CONTINENTAL GOLD

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

Expressed in U.S. Dollars

INDEX

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Continental Gold Limited were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the annual audited 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.

PricewaterhouseCoopers LLP, the Company’s independent auditors, conducts an audit of the financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the annual audited financial statements together with other financial information. An Audit Committee, whose members are not officers of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal controls over the financial reporting process, the annual audited financial statements together with other financial information of the Company, and the auditor’s report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements 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.

(signed) Ari Sussman

Ari Sussman
Chief Executive Officer

(signed) Keith McKay

Keith McKay
Chief Financial Officer

March 18, 2011

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto-Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimile +1 416 365 8215
www.pwc.com/ca

March 18, 2011

Independent Auditor's Report

To the Shareholders of
Continental Gold Limited

We have audited the accompanying financial statements of Continental Gold Limited, which comprise the balance sheet as at December 31, 2010 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Continental Gold Limited as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter
The financial statements of Continental Gold Limited for the year ended December 31, 2009, were audited by another auditor who expressed an unmodified opinion on those statements on April 9, 2010.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

CONTINENTAL GOLD LIMITED
Balance Sheets

As at (in 000's of U.S. Dollars)	Note	**December 31 2010**	December 31 2009
		$	$
Assets			
Current assets			
Cash and cash equivalents		**97,208**	1,604
Marketable securities	7(b)	**892**	–
Receivables and prepaid expenses	8, 19	**1,884**	232
		99,984	1,836
Long-term assets			
Restricted cash	7(a)	**305**	83
Long-term portion of receivables	8	**623**	–
Prepaids and advances	9	**419**	355
Intangible assets	10	**190**	27
Equipment	11	**2,248**	655
Mineral properties	12,19	**57,726**	45,732
		61,511	46,852
		161,495	48,688
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	12(d), 19	**3,812**	1,692
Long-term liabilities			
Future income tax liability	13	**14,059**	12,319
Asset retirement obligation	14	**67**	59
		14,126	12,378
		17,938	14,070
Shareholders' equity			
Share capital	15	**17**	12
Warrants and broker warrants	16	**17,558**	3,129
Contributed surplus		**141,763**	35,379
Equity component of convertible debt	15(b)(i)	–	2,788
Deficit		**(15,781)**	(6,690)
		143,557	34,618
		161,495	48,688

Continuance of operations	2
Commitments and contingencies	20
Subsequent events	22

APPROVED ON BEHALF OF THE BOARD:

(signed) Ari Sussman
Director

(signed) Paul Murphy
Director

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

Continental Gold Limited
Statements of Operations and Comprehensive Loss

For the years ended (in 000's of U.S. Dollars, except per share amounts)	Note	**December 31 2010**	December 31 2009
		$	$
Expenses			
Stock based compensation	17	**4,761**	1,244
Corporate administration	18, 19	**4,337**	2,987
Write-down of mineral properties	12(d),12(g)	**1,443**	–
Loss on sale of properties	12(a),12(h)	**1,006**	–
Net loss before the following		**(11,547)**	(4,231)
Other income:			
Foreign exchange gain		**1,846**	65
Unrealized gain on marketable securities		**312**	–
Interest income net of expenses		**167**	4
Other income		**66**	38
Net loss before income tax		**(9,156)**	(4,124)
Income tax expense(recovery):			
Current		**180**	–
Future		**(484)**	–
	13	**304**	–
Net loss and comprehensive loss for the year		**(8,852)**	(4,124)
Loss per common share - basic and diluted	16,17	**(0.12)**	(0.09)
Weighted average number of common shares outstanding - basic and diluted		**71,562,217**	43,499,944

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

Continental Gold Limited

Statements of Changes in Shareholders' Equity

(in 000's of U.S. Dollars)	Share Capital	Warrants and Broker Warrants	Contributed Surplus	Equity Component of Convertible Debt	Deficit	Total
	$	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2008	**12**	**2,706**	**34,135**	–	**(2,566)**	**34,287**
Warrant exercise price amendment	–	423	–	–	–	423
Equity component of convertible debt	–	–	–	2,788	–	2,788
Stock based compensation	–	–	1,244	–	–	1,244
Net loss for the year	–	–	–	–	(4,124)	(4,124)
Balance, December 31, 2009	**12**	**3,129**	**35,379**	**2,788**	**(6,690)**	**34,618**
Private placement	1	–	66,627	–	–	66,628
Conversion of debenture	–	–	2,832	(2,788)	–	44
Conversion of subscription receipts	2		28,199	–	–	28,201
Warrants valuation	–	17,167	(17,167)	–	–	–
Cost of issue - broker warrants valuation	–	3,397	(3,397)	–	–	–
Exercise of stock options	–	–	2,095	–	–	2,095
Exercise of warrants	2	–	18,816	–	–	18,818
Fair value of warrants exercised	–	(5,496)	5,496	–	–	–
Exercise of broker warrants	–	–	1,640	–	–	1,640
Fair value of broker warrants exercised	–	(639)	639	–	–	–
Cost of issue – cash	–	–	(6,757)	–	–	(6,757)
Stock based compensation	–	–	7,361	–	–	7,361
Amalgamation effect (Note 4)	–	–	–	–	(239)	(239)
Net loss for the year	–	–	–	–	(8,852)	(8,852)
Balance, December 31, 2010	**17**	**17,558**	**141,763**	–	**(15,781)**	**143,557**

