28,090,684**	-
Net change in cash and cash equivalents during the period	**(4,374,949)**	(502,824)	**21,245,092**	(132,097)
Cash and cash equivalents, beginning of the period	**27,223,833**	743,195	**1,603,792**	372,468
Cash and cash equivalents, end of the period	**$ 22,848,884**	$ 240,371	**$ 22,848,884**	$ 240,371

Cash and cash equivalents consist of:

Cash	**$ 4,300,251**	$ 240,371	**$ 4,300,251**	$ 240,371
Cash equivalents	**18,548,633**	-	**18,548,633**	-
	$ 22,848,884	$ 240,371	**$ 22,848,884**	$ 240,371

(Expressed in U.S. Dollars)

1. Basis of presentation

Continental Gold Limited (the "Company" or "Continental Gold") was incorporated under the Companies Act, 1981 (Bermuda) by articles of incorporation dated April 26, 2007. The Company has no subsidiaries. The Company has formed a branch pursuant to the laws of Colombia, South America effective May 23, 2007, and carries on business in Colombia under the name, "CG de Colombia".

On March 30, 2010, the Company and Cronus Resources Ltd. ("Cronus") completed an amalgamation (the "Amalgamation") of the two companies resulting in the creation of an amalgamated entity to continue operations under the name of Continental Gold Limited. Under the terms of the amalgamation agreement the shareholders of Continental Gold exchanged 2.6973 shares of Continental Gold for receipt of one share of the amalgamated entity and the shareholders of Cronus exchanged 2.35712 shares of Cronus for receipt of one share of the amalgamated entity.

On April 19 2010, pursuant to the closing of the Amalgamation, the Company's common shares were accepted for listing and began trading on the TSX under the symbol "CNL".

As a result of the transaction, the former shareholders of Continental Gold owned in excess of 50% of the outstanding shares of the amalgamated entity. In accordance with CICA EIC-10, the substance of the transaction was a capital transaction and was accounted for as a reverse take-over with Continental Gold being identified as the acquirer. In accordance with reverse take-over accounting, the balance sheet is a continuance of Continental Gold. Comparative figures presented in the financial statements after the reverse take-over are those of Continental Gold.

Based on the balance sheet of Cronus at the time of the transaction, the net liabilities at estimated fair values that were acquired by Continental Gold were as follows:

Net assets (liabilities) acquired:

Cash	$ 102,983
Non-cash working capital (deficiency)	(341,781)
	$ (238,798)

In accordance with CICA EIC-10, the net liabilities in the reverse take-over transaction were charged directly to deficit as a capital transaction.

2. Nature of operations and continuance of operations

The Company is a development stage company as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 that engages principally in the acquisition, exploration and development of mineral properties in Colombia. The Company currently has interests in mineral properties, including a small-scale mining operation related to exploration work and drifting in ore and considered by the Company to be in the pre-production stage. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable. The Company's assets are located outside of North America and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

2. Nature of operations and continuance of operations (continued)

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise financing or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values of the mineral properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. The Company's continuance as a going concern 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 if the Company will attain profitable levels of operation.

If the going concern assumptions were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

3. Significant Accounting Policies

The unaudited interim financial statements have been prepared by the Company in accordance with Canadian GAAP. The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of Continental Gold's audited annual financial statements except as noted below. The accompanying unaudited interim financial statements should be read in conjunction with the notes to Continental Gold's audited financial statements for the year ended December 31, 2009, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. Operating results for the three and six months ended June 30, 2010, may not be indicative of the results that may be expected for the year ending December 31, 2010.

3. Significant Accounting Policies (continued)

Future accounting changes

International Financial Reporting Standards ("IFRS")
In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that publicly accountable, profit oriented enterprises will be required to report under IFRS for interim and annual financial statements for periods commencing on or after January 1, 2011. Accordingly, the Company will be required to have prepared, in time for its fiscal 2011 first quarter filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. This will be an ongoing process as the International Accounting Standards Board and the AcSB continue to issue new standards and recommendations. The Company is in the process of evaluating the potential impact of IFRS on its financial statements. Based on the current guidance provided regulatory bodies, it is anticipated that the Company's financial results and position as disclosed in its current Canadian GAAP financial statements will not differ significantly from that which is required in accordance with IFRS.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the potential impact of this new section.

4. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The Company considers its capital to be equity, which is comprised of share capital, warrants and broker warrants, contributed surplus and deficit which at June 30, 2010 totaled $58,680,974 (December 31, 2009 - $34,618,626).

The Company will continue to rely on equity financings to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

4. Capital management (continued)

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements.
(ii) focusing financing exploration expenditures on those properties considered to have the best potential.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. The Company is not subject to any capital requirements imposed by a regulator or lending institution. The Company expects that its current capital is sufficient to discharge its liabilities as at June 30, 2010. There were no changes in the Company's approach to capital management during the period ended June 30, 2010.

5. Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and price risk).

Risk management is carried out by the Company's management team 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.

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and the related party receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable banks in Colombia, Bermuda and Canada from which management believes the risk of loss to be minimal. Amounts receivable consist of receivables from unrelated parties. The related party receivables consist of amounts due from two companies each controlled by a director of the Company. Amounts receivable and the related party receivables are current as of June 30, 2010. Management believes that the credit risk concentration with respect to amounts receivable and related party receivables is minimal based on the Company's history with these unrelated parties and the related companies.

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 has cash and cash equivalents of $22,848,884 (December 31, 2009 - $1,603,792) to settle current liabilities of $1,369,560 (December 31, 2009 - $1,692,290). 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 various commitments detailed in note 14.

5. Financial risk factors (continued)

Market risk

Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company has cash balances and no interest-bearing debt. Management believes that interest rate risk is remote as cash investments have maturities of three months or less.

Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Company's functional currency is the United States dollar. The Company conducts some of its operating and investing activities in currencies other than the US dollar. The Company is therefore subject to gains or losses due to fluctuations in these currencies relative to the US dollar. As at June 30, 2010, the Company held cash of COL$1,456,588,597 (approximately $759,253) (December 31, 2009 - COL$427,615,627) in Colombian currency, cash of Cdn$6,193,272 (approximately $5,817,341) (December 31, 2009 - $nil) in Canadian currency, amounts and related party receivables of COL$688,274,935 (approximately $358,766) and had accounts payable and accrued liabilities of COL$1,684,174,903 (approximately $877,883) (December 31, 2009 - COL$933,517,652).

Commodity and equity price risk

The Company is exposed to price risk with respect to commodity price. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious minerals to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a six month period:

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments primarily relating to cash and cash equivalents that are denominated in Canadian dollars. As at June 30, 2010, had the Canadian dollar strengthened/weakened by 10% against the U.S. dollar with all other variables held constant, the Company's reported net loss for the period ended June 30, 2010 would have been approximately $581,700 lower/higher.

(ii) Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market of precious metals. As of June 30, 2010, the Company was not a commercial producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in U.S. Dollars)

5. Financial risk factors (continued)

Fair value

The Company has, for accounting purposes, designated its cash and cash equivalents and marketable securities as held-for-trading, which are measured at fair market value. Amounts receivable and the related party receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair market value due to their short term nature. Accounts payable and accrued liabilities and due to related party are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair market value due to their short term nature.

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. The fair value of amounts due from and to a related party cannot be reasonably determined as there is no comparable market data for this instrument.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ -	$ 22,848,884	$ -	$ 22,848,884
Marketable securities	658,919	-	-	658,919
	$ 658,919	$ 22,848,884	$ -	$ 23,507,803

6. Mineral Properties

Project	Balance December 31, 2009	Deferred Expenses (Recoveries) June 30, 2010	Write-down	Balance June 30, 2010
Anza	**$ 893,272**	$ (552,134)	$ -	**$ 341,138**
Arenosa	**583,698**	83,605	-	**667,303**
Berlin	**12,454,006**	518,887	-	**12,972,893**
Buritica	**18,755,293**	1,434,199	-	**20,189,492**
Dojura	**1,380,087**	(7,417)	-	**1,372,670**
Dominical	**2,758,077**	140,670	-	**2,898,747**
Lunareja	**1,172,590**	117	(1,172,707)	**-**
Santander	**428,862**	80,675	-	**509,537**
Zaragoza	**7,222,443**	(1,061,698)	-	**6,160,745**
Total	**$ 45,648,328**	$ 636,904	$ (1,172,707)	**$ 45,112,525**

6. Mineral Properties (continued)

On a quarterly basis, management of the Company reviews exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. For a description of the mineral properties, refer to Note 6 of the audited financial statements as at December 31, 2009. Specific changes to mineral properties that occurred from January 1, 2010 to June 30, 2010, are as follows:

