MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011

June 6, 2011

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the activities, financial condition and results of the operations of Continental Gold Limited (the company resulting from the amalgamation of Cronus Resources Ltd. ("Cronus") and Continental Gold Limited) (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2011. This discussion, dated June 6, 2011, should be read in conjunction with the unaudited interim financial statements of the Company for the three months ended March 31, 2011, and our audited financial statements for the year ended December 31, 2010, together with the notes thereto. Commencing January 1, 2011, the Company reports under International Financial Reporting Standards ("IFRS"). The unaudited interim financial statements for the three months ended March 31, 2011 have been prepared in accordance with IFRS with comparative information for 2010 restated under IFRS (refer to note 18 in the unaudited interim financial statements for the three months ended March 31, 2011 for reconciliations from Canadian generally accepted accounting principles ("GAAP") to IFRS). All dollar amounts in this MD&A are in United States dollars, unless stated otherwise. References to C$ and COP are to Canadian dollars and Colombian pesos, respectively. Information contained herein is presented as of June 6, 2011 unless otherwise indicated. Further information about the Company and its operations is available on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of gold and other mineral commodities; success of exploration activities; cost and timing of future exploration and development; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company.

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

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: (i) the Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic gold deposits; (ii) management's assessment of future plans for the Buriticá project (see "Liquidity, Capital Resources and Business Prospects"); (iii) management's economic outlook regarding future trends; (iv) the Company's status as a corporation incorporated in a jurisdiction outside of Canada; (v) the availability of skilled labour, timing and the amount of the expected budget (see "Buriticá Project" and "Berlin Project" under "Exploration Summary", and "Liquidity, Capital Resources and Business Prospects"); (vi) the Company's ability to meet its fiscal 2011 planned expenditures (see "Liquidity, Capital Resources and Business Prospects"); (vii) estimates with respect to the mineralization at the Company's projects; (viii) expectations with respect to raising capital (see "Liquidity, Capital Resources and Business Prospects"); and (ix) sensitivity analysis on financial instruments which may vary from amounts disclosed (see "Financial Instruments and Related Risks").

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

EXECUTIVE SUMMARY

Continental Gold Limited (TSX: CNL) is an advanced-stage exploration and development planning company with nine gold projects covering over 197,000 hectares in highly-prospective areas with known historical gold production in Colombia.

Formed in April 2007, the Company is committed to increase its value through the exploration and development of precious metal deposits. The Company's international management team has a successful track record of discovering and developing bulk mining targets and multi-million ounce gold deposits while its technical team boasts more than 40 years of mining and exploration experience in Colombia. Their in-depth knowledge of Colombian mineral properties has guided the Company to acquire properties with substantial exploration and development potential. In addition to its extensive portfolio, the Company also has a right of first refusal on approximately four million hectares of potential precious or base metal concessions owned by Grupo de Bullet S.A., a private Colombian company engaged in the exploration, development, and mining of metal and industrial mineral deposits in Colombia.

First Quarter 2011 Highlights

Advancement of the exploration program at the Buriticá project:

- Through March 2011, completed 8,270 metres of diamond drilling for a project total of 53,430 metres. Total drilling through late May 2011 is 62,800 metres. Drilling confirmed and expanded the Yaragua and Veta Sur zones.
- Drill results including Busy-137 in the Veta Sur system, which intersected 10.23 metres of 44.76 g/t gold and 23.7 g/t silver and Busy-118, which intersected 10.0 metres of 28.26 g/t gold and 364.6 g/t silver.
- Expanded strike lengths and vertical extents of the Yaragua and Veta Sur zone to 550x600 and 500x470 metres, respectively, both of which are still open laterally and at depth.
- Environmental baseline program, metallurgical and geo-mechanical testing underway.

- Entered into a transaction to acquire a total of 6,950.6 hectares adjacent to the Buriticá project and 2,293 hectares adjacent to the Dominical project for $2,000,000 in cash and 495,106 common shares of the Company.
- Warrants issued pursuant to the September 16, 2010 equity financing commenced trading on the TSX on January 17, 2011.

Subsequent to the quarter ended March 31, 2011:

- On May 4, 2011, the Company provided an update on exploration progress at the Buriticá project.
- On May 6, 2011, the Company announced the closing of a land acquisition transaction whereby it acquired from Robert Allen, Chairman of the Company, (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 $6.5 million paid in $2.0 million cash and 495,106 common shares of the Company valued at approximately $4.5 million.
- On May 18, 2011, the Company announced the appointment of Paul Begin as Chief Financial Officer, replacing Keith McKay who continues as a consultant to the Company for a transition period.