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

Continental Gold Limited
Statements of Cash Flows

For the years ended (in 000's of U.S. Dollars)	Note	**December 31 2010**	December 31 2009
		$	$
Cash provided by (used in):			
Operating activities:			
Net loss for the year		**(8,852)**	(4,124)
Items not affecting cash:			
Stock-based compensation		**4,761**	1,244
Depreciation and amortization		**165**	50
Interest and accretion expense		**51**	18
Warrant exercise price amendment		–	423
Write-down of mineral properties		**1,443**	–
Loss on sale of mineral properties		**1,006**	–
Unrealized gain on marketable securities		**(312)**	–
Future income tax		**(484)**	–
Changes in non-cash working capital balances:			
Receivables and prepaid expenses		**(1,486)**	(113)
Accounts payable and accrued liabilities		**1,262**	1,140
Effect of non-cash working capital as a result of amalgamation	4	**(342)**	–
		(2,788)	(1,362)
Investing activities:			
Restricted cash		**(222)**	(12)
Receivable		**(770)**	–
Prepaids and advances		**(64)**	(218)
Accounts payable and accrued liabilities attributable to mineral properties		**858**	146
Intangible assets		**(223)**	(6)
Equipment		**(1,803)**	(427)
Cash proceeds received from sale of mineral properties		**100**	–
Depreciation and amortization attributable to property exploration		**105**	69
Mineral properties		**(16,929)**	(7,128)
Recoveries in property from gold sales		**6,068**	7,382
Cash acquired on amalgamation	4	**103**	–
		(12,777)	(194)
Financing activities:			
Cash proceeds from subscription receipts, net of costs	15(b)(ii)	**25,670**	–
Cash proceeds from private placement, net of costs	15(b)(iv)	**62,403**	–
Cash proceeds from exercise of stock options, warrants, and broker warrants		**22,553**	–
Issue of convertible debt, net of costs		–	2,788
Loan payable		–	105
Repayment of loan		–	(105)
		110,626	2,788
Net change in cash and cash equivalents during the year		**95,061**	1,232
Cash and cash equivalents, beginning of year		**1,604**	372
Foreign exchange effect		**543**	–
Cash and cash equivalents, end of year		**97,208**	1,604

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

1. BASIS OF PRESENTATION

Continental Gold Limited ("Continental Gold" or “the Company”) was incorporated under the Companies Act, 1981 (Bermuda) by articles of incorporation dated April 26, 2007. It has no subsidiaries. Continental Gold 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".

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 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.

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 ("Canadian 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.

2. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS (continued)

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

Foreign currency
The functional and reporting currency of the Company is the United States dollar. Foreign currency amounts included in these financial statements are translated using the temporal method of accounting. Under this method, monetary assets and liabilities are translated at the rate of exchange prevailing at the end of the period. Non-monetary assets and liabilities are translated at the rate of exchange prevailing when the assets were acquired or the liabilities incurred. Revenue, expense items and deferred exploration expenses are translated using the average rate of exchange during the financial statement periods, except for depreciation and amortization which are translated at historic rates. Gains and losses resulting from the translation of transactions and balances denominated in foreign currencies are included in operations.

Cash and cash equivalents
Cash and cash equivalents include cash and highly liquid investments held in the form of high quality money market investments and certificates of deposit with investment terms of less than three months at acquisition. These investments are stated at fair value which approximates cost plus accrued interest. The majority of the Company's cash and cash equivalents are held in reputable banks in Bermuda, Canada and Colombia. As at December 31, 2010 and 2009, the cash and cash equivalents balance was composed entirely of cash.

Inventory
Inventory consists of in-process and finished goods, including ore concentrate and gold in ore, which are valued at the lower of production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests.

Financial instruments recognition, measurement, disclosure and presentation
All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in operations. Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is disposed of or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has designated its cash and cash equivalents and marketable securities as held-for trading, which are measured at fair value. Amounts receivable and related party receivable are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related party are designated as other financial liabilities, which are measured at amortized cost.

Fair Value Hierarchy and Liquidity Risk Disclosure
In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value under Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Intangible asset
Intangible assets are recorded at cost and amortized over 3 years using the straight-line method.

Equipment
Equipment is recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets of years:

Office equipment	10 years
Computer equipment	5 years
Machinery	10 years
Vehicles	5 years

Mineral properties
The Company is in the development stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, impaired, sold or abandoned. Pre-production revenues and mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties to which they relate. Under this method, the amounts shown as mineral properties and deferred expenses represent net costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Costs include the cash consideration and the fair market value of the shares and warrants issued for the acquisition of mineral properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

The Company reviews capitalized costs on its mineral properties and will recognize an impairment in value based upon current exploration or production results, and upon management's assessment of the future probability of profitable revenues from the properties or from sale of the properties. An impairment loss is recognized when the carrying amount of the mineral properties is not recoverable and exceeds its fair value.

Exploration costs that are not attributable to a specific property are charged to operations.

Impairment of long-lived assets
Long-lived assets held for use are reviewed for impairment when events or circumstances indicate that its carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the long-lived assets is not recoverable and exceeds its fair value. Fair value is assessed as the recoverable amount.

Asset retirement obligations
The Company recognizes a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral properties. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related mineral property. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense included in operations on the discounted liability.

Convertible debt instruments
The Company’s convertible debt instruments are segregated into their debt and equity components at the date of issue, based on the relative fair market values of these components in accordance with the substance of the contractual agreements. The debt component of the instruments is classified as a liability, and recorded as the present value of the Company’s obligation to make future interest payments and settle the redemption value of the instrument. The carrying value of the debt component is accreted to the original face value of the instruments, over the term of the convertible debt instrument, using the effective interest method. The value of the conversion option makes up the equity component of the instruments. The conversion option is recorded using the residual value approach. Upon conversion, any gain or loss arising from extinguishment of the debt is recorded in operations of the current period.