- **Berlin Property**

On January 21, 2010 the Company entered into a purchase agreement with Juan Gonzalo Maya Molina to purchase surface rights over 15 concessions controlled by the Company, in and around the Company's Berlin property. The total purchase price is COL$1,200,000,000 or approximately $630,000. An initial payment COL$150,000,000 ($75,400) was made by the Company on January 21, 2010. A second payment of COL$200,000,000 ($102,472) was made by the Company on April 15, 2010 and the final payment of COL$850,000,000 ($435,506) is due two months after the concessions have been transferred to the Company. Management of the Company believes it will take approximately 8 months to complete the transfer of the concessions.

- **Anza Property**

The Company and 5 other parties (the "Optionors") entered into an option agreement dated May 20, 2010, to option a contiguous group of properties (the "Properties") to Waymar Resources Ltd. ("Waymar"). The Company has included a portion of its Anza property in the Properties. The Company is entitled to receive 25% of all consideration flowing to the Optionors from Waymar pursuant to the option agreement and the letter of intent. Upon signing of the letter of intent on February 19, 2010 Waymar paid a non-refundable fee of $50,000 to the Optionors, $12,500 of which was paid to the Company. In order to earn a 100% interest in the Properties, Waymar must annually make cash payments and issue Waymar common shares (the "Shares") to the Optionors. As well, Waymar must incur minimum annual exploration expenditures on the Properties. Upon the signing of the option agreement Waymar made a cash payment of $250,000 on July 6, 2010 and issued 300,000 Shares to the Optionors on June 29, 2010, of which $62,500 and 75,000 Shares (valued $35,224) was paid and issued to the Company. On the first anniversary of the signing of the option agreement, Waymar must make a further cash payment of $500,000 and issue 500,000 Shares to the Optionors. On the second anniversary of the signing of the option agreement, Waymar must make a further cash payment of $1,000,000 and issue 1,000,000 shares to the Optionors and on the third anniversary of the signing of the option agreement, Waymar must make a final cash payment of $2,000,000 and issue 2,000,000 Shares to the Optionors. Waymar is also responsible for incurring a minimum of $4,000,000 of exploration expenditures on the Properties. On the first anniversary of the signing of the option agreement, Waymar must incur $500,000 of exploration expenditures which must include a minimum of 2,000 metres of drilling. By the second anniversary date a further $1,500,000 of exploration expenditures and by the third anniversary date a further $2,000,000 of exploration expenditures must be incurred by Waymar. The Optionors will maintain a 2% net smelter royalty in the Properties. Additionally, Waymar will have the option to purchase half of the net smelter royalty from the Optionors at a cost of $1,000,000. These amounts will be recognized in the statements as monies are received.

Waymar also entered into a definitive acquisition agreement dated May 21, 2010 to acquire a 100% legal and beneficial interest in certain other parts of the Anza property covering approximately 21,080 hectares. As consideration the Company received 1,000,000 Shares (valued $469,650) and 500,000 share purchase warrants (valued $154,045) to purchase 500,000 Shares at an exercise price of Cdn. $0.75 per Share. The share purchase warrants have an expiry date of June 29, 2012. These amounts have been reflected in the balance sheet as at June 30, 2010.

(Expressed in U.S. Dollars)

6. Mineral Properties (continued)

- **Lunareja Property**

Recently enacted environmental legislation in Colombia has enfringed on the development of Lunareja and the Company has decided not to continue work on this property. As a result the Lunareja property has been written down to zero during the six months ended June 30, 2010.

- **Zaragoza Property**

On April 12, 2010 the Company completed the sale of a property contained within its Zaragoza property pursuant to a letter of intent dated February 3, 2009 for aggregate proceeds of $1,500,000. The Company received a deposit of $100,000 on the execution of the letter of intent. During the period ended June 30, 2010, the purchaser of the property sold a mill to the Company at a cost of $250,000. The Company paid a deposit of $50,000 to the vendor and offset the remaining $200,000 against the $1,400,000 receivable from the sale of the property. It is management's estimate that the receivable will be collected over the next six years with annual payments of $200,000. These payments have been discounted using a credit adjusted risk-free rate of 13%.