SUMMARIZED FINANCIAL RESULTS

(000's of U.S. dollars)	**March 31 2011**	December 31 2010
	$	
Financial Position		
Cash	**109,849**	97,208
Exploration and evaluation assets	**61,428**	54,159
Total assets	**180,867**	159,136
Equity	**150,337**	52,484

(000's of U.S. dollars)	**March 31 2011**	March 31 2010
	$	
Operating Results		
Net income (loss)	**28,295**	(13,063)
Adjusted net income (loss) *	**481**	(2,983)
Cash Flow		
Investment in exploration and evaluation assets	**6,338**	1,323
Cash flows from financing activities	**19,205**	25,670
Net cash flow	**11,131**	25,620

* Adjusted net income (loss) is a non-GAAP measure and represents net income (loss) before gain on Canadian dollar-denominated warrants and loss on reverse acquisition.

The Company's total assets as at March 31, 2011 increased to $180.9 million from $159.1 million as at December 31, 2010. Cash and cash equivalents as at March 31, 2011 was $109.8 million, compared to $97.2 million at December 31, 2010. The increase in total assets and cash and cash equivalents during the quarter is mainly attributable to $19.2 million of cash generated from the exercise of warrants and stock options, offset in part by administrative expenses and investment in the Company's exploration projects.

Net income for the first quarter of 2011 includes a gain of $27.8 million related to the revaluation of Canadian dollar-denominated warrants compared to a $0.1 million gain recorded for the same period in 2010. In addition, net income for the comparative period in 2010 also includes a loss on the reverse acquisition of Cronus of $10.2 million.

Adjusted net income (a non-GAAP measure, representing net income (loss) before gain on Canadian dollar-denominated warrants and loss on reverse acquisition) for the first quarter of 2011 was $0.5 million compared to a loss of $3.0 million for the same period in 2010. The change is primarily due to a $1.2 million write-down recorded in the first quarter of 2010 of exploration and evaluation assets and unrealized gains on Canadian dollar cash balances and marketable securities totaling $2.0 million recorded in the first quarter of 2011. Marketable securities were acquired in the second quarter of 2010 and average Canadian cash balances in the first quarter of 2011 were approximately $67 million. For the same period in 2010, there were no Canadian cash balances until the issuance of shares from subscription receipts received on March 30, 2010.

The Company has no long-term financial liabilities, off-balance sheet financing arrangements or material contingent liabilities or contractual obligations other than the Canadian dollar-denominated warrants which are classified as derivative financial liabilities and measured at fair value with changes in fair value recognized in the statement of operations and comprehensive income (loss). Excluding the impact of revaluations for financial liabilities and foreign exchange on Canadian dollar cash balances, the Company expects to continue to incur losses until commercial mining operations from its mineral properties have commenced.

DESCRIPTION OF BUSINESS

The Company is an advanced-stage exploration and development planning company engaged in the acquisition, exploration, evaluation and development of principally gold resource properties in Colombia. The Company currently holds the rights to explore and develop nine properties in Colombia totaling approximately 95,242 hectares, has pending registration concessions totaling 39,919 hectares and has pending concession applications totaling 62,555 hectares. There is no guarantee that the Company will be granted the pending concession applications. Currently, the Company's primary focus is on its Buriticá project. The Company is governed by the laws of Bermuda and is a reporting issuer under applicable securities legislation of Ontario, Alberta and British Columbia. It carries on its operations through a branch office in Medellín, Colombia. The Company's issued and outstanding common shares, as well as the warrants issued pursuant to the September 16, 2010 equity financing, are listed on the Toronto Stock Exchange ("TSX") under the symbols "CNL" and "CNL-WT", respectively.

The Company has no revenues and as such its ability to ensure continuing operations is dependent upon its discovery of economically recoverable reserves, confirmation of its interest in the underlying mineral claims, and its ability to obtain necessary financing to complete exploration activities, development and future profitable production.

Amalgamation

Upon completion of an amalgamation on March 30, 2010 with Cronus, the former shareholders of the Company owned in excess of 50% of the outstanding shares of the amalgamated entity. As a result, the transaction was accounted for as a reverse acquisition with the Company being identified as the acquiror. The consideration paid by the Company of $10.0 million and the net liability position of Cronus of $0.2 million, totaling $10.2 million at the time of the amalgamation, was recognized as a loss on reverse acquisition in the statement of operations and comprehensive income (loss).