Income taxes
The Company accounts for income taxes using the asset and liability method whereby future income tax assets and liabilities are recorded based on temporary differences between the financial reporting and tax bases of the Company's assets and liabilities. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately realized. These future income tax assets and liabilities are measured using enacted or

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Stock-based compensation
The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus.

Share issue costs
Costs directly attributable with the raising of capital are charged against the related share capital.

Comprehensive income
Comprehensive income includes both net earnings and other comprehensive income ("OCI"). OCI includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented as a category in shareholders' equity. For the years ended December 31, 2010 and 2009, the comprehensive loss equals net loss.

Joint ventures
A portion of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for a specified percentage interest in mineral properties. Expenditures on these properties are capitalized to mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in mineral properties, is applied by the Company only when the parties have earned their respective interests and enter into a formal comprehensive agreement for ownership and exploration participation.

Loss per share
Basic loss per common share has been computed by dividing the loss applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted loss per common share is determined using the treasury stock method under which deemed proceeds on the exercise of stock options and other dilutive instruments are considered to be used to reacquire common shares at the average share price for the period with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. The outstanding stock options and warrants to purchase common shares as described in Notes 15 and 16 were not included in the computation of the diluted loss per share because the effect would be anti-dilutive.

Measurement uncertainty and use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

Future Accounting changes

Section 1582 - Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling interests

In 2008, the CICA issued Handbook Section 1582, ''Business Combinations'' (''Section 1582''), which is effective for business combinations with an acquisition date on or after January 1, 2011. The standard requires the additional use of fair value measurements, recognition of additional assets and liabilities and increased disclosure. The impact of Section 1582 is expected to have a material impact on how prospective business combinations are accounted for. Additionally, as part of the application of Section 1582, companies will be required to adopt CICA Handbook Section 1601 ''Consolidated Financial Statements'' and 1602 ''Non-controlling interests''. These sections will require that non-controlling interest be presented as part of shareholders' equity on the balance sheet and the controlling parent to present 100 percent of the subsidiary's results in the statement of operations with an allocation between controlling and non-controlling interest. The standards are effective as of January 1, 2011, with early adoption permitted. The Company has chosen not to early adopt these standards.

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards (''IFRS'') will replace Canadian GAAP for publicly accountable enterprises. As a result, the Company will report under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated under IFRS. Adoption of IFRS as Canadian GAAP requires the Company to make certain accounting policy choices and could materially impact its reported financial position and results of operations.

4. AMALGAMATION

On March 30, 2010, Continental Gold Limited 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 (the "Company" or "CGL"). 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".

4. AMALGAMATION (continued)

As a result of the transaction, the former shareholders of the original 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 the original Continental Gold being identified as the acquirer. In accordance with reverse take-over accounting, the balance sheet is a continuance of the original 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:

(in 000's of U.S. dollars)	$
Net assets (liabilities) acquired:	
Cash	103
Non-cash working capital (deficiency)	(342)
Adjustment to deficit	(239)

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

5. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which is comprised of share capital, warrants and broker warrants, contributed surplus and deficit which at December 31, 2010 totaled $143,557 (December 31, 2009 - $34,618). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2010. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

6. 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 and amounts 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. Amounts receivable are current as of December 31, 2010. Management believes that the credit risk concentration with respect to amounts receivable is minimal based on the Company's history with these unrelated parties.

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 $97,208,000 (December 31, 2009 - $1,604,000) to settle current liabilities of $3,812,000 (December 31, 2009 - $1,692,000). 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 20.

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 recognized 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 U.S. dollar. The Company is therefore subject to gains or losses due to fluctuations in these currencies relative to the U.S. dollar. As at December 31, 2010, the Company held cash of COL$4,111,048,000 (approximately $2,051,000) (December 31, 2009 - COL$427,616,000, approximately $207,000) in Colombian currency, cash of C$68,312,000 (approximately $68,681,000) (December 31, 2009 - $nil) in Canadian currency, amounts receivable of COL$454,540,000 (approximately $227,000) (December 31, 2009 - COL$483,052,000, approximately $232,000)

6. FINANCIAL RISK FACTORS (continued)

and had accounts payable and accrued liabilities of COL$3,797,459,000 (approximately $1,895,000) (December 31, 2009 - COL$2,281,202,000, approximately $1,054,000).

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 year:

(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 December 31, 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 December 31, 2010 would have been approximately $37,000 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 December 31, 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.

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 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.

6. FINANCIAL RISK FACTORS (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2010:

(in 000's of U.S. dollars)	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	–	97,208	–	97,208
Marketable securities	703	189	–	892
	703	97,397	–	98,100

7. RESTRICTED CASH AND MARKETABLE SECURITIES

(a) Restricted Cash

Restricted cash includes $25,000 (2009 – $Nil) held as security against the corporate credit cards by the Company's bank, pledged letters of credit in the amount of $88,000 to support license requirements in Colombia and $192,000 to support a major drilling contract.