7. Intangible assets

Intangible assets consist of the following:

	Cost	Accumulated Amortization	Net Carrying Amount June 30, 2010
Web page	$ 3,264	$ 2,853	$ 411
Software licences	223,101	52,904	170,197
	$ 226,365	$ 55,757	$ 170,608

	Cost	Accumulated Amortization	Net Carrying Amount December 31, 2009
Web page	$ 3,264	$ 2,267	$ 997
Software licences	59,835	34,310	25,525
	$ 63,099	$ 36,577	$ 26,522

(Expressed in U.S. Dollars)

8. Equipment

Equipment consists of the following:

	Cost	Accumulated Depreciation	Net Carrying Amount June 30, 2010
Office equipment	$ 167,950	$ 35,491	$ 132,459
Computer equipment	136,590	49,416	87,174
Machinery	818,587	81,205	737,382
Vehicles	163,422	75,912	87,510
	$ 1,286,549	$ 242,024	$ 1,044,525

	Cost	Accumulated Depreciation	Net Carrying Amount December 31, 2009
Office equipment	$ 76,595	$ 18,655	$ 57,940
Computer equipment	82,853	31,733	51,120
Machinery	478,169	35,791	442,378
Vehicles	163,422	59,570	103,852
	$ 801,039	$ 145,749	$ 655,290

9. Share Capital

(a) Authorized
500,000,000 common shares with a par value of $0.0001 and 100,000,000 preferred shares with a par value of $0.0001, issuable in series.

(b) Issued

	Number of Shares	Amount
Balance, December 31, 2009	43,499,959	$ 11,733
Conversion of debenture (i)	2,000,017	200
Shares in lieu of interest (i)	29,118	5
Conversion of subscription receipts (ii)	19,166,667	1,917
Exercise of stock options	1,213,385	121
Exercise of warrants	388,714	39
Exercise of broker warrants	328,750	33
Conversion of Cronus shares (iii)	6,500,008	-
Balance, June 30, 2010	73,126,618	$ 14,048

(Expressed in U.S. Dollars)

9. Share Capital (continued)

(i) On November 27, 2009 the Company issued a convertible debenture in the principal amount of Cdn. $3,000,000 ($2,849,540), of which Cdn. $647,000 in gross proceeds were received from a director and companies control by a director of the Company. The debenture accrued interest at Canadian prime plus 2%. On March 30, 2010, the debenture was converted into 2,029,135 units of the Company upon completion of the amalgamation between Cronus Resources Ltd. and the Company. Issue costs associated with the issuance of the convertible debt amounted to $61,421. Pursuant to the amalgamation of Cronus Resources Ltd. and the Company, the principal portion of the debenture was converted into 2,000,017 units of the Company at a conversion price of Cdn. $1.50 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant has an expiry date of March 30, 2012 and an exercise price of Cdn. $1.75 ($1.64) per common share. The debenture holders had the option to receive their accrued interest in cash or in units of the Company. In lieu of a cash interest payment the Company issued 29,118 units in satisfaction of the accrued interest on the debenture. The units had the same conversion price and terms and conditions as those units received from the conversion of the principal portion of the debenture.

The grant date fair value of the 2,029,135 warrants was estimated at $822,458 using the Black-Scholes option pricing formula with the following assumptions:

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	1.73%
Expected life	2 years

(ii) On January 28, 2010 and February 11, 2010, the Company completed an equity financing consisting of the sale of 19,166,667 subscription receipts at a price of Cdn. $1.50 per subscription receipt for gross proceeds of Cdn. $28,750,000 ($28,200,875). Each subscription receipt converted into one unit which consisted of one common share and one-half of one common share purchase warrant of the amalgamated company on March 30, 2010. Each full warrant has an exercise price of Cdn. $2.25 and an expiry date of March 30, 2011.

In addition, the underwriters received a cash commission of 7% of gross proceeds Cdn. $2,012,500 ($1,974,072) and 1,341,667 broker warrants exercisable to acquire one unit of the amalgamated company at a price of Cdn.$1.50 for a period of 2 years. Each unit consist of one common share and one-half of one common share purchase warrant of the amalgamated company. Each full warrant has an exercise price of Cdn. $2.25 for a period of one year.