EXPLORATION SUMMARY

Exploration costs, net of recoveries, are summarized as follows:

Three months ended March 31, (000's of U.S. dollars)	**2011**	2010
	$	$
Buriticá	**6,050**	(282)
Berlin	**874**	79
Arenosa	**8**	1
Dominical	**112**	3
Santander	**-**	33
Zaragoza	**342**	(270)
Anza	**-**	3
Dojura	**(117)**	(7)
	7,269	(440)

Buriticá Project

The Buriticá project encompasses an aggregate area of 22,457 hectares and is located about 75 kilometres northwest of Medellín in the Antioquia Department of north-western Colombia. The project area is comprised of 22 registered concessions covering 10,363 hectares and 13 pending registration concessions totalling 7,801 hectares. A further five concession applications have been submitted covering 4,293 hectares. As in the case of all the Company's properties, concession applications in process give the Company priority on the properties in question during the application process. The Buriticá project includes the Yaragua Mine that had previously been under small-scale production by the Company and is now utilized for underground exploration development and a bulk sample testing operation.

Drilling activities continued through March 31, 2011. The Company completed 8,270 metres of diamond drilling in 33 holes in the first quarter of 2011. Definition drilling on a 25 to 50-metre grid continued in the Yaragua area and on the Veta Sur vein package, and step-out drilling continued in both areas. Areas to the north and south of currently known mineralization, defined by soil anomalies, were drilled in a reconnaissance fashion.

Drill results from the 2011 drill campaign to date were disclosed in the Company's news releases dated March 22, 2011 and May 4, 2011, each of which are available under the Company's profile on SEDAR at www.sedar.com.

Drilling continues with nine drills at the project and 17,680 metres have been completed to date in 2011 for an overall project total of 62,800 metres. Drilling is scheduled to continue throughout the rest of 2011 at a pace of 5,000 metres per month.

On May 5, 2011, the Company acquired from Robert Allen, Chairman of the Company, title to mineral concession contracts and rights to mineral applications totaling 6,950.6 hectares adjacent to the Buriticá project.

Many of the pre-development activities at Buriticá continued during the first quarter of 2011. The first stage of the hydrological study was commissioned, and bid packages were prepared for the exploration tunnel that will be built at the bottom of the Higabra Valley. Four local contractors are participating in the bid process. Metallurgical testing continued during the quarter.

During the three months ended March 31, 2011, the Company incurred $6.7 million of deferred exploration and development costs (March 31, 2010 - $1.6 million), including $1.6 million (March 31, 2010 – $0.2 million) of share based payments. Gold sales resulting from exploration work and drifting in ore at the Buriticá project amounted to $0.6 million (March 31, 2010 – $1.9 million) and are treated as a capital credit as they support ongoing exploration to the Buriticá project and, accordingly, are not included as a revenue item in the Company's statement of operations and comprehensive income (loss). As a result, net project expenditures for the three months ended March 31, 2011 totaled $6.1 million (March 31, 2010 - $0.3 million recovery).

Berlin Project

The Berlin project covers an aggregate area of 28,695 hectares. The project is comprised of registered concessions totaling 14,398 hectares, pending registration concessions totaling 10,926 hectares and concession applications totaling 3,371 hectares. The project area is located 90 kilometres north of Medellín in the Antioquia Department.

No work was performed at the Berlin project during the first quarter of 2011 but the Company anticipates being able to initiate a diamond drilling campaign in the fourth quarter of 2011.

For the three months ended March 31, 2011, total expenditures for the Berlin project amounted to $0.9 million compared to $0.1 million for the same period last year, the majority of which related to land payments.

Anza Project

The Anza project is located 50 kilometres west of Medellín in the Antioquia Department and consists of two registered concessions covering 6,309 hectares. The project is subject to an option agreement with Waymar Resources Ltd. ("Waymar") and five other parties ("Optionors") pursuant to which Waymar is obligated to incur certain exploration expenditures on the property. The Company is entitled to receive 25% of all consideration flowing to the Optionors from Waymar pursuant to the option agreement until 2013.

Dominical Project

The Dominical project consists of registered concessions totaling 5,590 hectares, pending registration concessions totaling 3,426 hectares and applications for concessions covering 15,311 hectares. The project area is located in southern Colombia in the Cauca Department.

Surface mapping and sampling continued on the property through the first quarter of 2011. The focus was on the La Playa vein zone where a 100-300 metre-wide corridor containing several intermediate sulfidation, epithermal veins was outlined along a 1.8 kilometre trend. The poly-metallic, massive sulfide veins are characterized by Au-Ag-Zn-Pb-Cu. Surface exploration is planned throughout the rest of 2011.

On May 5, 2011, the Company acquired from Robert Allen, Chairman of the Company, title to mineral concession contracts and rights to mineral applications totaling 2,293 hectares adjacent to the Dominical project.

Dojura Project

The Dojura project consists of concessions totaling 12,725 hectares, pending registration concessions totaling 14,100 hectares and applications totaling 18,068 hectares, and is subject to an option agreement dated October 4, 2006 between AngloGold Ashanti Limited ("AngloGold") and Robert Allen, the Chairman of the Company. The option agreement was assigned to the Company by Mr. Allen by way of an assignment agreement dated June 4, 2008.