(b) Marketable Securities

Marketable securities consisted of the following as at December 31, 2010:

Security name	Security description	Cost	Fair Value
		($000's)	**($000's)**
Waymar Resources Ltd.	1,075,000 common shares	426	**703**
Waymar Resources Ltd.	500,000 warrants	154	**189**
		580	**892**

Marketable securities were acquired as part of the sale of parts of the Anza property (Note 12(a)). The common shares are classified as held-for-trading and are recorded at fair value using the bid price as at December 31, 2010. The share purchase warrants have an exercise price of C$0.75 per share to purchase 500,000 shares with an expiry date of June 29, 2012. The share purchase warrants are valued using a Black-Scholes option pricing model using the following assumptions:

Expected dividend yield	nil
Expected volatility	138.37%
Risk-free interest rate	1.66%
Expected life	1.5 years

8. RECEIVABLES AND PREPAID EXPENSES

(in 000's of U.S. dollars)	**December 31, 2010**	December 31, 2009
	$	$
Receivable from Mineras Four Points SA (a)	**789**	–
Accounts receivable	**1,473**	232
Prepaid expenses	**245**	–
	2,507	232
Long-term portion of receivables (a)	**(623)**	–
	1,884	232

(a) **Receivable from Mineras Four Points SA**

The receivable represents the remaining balance of $1,200,000 from the sale of a property contained within its Zaragoza property (Note 12(h)) in 2010. The receivable is collectible over the next six years with annual payments of $200,000. These payments have been discounted using a discount rate of 13%.

9. PREPAIDS AND ADVANCES

(in $000's of U.S. dollars)	**December 31, 2010**	December 31, 2009
	$	$
Prepaid taxes (a)	**–**	160
Prepaid mineral property costs (b)	**419**	195
	419	355

(a) **Prepaid taxes**

Prepaid taxes are refundable value added taxes paid and applied against other local payroll and withholding taxes payable. During 2010, the Company began to separately apply for and receive refunds for value added taxes paid on supplies and services and to pay for local payroll and withholding taxes payable.

(b) **Prepaid mineral property costs**

Prepaid mineral property costs represent advances for exploration costs and related equipment that will be capitalized when incurred.

10. INTANGIBLE ASSETS

Intangible assets consist of the following:

(in 000's of U.S. dollars)	Cost	Accumulated Amortization	**Net Carrying Value December 31, 2010**	Net Carrying Value December 31, 2009
	$	$	**$**	$
Web page and Software licences	287	97	**190**	27

11. EQUIPMENT

Equipment consists of the following:

December 31, 2010 (in 000's of U.S. dollars)	Cost	Accumulated Depreciation	**Net Carrying Value**
	$	**$**	**$**
Office equipment	**295**	**81**	**214**
Computer equipment	**243**	**77**	**166**
Machinery	**1,295**	**112**	**1,183**
Vehicles	**362**	**86**	**276**
Mobile building	**193**	**–**	**193**
Leaseholds construction in progress	**216**	**–**	**216**
	2,604	**356**	**2,248**

December 31, 2009 (in 000's of U.S. dollars)	Cost	Accumulated Depreciation	Net Carrying Value
	$	$	$
Office equipment	77	19	58
Computer equipment	83	32	51
Machinery	478	36	442
Vehicles	163	59	104
	801	146	655

12. MINERAL PROPERTIES

(in 000's of U.S. dollars)	December 31, 2009	Deferred Expenses (Recoveries)	Disposals or Write-downs	**December 31, 2010**
Project	$	$	$	**$**
Anza (a)	893	39	(827)	**105**
Arenosa (b)	584	160	–	**744**
Berlin (c)	12,454	1,270	–	**13,724**
Buriticá (d)	18,839	14,335	(271)	**32,903**
Dojura (e)	1,380	(7)	–	**1,373**
Dominical (f)	2,758	103	–	**2,861**
Lunareja (g)	1,173	–	(1,173)	**–**
Santander	429	102	–	**531**
Zaragoza (h)	7,222	61	(1,798)	**5,485**
	45,732	16,063	(4,069)	**57,726**

(in 000's of U.S. dollars)	December 31, 2008	Deferred Expenses (Recoveries)	Disposals or Write-downs	December 31, 2009
Project	$	$	$	**$**
Anza (a)	876	17	–	893
Arenosa (b)	601	(17)	–	584
Berlin (c)	12,048	406	–	12,454
Buriticá (d)	19,406	(567)	–	18,839
Dojura (e)	1,380	–	–	1,380
Dominical (f)	2,813	(55)	–	2,758
Lunareja (g)	1,171	2	–	1,173
Santander	427	2	–	429
Zaragoza (h)	7,264	(42)	–	7,222
	45,986	(254)	–	45,732

(a) **Anza Property**

The Company and five 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 $30,000)

12. MINERAL PROPERTIES (continued)

were 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 and the third anniversary date, a further $1,500,000 and $2,000,000, respectively, 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 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. As consideration, the Company received 1,000,000 Shares (valued $369,000) and 500,000 share purchase warrants (valued $154,000) to purchase 500,000 Shares at an exercise price of C$0.75 per Share. The share purchase warrants have an expiry date of June 29, 2012. The loss on sale of the properties was $277,000.

(b) Arenosa Property

On July 10, 2009 the Company entered into a five-year mining agreement with Sociedad Bettel S.A., an arm's length party. Contract cancellation is expected to occur in the first quarter of 2011 as no work was done on the property during the twelve months ended December 31, 2010.

(c) Berlin Property

On January 21, 2010, the Company entered into a purchase agreement to purchase surface rights over 15 concessions controlled by the Company, in and around the Company's Berlin property. The total purchase price was COL$1,200,000,000 or approximately $630,000. An initial payment of COL$150,000,000 ($75,000) was made by the Company on January 21, 2010. A second payment of COL$200,000,000 ($102,000) was made by the Company on April 15, 2010 and the final payment of COL$850,000,000 ($436,000) is due upon execution of the deed by which title to the land is passed to the Company.