The grant date fair value of the 9,583,334 warrants and 1,341,667 broker warrants was estimated at $2,635,000 and $765,154 respectively using the Black-Scholes option pricing formula with the following assumptions:

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	1.63%
Expected life	1 year

(iii) On March 30, 2010, 15,321,274 shares of Cronus were exchanged at a rate of 2.35712 Cronus shares for one share of the amalgamated entity. This resulted in the issuance of 6,500,008 shares of the Company valued at $nil. In addition, 4,453,750 warrants of Cronus were exchanged at a rate of 2.35712 Cronus warrants for one warrant of the amalgamated entity. This resulted in the issuance of 1,889,488 warrants of the Company valued at $nil.

(Expressed in U.S. Dollars)

10. Warrants and Broker Warrants

(a) Warrants

The following table shows the continuity of warrants for the six months ended June 30, 2010:

	Number of Warrants	Weighted Average Exercise Price	
Balance, December 31, 2009	7,847,181	$ 0.98	
Granted (Note 9(b)(i))	2,029,135	1.64	(Cdn $1.75)
Granted (Note 9(b)(ii))	9,583,334	2.11	(Cdn $2.25)
Conversion of Cronus warrants (Note 9(b)(iii))	1,889,488	1.02	(Cdn $1.09)
Granted (1)	164,375	2.11	(Cdn $2.25)
Exercised	(388,714)	1.65	(Cdn $1.76)
Balance, June 30, 2010	21,124,799	$ 1.56	

(1) During the six months ended June 30, 2010, 164,375 warrants were issued as a result of the exercise of broker warrants. These warrants have an exercise price of Cdn. $2.25 and expire March 30, 2011. The grant date fair value of the 164,375 warrants was estimated at $208,455 using the Black-Scholes option pricing formula with the following assumptions:

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	1.87%
Expected life	0.80 year

The following are the warrants outstanding at June 30, 2010:

Number of Warrants	Grant Date Black-Scholes Value	Exercise Price ($)		Expiry Date
286,898	$ -	1.94	(Cdn $2.07)	August 10, 2010
10,606	-	1.94	(Cdn $2.07)	August 16, 2010
79,546	-	0.33	(Cdn $0.35)	February 5, 2011
9,747,709	2,843,455	2.11	(Cdn $2.25)	March 30, 2011
549,400	-	0.33	(Cdn $0.35)	April 21, 2011
182,957	-	0.88	(Cdn $0.94)	July 27, 2011
391,367	-	0.88	(Cdn $0.94)	August 5, 2011
7,847,181	3,129,104	0.98		March 30, 2012
2,029,135	822,458	1.64	(Cdn $1.75)	March 30, 2012
21,124,799	$ 6,795,017			

(Expressed in U.S. Dollars)

10. Warrants and Broker Warrants (continued)

(b) Broker warrants

The following table shows the continuity of broker warrants for the six months ended June 30, 2010:

	Number of Warrants	Weighted Average Exercise Price	
Balance, December 31, 2009	-	$ -	
Granted (Note 9(b)(ii))	1,341,667	1.41	(Cdn $1.50)
Exercised	(328,750)	1.41	(Cdn $1.50)
Balance, June 30, 2010	1,012,917	$ 1.41	

The following are the broker warrants outstanding at June 30, 2010:

Number of Warrants	Grant Date Black-Scholes Value	Exercise Price		Expiry Date
1,012,917	$ 577,668	$ 1.41	(Cdn $1.50)	March 30, 2011

11. Stock Options

The following table shows the continuity of options for the six months ended June 30, 2010:

	Number of Options	Weighted Average Exercise Price	
Balance, December 31, 2009	2,113,224	$ 0.98	
Granted (*)(i)(iii)(iv)	4,414,725	1.60	(Cdn $1.70)
Conversion of Cronus options (ii)	400,379	0.69	(Cdn $ 0.73)
Exercised	(1,213,385)	1.03	
Expired/Forfeited	(171,704)	1.11	
Balance, June 30, 2010	5,543,239	$ 1.43	

(*) The weighted average grant date fair value of each stock option grant during the period ended June 30, 2010 was $1.11.