The Company received an initial payment of $100,000 on January 15, 2010 and a second payment of $150,000 on January 15, 2011 from AngloGold with regard to the Dojura project. However, both parties have agreed to defer AngloGold's obligations to incur exploration expenses on the property until such time as security conditions in the area have improved, putting the existing contract under force majeure.

No exploration activity occurred during the first quarter of 2011.

Santander Project

The Santander project consists of concessions totaling 3,827 hectares, pending registration concessions totaling 3,666 hectares and applications totaling 1,500 hectares. It is located 50 kilometres northeast of Bucaramanga in the California Mining District in northeastern Colombia.

No exploration activities were undertaken on the property during the first quarter of 2011; however, several companies exploring in the area have expressed interest in acquiring the concessions. Concession GLU-133 is directly on trend to the southwest from the gold deposits owned by two Canadian mining companies. Concession BA3-093 is immediately south and adjacent to the historical Vetas gold district, which is currently being explored by two Canadian companies.

Lunareja Project

The Lunareja project is comprised of three registered concessions totaling 616 hectares. Two of the registered concessions are within the boundaries of a national park located approximately 65 kilometres west of Medellín.

During the first quarter of 2010, management of the Company determined that development of the Lunareja project was not feasible due to changes in the mining code that would prohibit mining operations in the Company's mining concessions for this project. As a result, the Company wrote down the carrying value of $1.2 million for the Lunareja project to zero in the first quarter of 2010.

In the longer term (within five years), mining activities may be permitted in protected zone areas. However, administrative procedures for such activities have not yet been regulated. Regardless, it is uncertain that permission for mining activities in these areas will be granted.

Arenosa Project

The Arenosa project consists of nine concession contracts totaling 9,376 hectares and 12 applications of 10,219 hectares. The property is located 22 kilometres from the town of Remedios in the Antioquia Department. The topography is characterized by low, rolling hills and access is good via a series of secondary dirt roads.

On April 23, 2011, the five-year mining agreement between Sociedad Bettel S.A., an arm's length party, and the Company was cancelled and no exploration activity has been planned for 2011 on this property.

Zaragoza Project

The Zaragoza project consists of 34 concession contracts totaling 32,038 hectares and eleven applications totaling 9,793 hectares. The project is located in the eastern part of Antioquia Department, 160 kilometres north-east of Medellín.

The Company considers that its landholdings in the Zaragoza project area are highly prospective for numerous smaller, high-grade vein mining operations; however, no exploration activity has been planned for 2011 on this property.

FINANCIAL RESULTS

The following is a summary of the Company's financial operating highlights for the three months ended March 31, 2011 and 2010:

Three months Ended March 31, (000's of U.S. dollars, except per share amounts)	**2011**	2010
	$	$
Net income (loss)	**28,295**	(13,063)
Income (loss) per share, basic	**0.28**	(0.30)
Income (loss) per share, fully diluted	**0.25**	(0.30)
Adjusted net income (loss) *	**481**	(2,983)
Adjusted net income (loss) per share, basic	**0.01**	(0.07)
Adjusted net income (loss) per share, fully diluted	**-**	(0.07)

* Adjusted net income (loss) per share is a non-GAAP measure and represents net income (loss) before gain on Canadian dollar-denominated warrants and loss on reverse acquisition.

The Company's net income for the three months ended March 31, 2011 amounted to $28.3 million ($0.28 per share) compared with a loss of $13.1 million ($0.30 per share) for the same period in 2010 and includes the following items:

- Gain on Canadian dollar-denominated warrants for the three months ended March 31, 2011 was $27.8 million (2010 - $0.1 million). The increase is attributable to revaluation of the warrants from values recorded at December 31, 2010. The warrants outstanding in the first quarter of 2010 were issued and valued on March 30, 2010 and therefore, no revaluation was required in the first quarter of 2010. The valuation of warrants is subjective and can impact net income (loss) significantly.

- Loss on reverse acquisition of $10.2 million recorded on March 30, 2010 representing the fair value of the consideration issued by the Company of $10.0 million and the net liability position of Cronus on the date of the transaction of $0.2 million.

The Company's adjusted net income (a non-GAAP measure, representing net income (loss) before gain on Canadian dollar-denominated warrants and loss on reverse acquisition) for the three months ended March 31, 2011 amounted to $0.5 million ($0.01 per share) compared with an adjusted loss of $3.0 million ($0.07 per share) for the same period in 2010. The change for the quarter compared to the same period in 2010 was primarily from the following:

- Corporate administration for the three months ended March 31, 2011 was $2.1 million (2010 – $2.3 million), including share based payments. The decrease in costs from 2010 is related to share issue costs of $0.3 million expensed in the first quarter of 2010 attributable to the issuance of Canadian dollar-denominated warrants. No share issue costs were incurred in the first quarter of 2011.