(d) Buriticá Property

On May 30, 2008 the Company entered an agreement to acquire a mining permit to land contiguous to the Buriticá project from an arm's length party. The total purchase price was $1,900,000 payable in four installments - $100,000 which was paid on May 30, 2008; $200,000 on May 30, 2009 which was paid on May 28, 2009; $500,000 on

12. MINERAL PROPERTIES (continued)

May 30, 2010 and $1,100,000 on May 30, 2011. The purchase price payable on the first, second and third anniversaries may be made in an equivalent value of the Company's common shares. The Company has the option at any time to discontinue making payments at its sole discretion and return the mining permit to the vendor or to accelerate the payments at any time.

Gold concentrate inventory of $2,000 (2009 - $84,000) is included in mineral properties and is carried at the lower of cost and net realizable value. As at December 31, 2010 and 2009, all inventory is recorded at cost as the Company capitalizes its pre-production revenues and costs. During the years ended December 31, 2010 and 2009, no amounts have been expensed in the statement of operations.

During 2010, $271,000 of equipment write-downs was recorded.

As at December 31, 2010, the recognized a liability of $1,100,000 in respect of amounts expected to be paid.

(e) **Dojura Property**

The Company entered into an assignment agreement with a related party whereby the Company was assigned an option agreement in which the related party had entered into with AngloGold Ashanti Limited ("AngloGold"), dated October 4, 2006. The option agreement currently involves the Dominical and Dojura projects.

On January 15, 2010 AngloGold made an initial payment of $100,000 to the Company with regard to the Dojura property. A commencement date for exploration on the Dojura property has not yet been established by the Company and AngloGold. AngloGold will be required to follow the following payment protocol, once AngloGold begins exploration:

(i) during the first 12-month period after commencement date of exploration, AngloGold is required to spend $450,000 on exploration expenses (exploration expenses include all periodic regulatory payments required to keep the properties in good standing);

(ii) on the first anniversary of commencement of exploration, AngloGold is also required to make a payment to the Company of $150,000;

(iii) during the second 12-month period after commencement date of exploration, AngloGold is required to spend $750,000 on exploration expenses;

(iv) on the second anniversary of commencement of exploration, AngloGold must make a payment to the Company of $250,000;

(v) during the third 12-month period after commencement date of exploration, AngloGold must spend $1,000,000 on exploration expenses;

12. MINERAL PROPERTIES (continued)

(vi) on the third anniversary of commencement of exploration, AngloGold must make a payment to the Company of $500,000.

(vii) Any payments made by AngloGold exceeding the requirements in (i) and (iii) shall carry forward to (v).

(viii) After the third anniversary of commencement of exploration, AngloGold has the right to earn an additional 24% in the Dojura project by making semi-annual payments $200,000 to the Company over a maximum 36 month period ending six years after the date of commencement of exploration or at the time a feasibility study is completed to the satisfaction of AngloGold, whichever first occurs. On the sixth anniversary of commencement of exploration or the date of the feasibility study, whichever first occurs, AngloGold must make a final payment to the Company in the amount of $2,500,000 to earn the additional 24% interest in the Dojura project. The related party is entitled to 25% of all cash payments received by the Company from AngloGold.

(f) Dominical Property

The Company entered into an assignment agreement with a related party dated June 4, 2008, whereby the Company was assigned an option agreement in which the related party had entered into with AngloGold Ashanti Limited ("AngloGold"), dated October 4, 2006. The option agreement currently involves the Dominical and Dojura projects. The terms of the option agreement allowed AngloGold to earn up to a 51% interest in the Dominical project.

On February 5, 2010 AngloGold informed the Company that they would no longer be continuing exploration activity on the Dominical property.

(g) Lunareja Property

Recently enacted environmental legislation in Colombia has infringed 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 year ended December 31, 2010.

(h) 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 December 31, 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. The balance will be collected from 15% of the gross sales of gold production with minimum annual payments of $200,000. It is management's estimate that the receivable will be collected over the next six years with annual payments of $200,000. These payments

12. MINERAL PROPERTIES (continued)

have been discounted using a discount rate of 13%. The loss on sale of the properties was $729,000.

(i) **Properties**

Bullet Holding Corporation ("Bullet") controls or is the beneficiary of mineral rights in Colombia (collectively, the "Mineral Rights") some of which are registered in the mining registry ("Current Mineral Rights"), others for which registration is pending ("Beneficial Mineral Rights") and the remainder of which are applications for mineral rights presented before the competent authority which are currently being processed or applications that will be made up to and including September 7, 2012 ("After Acquired Mineral Rights"). The Company has an option to acquire the Mineral Rights from Bullet pursuant to an option agreement between the Company and Bullet dated January 16, 2008. As at December 31, 2010, the Company has not exercised this option. The details of the option agreement are as follows:

(i) the option agreement expires September 7, 2012;

(ii) the purchase price for Mineral Rights acquired under the option agreement is based on the market value as negotiated by the parties, or as determined by an independent mutually acceptable expert whose opinion shall be binding, pursuant to the following formula:

(a) 25% of the market value plus all other expenses incurred by Bullet in respect of Current Mineral Rights and Beneficial Mineral Rights; and
(b) 100% of the market value in respect of After Acquired Mineral Rights;

(iii) the purchase price for Mineral Rights acquired under the option agreement may be paid in cash or common shares of the Company as the Company may elect, subject to regulatory approval, and such common shares shall be valued on the basis of a twenty day weighted average trading price formula;

(iv) if the Mineral Rights acquired under the option agreement are subject to a joint venture with a third party, Bullet is entitled to 25% of the benefits derived by the Company from such joint venture for the duration of the joint venture;

(v) if the Company elects to acquire Mineral Rights under the option agreement but does not complete such acquisition, such Mineral Rights are no longer subject to the option agreement and may not be acquired by the Company in the future;

(vi) Bullet retains the right to explore, exploit, recover and commercialize non-metallic elements that may occur in the Mineral Rights, with the result that the Company has no right to non-metallic metals and should non-metallic metals be found on any property acquired by the Company pursuant to the option agreement, or in another property owned by the Company within three kilometres from each point on the outermost boundaries of such Mineral Rights, then all such areas containing non-metallic elements shall be re-conveyed to Bullet for no further consideration; and

12. MINERAL PROPERTIES (continued)

(vii) if within twelve months of acquisition under the option agreement the Company does not explore or develop, or chooses to relinquish its interest in such Mineral Rights, then such Mineral Rights shall be re-conveyed to Bullet for no further consideration.