(Expressed in U.S. Dollars)

11. Stock Options (continued)

(i) On March 30, 2010, the Company granted 3,414,725 stock options to officers, directors, employees and consultants of the Company at an exercise price of Cdn. $1.50 ($1.41). Of the 3,414,725 stock options, 250,000 expire on March 30, 2013 and the remaining 3,164,725 expire on March 30, 2015. All the stock options have vesting terms of 1/4 immediately and 1/4 every 6 months from date of grant. The grant date fair value of $3,069,783 was estimated using the Black-Scholes option pricing formula with the following assumptions:

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	2.03 - 2.92%
Expected life	3 - 5 years

(ii) On March 30, 2010, 943,750 stock options of Cronus were exchanged at a rate of 2.35712 Cronus stock options for one stock option of the amalgamated entity. This resulted in the issuance of 400,379 stock options of the Company valued at $nil.

(iii) On May 10, 2010, the Company granted 800,000 stock options to directors of the Company at an exercise price of Cdn. $2.35 ($2.21) which expire on May 10, 2015. These stock options have vesting terms of 1/4 immediately and 1/4 every 6 months from date of grant. The grant date fair value of $1,408,000 was estimated using the Black-Scholes option pricing formula with the following assumptions:

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	2.91%
Expected life	5 years

(iv) On June 1, 2010, the Company granted 200,000 stock options to an officer of the Company at an exercise price of Cdn. $2.45 ($2.30) which expire on June 1, 2015. These stock options have vesting terms of 1/4 immediately and 1/4 every 6 months from date of grant. The grant date fair value of $392,000 was estimated using the Black-Scholes option pricing formula with the following assumptions:

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	2.61%
Expected life	5 years

(Expressed in U.S. Dollars)

11. Stock Options (continued)

The following table shows the options outstanding at June 30, 2010:

Estimated Grant Date Fair Value	Outstanding: Number of Options Outstanding	Outstanding: Weighted Average Exercise Price ($)		Outstanding: Weighted Average Contractual Life (years)	Number of Options Exercisable	Expiry Date
-	21,212	0.88	(Cdn $0.94)	0.09	21,212	August 3, 2010
-	4,242	0.39	(Cdn $0.41)	0.75	4,242	March 30, 2011
-	10,606	0.88	(Cdn $0.94)	1.23	10,606	September 22, 2011
-	10,606	0.88	(Cdn $0.94)	1.47	10,606	December 19, 2011
-	18,561	1.50	(Cdn $1.60)	2.19	18,561	September 7, 2012
19,000	100,000	1.41	(Cdn $1.50)	2.75	100,000	March 30, 2013
-	53,031	0.79	(Cdn $0.84)	2.86	53,031	May 9, 2013
-	131,515	0.39	(Cdn $0.41)	3.85	131,515	May 4, 2014
2,938,458	3,029,338	1.41	(Cdn $1.50)	4.75	791,181	March 30, 2015
847,800	1,164,128	0.98		8.59	1,164,127	January 29, 2019
1,408,000	800,000	2.21	(Cdn $2.35)	4.86	200,000	May 10, 2015
392,000	200,000	2.30	(Cdn $2.45)	4.92	50,000	June 1, 2015
$ 5,605,258	5,543,239	1.43		5.46	2,555,081	

12. Asset retirement obligation

The Company's asset retirement obligation ("ARO") is based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The Company has estimated its total asset retirement obligation to be $63,000 at June 30, 2010 (December 31, 2009 - $59,000) based on a total future liability of approximately $328,000 and a credit adjusted risk-free rate of 13%. Reclamation is expected to occur in the year 2023.

13. Related party transactions

During the three and six months ended June 30, 2010, aggregate legal fees included in professional fees on the statement of operations, of $nil and $30,703 (2009 - $30,000 and $66,531) were charged by a law firm in which a director of the Company is a partner and are included in the statement of operations. As at June 30, 2010, included in accounts payable and accrued liabilities are fees amounting to $nil (December 31, 2009- $68,525) payable to this law firm.

During the three and six months ended June 30, 2010, aggregate technical consulting fees included in professional fees on the statement of operations, of $nil and $15,000 (2009 - $17,600 and $47,225) were charged by a director of the Company. As at June 30, 2010, included in accounts payable and accruals are fees amounting to $nil (December 31, 2009- $63,600) payable to this individual.