- Compensation costs related to share-based payments during the three months ended March 31, 2011 was $2.4 million (2010 – $1.3 million), of which $0.9 million (2010 - $1.1 million) was expensed and $1.6 million (2010 - $0.2 million) was capitalized. Changes related to share-based payment capitalized relate to revaluations recorded in the first quarter of 2011 for outstanding unvested options to third party consultants. In the first quarter of 2010, options granted in the first quarter of 2010 occurred on March 30, 2010, requiring no revaluation at the end of the quarter. During the first quarter of 2011, the Company issued 637,500 options, compared to 3,414,725 options in the first quarter of 2010. The valuation of share based payments is subjective and can impact net income (loss) significantly.

- Write-offs for the three months ended March 31, 2011 were $nil (2010 – $1.2 million). The write-off in 2010 related to the Lunareja project.

- Foreign exchange gain for the three months ended March 31, 2011 was $1.6 million, compared to a gain of $0.02 million in the same period in 2010. The change is a result of Canadian cash balances generated from the issuance of common shares from equity financings and the exercise of warrants and options in fiscal 2010 and during the first quarter of 2011. In the first quarter of 2010, approximately $26 million was raised in Canadian dollars from equity financings at the end of the quarter.

- Unrealized gain on marketable securities of $0.5 million during the quarter ending March 31, 2011 was the result of the revaluation of securities held. No securities were held as at March 31, 2010.

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

SUMMARY OF QUARTERLY RESULTS

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

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

(000's of U.S. dollars, except per share amounts)	Under IFRS[1]					Under Cdn GAAP[1]		
	Q1– 2011	**Q4 – 2010**	**Q3 – 2010**	**Q2 – 2010**	**Q1 – 2010**	**Q4 – 2009**	**Q3 – 2009**	**Q2 – 2009**
Net income (loss)	**28,295**	(71,589)	(13,718)	(20,691)	(13,063)	(1,773)	(540)	(369)
Basic income (loss) per share	**0.28**	(0.80)	(0.18)	(0.29)	(0.30)	(0.04)	(0.01)	(0.01)
Diluted income (loss) per share	**0.25**	(0.80)	(0.18)	(0.29)	(0.30)	(0.04)	(0.01)	(0.01)
Adjusted net income (loss)[2]	**481**	(10,692)	(3,827)	(2,529)	(2,983)	(1,773)	(540)	(369)
Basic adjusted net income (loss) per share	**0.01**	(0.12)	(0.05)	(0.04)	(0.07)	(0.04)	(0.01)	(0.01)
Diluted adjusted income (loss) per share	**-**	(0.12)	(0.05)	(0.04)	(0.07)	(0.04)	(0.01)	(0.01)

(1) The unaudited interim financial statements for the first quarter of 2011 have been prepared in accordance with IFRS with comparative information for 2010 restated under IFRS. Canadian GAAP comparative information for 2009 has not been restated.

(2) Adjusted net income (loss) is a non-GAAP measure and represents net income (loss) before gain (loss) on Canadian dollar-denominated warrants and loss on reverse acquisition.

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

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

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

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

- On September 16, 2010, the Company completed an equity financing consisting of the issue of 12,000,000 units at a price of C$5.70 per unit for gross proceeds of C$68.4 million. Each unit consists of one common share and one-half of one warrant. Each full warrant has an exercise price of C$7.50 and an expiry date of September 16, 2012. In addition, the underwriters received a cash commission of 5.25% of gross proceeds and 720,000 broker warrants exercisable to acquire one unit (the "additional units") at a price of C$5.70 until September 16, 2012. Each additional unit consists of one common share and one-half of one warrant (the "additional warrants"). Each full additional warrant has an exercise price of C$7.50 and an expiry date of September 16, 2012. Pursuant to the terms of the financing, the warrants and the additional warrants were listed and began trading on the TSX on January 17, 2011.

- On January 28, 2010 and February 11, 2010, the Company completed an equity financing consisting of the issue of 19,166,667 subscription receipts at a price of C$1.50 per subscription receipt for gross proceeds of approximately C$28.8 million. Each subscription receipt converted into one unit, which consisted of one common share and one-half of one warrant of the Company. Each full warrant had an exercise price of C$2.25 per share and expired on March 30, 2011.