13. INCOME TAXES

The Company is incorporated in Bermuda and it is not subject to income taxes in Bermuda, and as such the losses incurred as a result of corporate expenses in Bermuda will not result in an income tax recovery. Effective March 30, 2010, the Company became resident in Canada and is subject to income taxes at a combined federal and provincial statutory tax rate of 31%.

(in 000's of U.S. dollars)	**December 31, 2010**	December 31, 2009
	$	$
Net loss before taxes	**9,156**	4,124
Expected recoverable income taxes	**(2,838)**	–
Foreign tax rate differences	**668**	–
Non-deductible stock-based compensation expense	**1,218**	–
Non-taxable foreign exchange gain	**(648)**	–
Difference in future tax rates	**309**	–
Foreign exchange impact on future tax liability	**217**	–
	(1,074)	–
Valuation allowance	**770**	–
Net income tax recovery	**(304)**	–

The future income tax liability arises from the temporary difference between the tax value and the carrying value of the mineral properties. The tax effect of temporary differences that give rise to future tax assets and liabilities are as follows:

(in 000's of U.S. dollars)	**December 31, 2010**	December 31, 2009
	$	$
Future income tax assets:		
Losses carried forward	**852**	–
Mineral properties	**356**	–
Financing fees	**845**	–
Receivables	**133**	–
Less: valuation allowance	**(2,186)**	–
Net future income tax assets	**–**	–
Future income tax liabilities:		
Mineral properties	**(14,059)**	(12,319)
Net future income taxes	**(14,059)**	(12,319)

As at December 31, 2010, the Company had unused tax losses available for carry forward in Canada of $3,723,000 that expire in 2030.

14. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation ("ARO") is based on management's best estimate 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.

(in 000's of U.S. dollars)	**December 31, 2010**	December 31, 2009
	$	$
Balance, beginning of year	**59**	52
Accretion	**8**	7
	67	59

The Company has estimated its total asset retirement obligation to be $67,000 at December 31, 2010 (December 31, 2009 - $59,000) based on an undiscounted future liability of approximately $328,000 and a risk-free rate of 13%. Reclamation is expected to occur in the year 2023.

15. SHARE CAPITAL

(a) Authorized

50,000,000,000 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	**Par value in $000's**
Balance, December 31, 2009	43,499,959	12
Conversion of debenture (i)	2,000,017	–
Shares in lieu of interest (i)	29,118	–
Conversion of subscription receipts (ii)	19,166,667	2
Conversion of Cronus shares (iii)	6,500,008	–
Private placement (iv)	12,000,000	1
Exercise of stock options	1,789,427	–
Exercise of warrants	12,442,444	2
Exercise of broker warrants	1,121,250	–
Balance, December 31, 2010	**98,548,890**	**17**

(i) On November 27, 2009, the Company issued a convertible debenture in the principal amount of C$3,000,000 ($2,850,000), of which C$647,000 in gross proceeds were received from a director and companies controlled 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 Continental Gold. Issue costs associated with the issuance of the convertible debt amounted to $61,000. Pursuant to the amalgamation of

15. SHARE CAPITAL (continued)

Cronus Resources Ltd. and Continental Gold, the principal portion of the debenture was converted into 2,000,017 units of the Company at a conversion price of C$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 C$1.75 ($1.72) 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 $822,000 using the Black-Scholes option pricing model.

(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 C$1.50 per subscription receipt for gross proceeds of C$28,750,000 ($28,201,000). 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 C$2.25 ($2.21) and an expiry date of March 30, 2011.

In addition, the underwriters received a cash commission of 7% of gross proceeds C$2,013,000 ($1,974,000) and 1,341,667 broker warrants exercisable to acquire one unit of the amalgamated company at a price of C$1.50 for a period of one year. Each unit consists 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 C$2.25 ($2.21) 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 $765,000 respectively using the Black-Scholes option pricing model.

(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.

(iv) On September 16 2010, the Company completed an equity financing consisting of the sale of 12,000,000 Units at a price of C$5.70 per Unit for gross proceeds of C$68,400,000 ($66,628,000). Each Unit consists of one common share and one-half of one common share purchase warrant. Each full warrant has an exercise price of C$7.50 ($7.31) and an expiry date of September 16, 2012.

15. SHARE CAPITAL (continued)

In addition, the underwriters received a cash commission of 5.25% of gross proceeds C$3,591,000 ($3,498,000) and 720,000 broker warrants exercisable to acquire one unit of the Company at a price of C$5.70 for a period of two years. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant has an exercise price of C$7.50 ($7.31) for a period of two years.

The grant date fair value of the 6,000,000 warrants and 720,000 broker warrants was estimated at $11,934,000 and $2,632,000 respectively using the Black-Scholes option pricing model.