During the three and six months ended June 30, 2010, aggregate gold sales to a refiner company controlled by a director of the Company amounted to $1,965,059 and $3,899,812 (2009 - $1,256,955 and $3,210,066) and are reported as a reduction to mineral properties on the balance sheet. As of June 30, 2010 the refiner company owed the Company $216,778 (December 31, 2009 – $215,474) which is included in related party receivables. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

The Company received consulting services from Grupo de Bullet S.A. ("Grupo"), a company controlled by a director of the Company during the three and six months ended June 30, 2010 in the amount of $nil and $274,750 (2009 - $nil), which is included in professional fees on the statement of operations. The amount owing by the Company to Grupo as at June 30, 2010 is $nil (December 31, 2009 – $119,453 which is included in due to related party). In addition, during the six months ended June 30, 2010, the Company made advances to Grupo in the amount of $122,150 (June 30, 2009 - $nil) repayable on April 1, 2011 and accrues interest at Libor.

The Company purchased drilling services for the three and six months ended June 30, 2010 from Terra Colombia S.A., a company with a common director, at a cost of $nil and $73,995 (2009 - $332,925 and $477,425), which were capitalized to mineral properties.

On January 28, 2010, a director of the Company and companies with an officer who is also a director of Continental Gold purchased 1,596,334 units of the Company (see note 9(b)(ii)) for gross proceeds of Cdn.$2,394,501 ($2,348,767).

On February 11, 2010, officers and directors of the Company purchased 593,602 units in the Company (see note 9(b)(ii)) for gross proceeds of Cdn.$890,403 ($873,397).

On March 30, 2010, the Company issued 2,402,832 stock options to officers and directors of the Company. The stock options have an exercise price of Cdn. $1.50 and an expiry date of March 30, 2015.

Transactions with related parties disclosed above, are in the normal course of business and are recorded at the exchange amount, being the price agreed between the parties.

(Expressed in U.S. Dollars)

14. Commitments and Contingencies

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $720,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Additional minimum commitments remaining under these contracts were approximately $950,000 all payable within one year.

On July 10, 2009, the Company entered into a 5 year mining agreement with Sociedad Bettel S.A ("Sociedad"), an arm's length party. Under the terms of this agreement, Sociedad will perform the activities required for the technical and economic exploitation of the gold reservoir in an Arenosa mining concession owned by the Company in the Remedios municipality. In the event that the Company sells the mining concession and Sociedad cannot continue mining operations, Sociedad will receive as compensation double the realized investment for the construction and setup of the mining plant. The expected maximum amount is $500,000,000 Colombian pesos (approximately $260,000).

On April 20, 2010, the Company entered into a 5 year lease agreement for office facilities in Toronto. The Company's gross annual rent commencing September 1, 2010 will be approximately Cdn.$167,500 ($157,333) depending upon actual operating costs for the building.

Environmental Contingencies
The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. Segmented Financial Information

The Company has been directly or indirectly engaged in the exploration of mineral properties in Colombia.

The Company's operating segments have been identified based on geographic area. There are no revenues in Bermuda or Colombia and assets are disclosed in note 6.

June 30, 2010	Canada	Bermuda	Colombia	Total
Cash and cash equivalent	$ 21,944,576	$ 123,686	$ 780,622	$ 22,848,884
Other assets	149,726	448,917	3,006,849	3,605,492
Intangible assets	-	134,344	36,264	170,608
Equipment	-	8,977	1,035,548	1,044,525
Mineral properties	-	-	45,112,525	45,112,525
	$ 22,094,302	$ 715,924	$ 49,971,808	$ 72,782,034

(Expressed in U.S. Dollars)

15. Segmented Financial Information (continued)

December 31, 2009	Canada	Bermuda	Colombia	Total
Cash	$ -	$ 1,396,678	$ 207,114	$ 1,603,792
Other assets	-	-	754,484	754,484
Intangible assets	-	19,624	6,898	26,522
Equipment	-	-	655,290	655,290
Mineral properties	-	-	45,648,328	45,648,328
	$ -	$ 1,416,302	$ 47,272,114	$ 48,688,416

16. Comparative Figures

Certain comparative figures have been reclassified to conform with current period financial statement presentation.

17. Subsequent Events

a) On July 6, 2010, the Company received $62,500 from Waymar in accordance with the option agreement (note 6).

b) On July 13, 2010, the board of directors of the Company approved the issue of 350,000 stock options to employees with an exercise price of Cdn$2.70 and an expiry date of July 13, 2015.

c) During July 2010, the Company received aggregate proceeds of Cdn$749,132 from the exercise of 341,126 warrants.

d) During July 2010, the Company received aggregate proceeds of Cdn$283,125 from the exercise of 188,750 broker warrants.