- On November 27, 2009, the Company issued a convertible debenture in the principal amount of C$3 million. The debenture accrued interest at a rate equal to Canadian prime rate plus 2%. On March 30, 2010, the principal portion of the debenture plus accrued and unpaid interest debt was automatically converted, at a conversion price of C$1.50 per unit, into 2,029,135 units of the Company in accordance with the terms stated in the pre-amalgamation agreement. Each unit consisted of one common share of the Company and one warrant. Each warrant has an expiry date of March 30, 2012 and an exercise price of C$1.75 per common share.

The Company also received aggregate proceeds of $19.2 million from the exercise of 7,056,843 warrants, 652,417 broker warrants and 469,899 stock options during the three months ended March 31, 2011, compared to $nil for the same period last year.

The Company's financial position at March 31, 2011 included $109.8 million in cash and cash equivalents, compared to $97.2 million at December 31, 2010. As at June 6, 2011, cash and cash equivalents amounted to $97.4 million.

As at March 31, 2011, the exercise of the warrants, broker warrants and stock options in full would raise a total of approximately $70 million. Management does not know when and how much will be collected from the exercise of such securities, as this is dependent on the determination of the holder.

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

The Company's liquidity risk with financial instruments is minimal, as excess cash is invested in interest bearing accounts with two major Canadian banks.

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

The Company's underground exploration development at the Buriticá project includes the results from small-scale gold production. Aggregate gold sales for the three months ended March 31, 2011 of $0.6 million (March 31, 2010 – $1.9 million) resulted from exploration work and drifting in ore. Gold sales are viewed as a recovery of expenses and used as another source of funding the Company's exploration program. As a result, gold sales, net of costs, are treated as a capital credit and netted against deferred expenses that have been incurred to-date on the Buriticá project.

As of March 31, 2011, the Company capitalized costs related to mineral properties in the amount of $7.3 million, compared to a recovery of $0.4 million for the same period last year. See "Exploration Summary".

Historically, the Company's only source of funding has been the issuance of equity securities for cash, through the issuance of common share capital, pursuant to private placement financings, and the exercise of warrants and options. The Company will continue to be reliant on equity financings as it is still in the development stage without any significant revenue from operations. There can be no assurance of continued access to significant equity funding. The Company's ability to raise additional funds may be impacted by future exploration results and changes in metal prices or market conditions. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

The Company currently has adequate funds to pursue its operating obligations for 2011 and its near-term development program objectives.

CONTRACTUAL OBLIGATIONS

No material contractual obligations were incurred for the three month period ended March 31, 2011.

MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure sufficient financial flexibility to achieve its ongoing business objectives, optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at March 31, 2011, total equity (managed capital) was approximately $150.3 million (March 31, 2010 – $53.0 million).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned 2011 exploration program and pay for administrative costs, the Company has sufficient working capital. At March 31, 2011, the Company had working capital of $109.4 million compared to $96.2 million as at December 31, 2010. The working capital calculation excludes the current portion of Canadian dollar-denominated warrants.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the three months ended March 31, 2011.

The Company is not subject to any externally imposed capital requirements. The Company's current capital resources were sufficient to discharge its liabilities as at March 31, 2011.

SHARE CAPITAL

Fully Diluted Shares

(000's)	**March 31 2011**	December 31 2010
Common shares issued	**106,755**	98,549
Stock options outstanding	**5,800**	5,667
Warrants outstanding (US$ denominated)	**2,353**	2,409
Warrants outstanding (C$ denominated)	**6,331**	13,006
Broker warrants outstanding	**288**	940
	121,527	120,571

The Company had 106,755,049 common shares issued and outstanding as at March 31, 2011 and 107,447,796 common shares issued and outstanding as at June 6, 2011.

Warrants

As at March 31, 2011, there were 6,330,735 Canadian dollar-denominated warrants (December 31, 2010 – 13,005,747) and 2,353,723 warrants (December 31, 2010 – 2,409,334) outstanding, each exercisable to acquire one common share of the Company. The Company also has 288,000 broker warrants outstanding as at March 31, 2011 (December 31, 2010 – 940,417), each broker warrant allowing the holder to subscribe for a unit of the Company consisting of one common share and one-half of one warrant.

As at March 31, 2011, the Canadian dollar-denominated warrants would raise approximately $47.3 million if exercised in full, the warrants outstanding would raise approximately $2.3 million if exercised in full, and the broker warrants would raise approximately $2.8 million if exercised in full, including the exercise of the one-half of one warrant included in each unit.

As at June 6, 2011, the Company has 6,313,702 Canadian dollar-denominated warrants, 2,298,112 warrants and 216,000 broker warrants outstanding.

Stock Options

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

There were 5,800,298 outstanding stock options to purchase common shares of the Company as at March 31, 2011 (December 31, 2010 – 5,667,196), of which 3,804,777 were exercisable (December 31, 2010 – 3,172,334) and 5,061,726 additional stock options are in reserve under the Plan. The stock options outstanding as at March 31, 2011 would raise approximately C$17.4 million, if exercised in full.