(v) The following is the weighted average assumptions used to value the above-noted warrants and broker warrants granted in 2010:

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	1.6%
Expected life	1.43 years

16. WARRANTS AND BROKER WARRANTS

(a) **Warrants**

	Number of Warrants	Weighted Average Exercise Price	
		$	
Balance, December 31, 2009 and 2008	7,847,181	0.98	
Granted (Note 15(b)(i))	2,029,135	1.72	(C$1.75)
Granted (Note 15(b)(ii))	9,583,334	2.21	(C$2.25)
Granted (Note 15(b)(iv))	6,000,000	7.31	(C$7.50)
Granted (i)	560,625	2.21	(C$2.25)
Conversion of Cronus warrants (Note 15(b)(iii))	1,889,488	1.07	(C$1.09)
Exercised	(12,442,444)	1.52	(C$1.54)
Expired	(52,238)	2.03	(C$2.07)
Balance, December 31, 2010	**15,415,081**	**3.93**	

(i) During the year ended December 31, 2010, 560,625 warrants were issued as a result of the exercise of 1,121,250 broker warrants. These warrants have an exercise price of C$2.25 and expire on March 30, 2011. The grant date fair value of the 560,625 warrants was estimated at $1,775,000 using the Black-Scholes option pricing model.

16. WARRANTS AND BROKER WARRANTS (continued)

The following are the warrants outstanding at December 31, 2010:

Number of Warrants	Grant Date Black-Scholes Value	Exercise Price		Expiry Date
	$(000's)	$		
74,243	–	0.34	(C$0.35)	February 5, 2011
6,242,100	1,905	2.21	(C$2.25)	March 30, 2011
270,459	–	0.34	(C$0.35)	April 21, 2011
90,154	–	0.92	(C$0.94)	July 27, 2011
328,791	–	0.92	(C$0.94)	August 5, 2011
2,409,334	961	0.98		March 30, 2012
6,000,000	11,934	7.31	(C$7.50)	September 16, 2012
15,415,081	14,800			

(b) **Broker warrants**

	Number of Warrants	Weighted Average Exercise Price	
		$	
Balance, December 31, 2009 and 2008	–	–	
Granted (Note 15(b)(ii))	1,341,667	1.47	(C$1.50)
Granted (Note 15(b)(iv))	720,000	5.55	(C$5.70)
Exercised	(1,121,250)	1.47	(C$1.50)
Balance, December 31, 2010	**940,417**	**4.59**	

The following are the broker warrants outstanding at December 31, 2010:

Number of Warrants	Grant Date Black-Scholes Value	Exercise Price		Expiry Date
	$(000's)	$		
220,417	126	1.47	(C$1.50)	March 30, 2011
720,000	2,632	5.55	(C$5.70)	September 16, 2012
940,417	2,758			

17. STOCK OPTIONS

	Number of Options	Weighted Average Exercise Price	
		$	
Balance, December 31, 2008	–	–	
Granted (i)	2,113,224	0.98	
Balance, December 31, 2009	2,113,224	0.98	
Granted (*)(ii),(iv)	5,214,725	2.18	(C$2.23)
Conversion of Cronus options (iii)	400,379	0.72	(C$0.73)
Exercised	(1,789,427)	1.20	
Expired/Forfeited	(271,705)	1.57	
Balance, December 31, 2010	**5,667,196**	**1.98**	

(*) The weighted average grant date fair value of each stock option grant during the period ended December 31, 2010 was $1.54.

(i) On January 29, 2009, the Company granted 5,700,000 stock options to officers, directors, employees and consultants of the Company at an exercise price of $0.98. On March 30, 2010, these options were converted to 2,113,224 stock options of the Company subsequent to the amalgamation. In addition, vesting of these options were accelerated on March 30, 2010. Of the 2,113,224 stock options, 2,020,539 expire on January 29, 2019 and the remaining 92,685 expire on January 29, 2012. The remaining grant date fair value of $266,000 relating to the acceleration of vesting of options was expensed on March 30, 2010.

(ii) During 2010, the Company granted 3,414,725 stock options to officers, directors, employees and consultants of the Company at an exercise price of C$1.50 ($1.47). Of the 3,414,725 stock options, 250,000 expire on March 30, 2013 and were vested immediately and an expense was recognized for the grant date fair value of $198,000. The remaining 3,164,725 options expire on March 30, 2015 and have vesting terms of 1/4 immediately and 1/4 every six months from the date of grant. The grant date fair value of $3,070,000 was estimated using the Black-Scholes option pricing model.

(iii) 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.

(iv) From March 31, 2010 to December 31, 2010, the Company granted 1,800,000 stock options to officers, directors, employees and consultants of the Company at exercise prices between C$2.35 – C$10.42 ($2.29 - $10.25) which expire between May 10, 2015 and December 1, 2015. These stock options have vesting terms of 1/4 immediately and 1/4 every three or six months from date of grant. The grant date fair value of $4,784,000 was estimated using the Black-Scholes option pricing formula with the following assumptions:

17. STOCK OPTIONS (continued)

Expected dividend yield	nil
Expected volatility	100%
Risk-free interest rate	2.8%
Expected life	4.7 years

(v) During 2010, the Company expensed stock-based compensation of $4,761,000 (2009 - $1,244,000) and capitalized $2,600,000 (2009 – nil) to mineral properties.