As at June 6, 2011, there were 6,183,298 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, being the price agreed between the parties. The following is a summary of related party transactions during the first quarter of 2011:

- Gold sales to a refinery company controlled by a director of the Company amounted to $0.6 million, compared to $1.9 million for the three months ended March 31, 2010, and are reported as a reduction to mineral properties on the balance sheet.

Subsequent to the end of the quarter, the Company acquired from Robert Allen, Chairman of the Company, (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 $6.5 million paid in $2.0 million cash and 495,106 common shares of the Company valued at approximately $4.5 million.

FINANCIAL INSTRUMENTS AND RELATED RISKS

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

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. The Company generates cash flow primarily from its financing activities and interest income earned on its cash and cash equivalents. The Company has cash and cash equivalents of $109.8 million as at March 31, 2011 (December 31, 2010 – $97.2 million) to settle current liabilities of $3.7 million (December 31, 2010 – $3.8 million excluding the current portion of Canadian dollar-denominated warrants. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has treasury policies designed to support managing liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows.

All of the Company's financial liabilities (excluding Canadian dollar-denominated warrants) are subject to normal trade terms.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. In the normal course of business, the Company is not exposed to market risks as a result of its investments being held in cash or short-term investment certificates.

Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the U.S. dollar and major purchases are transacted in U.S. dollars and Colombian pesos. The Company funds certain operations, exploration and administrative expenses in Colombia on a cash call basis using Colombian pesos converted from its Canadian and/or U.S. dollar bank accounts held in Canada. The Company maintains Canadian and U.S. dollar bank accounts in Canada, a U.S. dollar bank account in Bermuda and Colombian pesos bank accounts in Medellín. The Company is subject to gains and losses due to fluctuations in the Colombian peso and the Canadian dollar against the Company's U.S. dollar functional currency. Sensitivity to a plus or minus 10% change in all foreign currencies (Colombian pesos and Canadian dollars) against the U.S. dollar, with all other variables held constant as at March 31, 2011, would affect net income (loss) and comprehensive income (loss) by approximately $0.2 million.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable financial institutions, from which Management believes the risk of loss to be minimal.

Management believes that the credit risk concentration with respect to amounts receivable is minimal.

Fair Value

As at March 31, 2011, the carrying and fair value amounts of the Company's financial instruments were approximately equivalent.

MARKET TRENDS

Global Financial Market Conditions

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

Gold Market

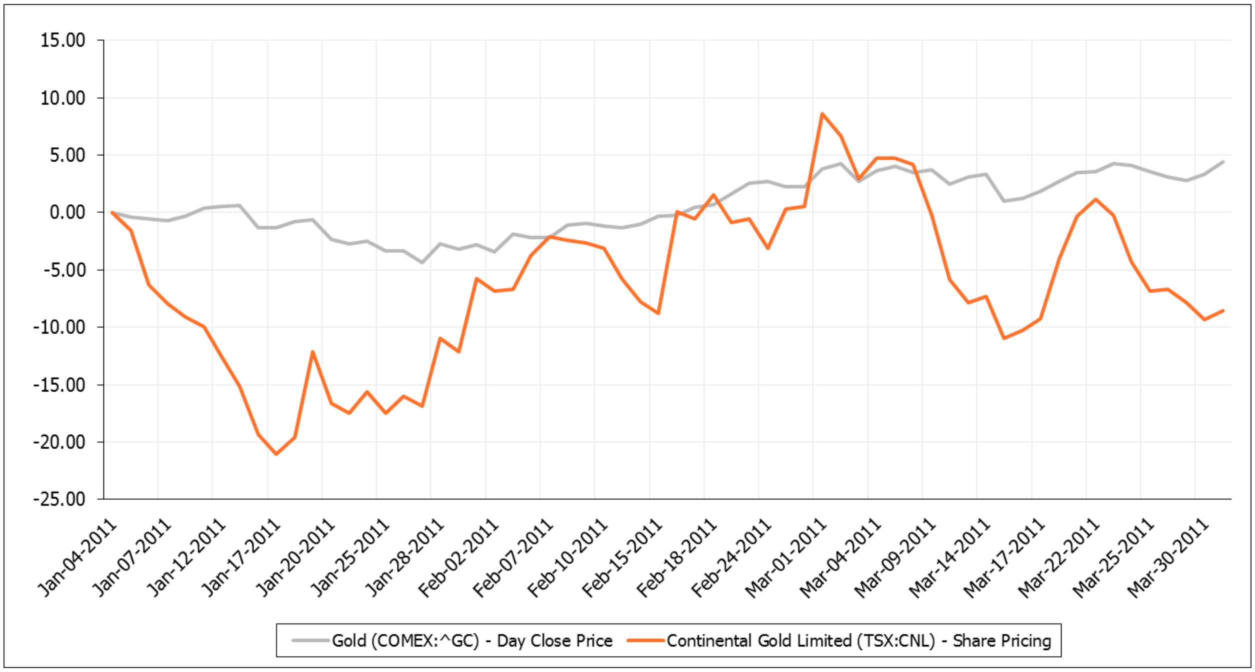
The Company's economic assessment of its gold projects is impacted by the market-driven gold price. The gold market is affected by political stability, general economic conditions, mine production and substantial above-ground reserves that can affect the price should a portion of these reserves be brought to market.

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

The global financial market crisis affected the volatility of gold and other commodity prices, oil prices, currencies and the availability of credit. The gold price has displayed considerable volatility in the last few years. Worldwide factors will continue to influence the demand for gold.

As at March 31 (US$/ounce of gold)	**2011**	2010
Average market gold price	**1,384.38**	1,224.53
Closing market gold price	**1,439.00**	1,405.50

As the following graph depicts, the Company' common share price, like most gold stocks, has underperformed against the gold price in the first quarter of the 2011.



Currency

The Company's functional and reporting currency is the U.S. dollar. Movement in the Canadian dollar against the U.S. dollar has a direct impact on the Company's executive office cost base and cash balances. Movement in the Colombian peso has a direct impact on the Company's exploration activities. Currencies continued to experience volatility relative to the U.S. dollar in the first quarter of 2011. The key currencies to which the Company is exposed are the Canadian dollar and the Colombian peso.

	Closing Rate March 31 2011	Closing Rate March 31 2010	**Average Rate 2011**	Average Rate 2010
Canadian dollar/U.S. dollar	**1.0283**	0.9811	**1.0136**	0.9708
Colombian peso /U.S. dollar	**0.0005**	0.0005	**0.0005**	0.0005

During 2011, the Company expects to have a significant U.S. dollar and Colombian peso requirement due to exploration activities, including expenditures to advance the Buriticá project. As at March 31, 2011, the Company held $41.6 million in U.S. dollars, representing greater than 100% of remaining 2011 planned expenditures; and as at June 6, 2011, the Company held approximately $31.2 million in U.S. dollars, representing approximately 32% of total cash balances to protect against currency volatility in 2011.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

CHANGES IN CANADIAN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that IFRS, as issued by the International Accounting Standards Board ("IASB"), will replace Canadian GAAP for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011. The Company has adopted IFRS for its 2011 fiscal year with comparative information for 2010 restated under IFRS as required by the AcSB. Note 17 of the unaudited interim financial statements for the three months ended March 31, 2011 contains a detailed description of the conversion to IFRS, including a line-by-line reconciliation of financial statements previously prepared under Canadian GAAP to those under IFRS.

FUTURE ACCOUNTING CHANGES

IFRS 9 – Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposing to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is planned to be effective for years commencing on or after January 1, 2013. The Company is in the process of evaluating the impact of the change in its financial statements.

The IASB has issued IFRS 13, Fair Value Measurement which sets out a framework for measuring fair value and new required disclosures about fair value measurements in a single IFRS. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the change in its financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and Chief Financial Officer, completed a detailed review of internal controls over financial reporting and disclosure controls and procedures, including testing the represented controls and found controls working as indicated. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Company's internal controls, or in other factors, that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation as of March 31, 2011, nor were there any significant deficiencies or material weaknesses in the Company's internal controls identified requiring corrective actions. Changes to accounting policies or business processes as a result of the IFRS conversion did not materially affect the Company's internal controls over financial reporting.

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

QUALIFIED PERSON

Except as otherwise noted, Stuart Moller, P.Geol., Vice President, Exploration of the Company, is the Qualified Person under Canadian National Instrument 43-101: Standards of Disclosure for Mineral Projects responsible for preparing and supervising the preparation of the scientific or technical information contained in this MD&A and verifying the technical data disclosed in this document relating to our projects. Mr. Moller has consented to the inclusion of this information in the form and context in which it appears in this MD&A.

RISKS AND UNCERTAINTIES

The Company's common shares should be considered highly speculative due to the nature of its business and the present stage of its development and the location of its properties in Colombia. The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A and as described in the Caution Regarding Forward-Looking Statements found on page 1.

For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's MD&A for the year ended December 31, 2010, and the Company's annual information form for the year ended December 31, 2010, filed with Canadian securities regulatory authorities under the Company's profile on SEDAR at www.sedar.com. The annual information form, in addition to being filed on SEDAR, is available upon request from the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.