The following table shows the options outstanding at December 31, 2010:

	Outstanding					
Grant Date Fair Value	Number of Options Outstanding	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (Years)	Number of Options Exercisable	Expiry Date
$(000's)		$				
–	10,606	0.92	(C$0.94)	0.73	10,606	September 22, 2011
–	10,606	0.92	(C$0.94)	0.97	10,606	December 19, 2011
–	10,606	1.57	(C$1.60)	1.69	10,606	September 7, 2012
–	42,425	0.83	(C$0.85)	2.36	42,425	May 9, 2013
–	84,849	0.41	(C$0.42)	3.34	84,849	May 4, 2014
2,726	2,810,710	1.47	(C$1.50)	4.25	1,228,348	March 30, 2015
1,408	800,000	2.29	(C$2.35)	4.36	400,000	May 10, 2015
667	350,000	2.64	(C$2.70)	4.36	175,000	May 11, 2015
620	150,000	5.51	(C$5.80)	4.67	37,500	September 1, 2015
210	50,000	5.95	(C$6.11)	4.71	12,500	September 14, 2015
717	150,000	6.54	(C$6.64)	4.84	37,500	November 1, 2015
771	100,000	10.25	(C$10.42)	4.92	25,000	December 1, 2015
799	1,097,394	0.98		8.08	1,097,394	January 29, 2019
7,918	5,667,196	1.98		5.01	3,172,334	

18. CORPORATE ADMINISTRATION EXPENSES

For the years ended (in 000's U.S. Dollars)	Note	**December 31 2010**	December 31 2009
		$	$
Salaries		**1,342**	1,097
Professional fees	19	**1,097**	1,090
Regulatory fees		**460**	–
General office and administration expense		**417**	145
Directors fees		**363**	182
Travel expenses		**272**	–
Investor relations		**221**	423
Depreciation and amortization		**165**	50
		4,337	2,987

19. RELATED PARTY TRANSACTIONS

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.

(a) During the year ended December 31, 2010, aggregate gold sales to a refinery company controlled by a director of the Company amounted to $6,068,000 (2009 - $7,381,000) and are reported as a reduction to mineral properties on the balance sheet. As at December 31, 2010, the refinery company owed the Company $nil (December 31, 2009 – $216,000) which is included in accounts receivable.

(b) The Company received consulting services from Grupo de Bullet S.A. ("Grupo"), a company controlled by a director of the Company during the year ended December 31, 2010 in the amount of $275,000 (2009 - $275,000), which is included in corporate administration. The amount owing by the Company to Grupo as at December 31, 2010 is $nil (December 31, 2009 – $119,000) which is included in accounts payable and accrued liabilities. In addition, advances to Grupo in the amount of $264,000 (December 31, 2009 – nil) were charged to corporate administration in 2010. At December 31, 2010, advances outstanding were nil (December 31, 2009 - $12,000) and included in accounts receivable.

(c) During the year ended December 31, 2010, aggregate legal fees included in corporate administration of $31,000 (2009 - $128,000) 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 December 31, 2010, included in accounts payable and accrued liabilities are fees amounting to $nil (December 31, 2009 - $69,000) payable to this law firm.

(d) During the year ended December 31, 2010, aggregate consulting fees included in corporate administration of $15,000 (2009 - $89,000) were charged by a director of the Company. As at December 31, 2010, included in accounts payable and accrued liabilities are fees amounting to $nil (December 31, 2009 - $64,000) payable to this individual.

19. RELATED PARTY TRANSACTIONS (continued)

(e) The Company purchased drilling services for the year ended December 31, 2010 from Terra Colombia S.A., a company with a common director, at a cost of $74,000 (2009 - $1,101,000), which were capitalized to mineral properties. As at December 31, 2010 the Company made advance payments for future drilling services of $nil (December 31, 2009 – $50,000) which is included in prepaid exploration.

(f) The Company entered into the following equity transactions with officers and directors during the year:

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 15(b)(ii)) for gross proceeds of C$2,395,000 ($2,349,000) (see Note 15(b)(ii)).

On February 11, 2010, officers and directors of the Company purchased 593,602 units in the Company (see Note 15(b)(ii)) for gross proceeds of C$890,000 ($873,000) (see note 15(b)(ii)).

20. COMMITMENTS AND CONTINGENCIES

On July 10, 2009, the Company entered into a five-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 five-year lease agreement for office facilities in Toronto. The Company's gross annual rent commenced September 1, 2010 and will be approximately C$168,000 ($157,000) depending upon actual operating costs for the building.

The Company also entered into a contract with an exploration drilling contractor for drilling services for 2011 of approximately $4,950,000.

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.

21. 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 12.

December 31, 2010	**Canada**	**Bermuda**	**Colombia**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	95,088	69	2,051	97,208
Mineral properties	–	–	57,726	57,726
Total assets	97,717	210	63,668	161,495
Net loss	4,027	1,959	2,866	8,852
Capital expenditures	216	–	12,671	12,887

December 31, 2009	Canada	Bermuda	Colombia	Total
	$	$	$	$
Cash and cash equivalents	–	1,397	207	1,604
Mineral properties	–	–	45,732	45,732
Total assets	–	1,416	47,272	48,688
Net loss	–	3,854	270	4,124
Capital expenditures	–	–	179	179

22. SUBSEQUENT EVENTS

(a) **Purchase of mineral properties**

On March 2, 2011, the Company entered into a definitive agreement to acquire from Robert Allen, a director of the Company, no later than March 22, 2011, (i) title to mineral concession contracts and rights to mineral applications adjacent to the Buriticá project; and (ii) title to concession contracts adjacent to the Dominical project for $6,500,000 payable in $2,000,000 cash and 495,106 shares of the Company, valued at $4,500,000

(b) **Exercise of stock options, warrants and broker warrants**

Subsequent to the year end, the Company received aggregate proceeds of C$7,429,072 from the exercise of 3,444,060 warrants, C$2,793,025 from the exercise of 652,417 broker warrants and C$475,897 from the exercise of 412,635 stock options.

23. COMPARATIVE FIGURES

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