CONTINENTAL GOLD

INTERIM FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2011
(UNAUDITED)

INDEX

Continental Gold Limited

Statements of Financial Position (unaudited)

As at (in 000's of U.S. Dollars)	Note	**September 30 2011**	December 31 2010
		$	$
Assets			
Current assets			
Cash and cash equivalents		**88,048**	97,208
Marketable securities		**725**	892
Receivables and prepaid expenses		**1,133**	1,234
		89,906	99,334
Non-current assets			
Restricted cash		**120**	305
Long-term portion of receivables		**565**	623
Prepaids and advances		**815**	419
Intangible assets		**222**	190
Property, plant and equipment		**5,096**	3,456
Exploration and evaluation assets	4, 10(a),(b)	**74,715**	54,809
Assets held for sale	11	**7,663**	-
		89,196	59,802
		179,102	159,136
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	6	**3,285**	3,812
Current portion of Canadian dollar-denominated warrants	5	**6,155**	55,865
		9,440	59,677
Non-current liabilities			
Canadian dollar-denominated warrants	5	**-**	34,209
Equity tax liability	6	**536**	-
Rehabilitation provision		**232**	215
Deferred tax liability		**12,478**	12,551
		13,246	46,975
		22,686	106,652
Equity			
Share capital	7	**24**	17
Share premium reserve		**245,320**	168,688
Warrants and broker warrants reserve	8	**1,706**	3,719
Share-based payment reserve		**13,649**	6,395
Deficit		**(104,283)**	(126,335)
		156,416	52,484
		179,102	159,136
Subsequent event	11		

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

Continental Gold Limited

Statements of Operations and Comprehensive Income (Loss) (unaudited)

(in 000's of U.S. Dollars, except share and per share amounts)	Note	Three months ended September 30 2011	Three months ended September 30 2010 (Note 13)	Nine months ended September 30 2011	Nine months ended September 30 2010 (Note 13)
		$	$	**$**	$
Operating expenses					
Corporate administration	6,9	**2,971**	4,325	**9,584**	8,882
Exploration expense		**27**	-	**27**	-
Loss on sale of equipment		**3**	-	**145**	-
Write-down of exploration and evaluation assets	4	**-**	-	**-**	1,173
Net loss before the following		**(3,001)**	(4,325)	**(9,756)**	(10,055)
Other (income) expense					
Foreign exchange loss (gain)		**5,218**	(64)	**3,004**	334
Unrealized loss (gain) on marketable securities		**42**	(346)	**229**	(346)
(Gain) loss on Canadian dollar-denominated warrants	5	**(4,912)**	39,891	**(34,490)**	57,911
Loss on reverse acquisition	13(f)	**-**	-	**-**	10,222
Other income		**(12)**	(12)	**(137)**	(22)
Net income (loss) before finance items and income tax		**(3,337)**	(43,794)	**21,638**	(78,154)
Finance items					
Interest income		**(249)**	(9)	**(752)**	(30)
Interest and accretion expense (recovery)		**(4)**	2	**50**	48
Net income (loss) before income tax		**(3,084)**	(43,787)	**22,340**	(78,172)
Income tax expense (recovery)					
Current		**227**	-	**361**	-
Deferred		**700**	(68)	**(73)**	(700)
		927	(68)	**288**	(700)
Net income (loss) and comprehensive income (loss) for the period		**(4,011)**	(43,719)	**22,052**	(77,472)
Net income (loss) per common share					
- basic		**(0.04)**	(0.58)	**0.21**	(1.21)
- diluted		**(0.04)**	(0.58)	**0.19**	(1.21)
Weighted average number of common shares outstanding					
- basic		**107,607,436**	75,834,887	**105,329,199**	63,809,970
- diluted		**107,607,436**	75,834,887	**113,628,044**	63,809,970

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

Continental Gold Limited

Statements of Changes in Shareholders' Equity (unaudited)

(in 000's of U.S. Dollars)	Issued Capital: Share Capital (Note 7)	Issued Capital: Share Premium Reserve	Reserves: Warrants and Broker Warrants Reserve	Reserves: Share-Based Payment Reserve	Deficit	Total
	$	$	$	$	$	$
Balance, December 31, 2010	**17**	**168,688**	**3,719**	**6,395**	**(126,335)**	**52,484**
Issue of shares – asset purchase (Note 10(b))	**-**	**4,229**	**-**	**-**	**-**	**4,229**
Fair value of warrants issued	**-**	**(1,456)**	**-**	**-**	**-**	**(1,456)**
Exercise of warrants – cash proceeds	**7**	**15,918**	**-**	**-**	**-**	**15,925**
Fair value of warrants exercised	**-**	**50,930**	**(45)**	**-**	**-**	**50,885**
Exercise of broker warrants – cash proceeds	**-**	**3,259**	**-**	**-**	**-**	**3,259**
Fair value of broker warrants exercised	**-**	**1,968**	**(1,968)**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**8,197**	**-**	**8,197**
Exercise of share-based payments – cash proceeds	**-**	**782**	**-**	**-**	**-**	**782**
Fair value of share-based payments exercised	**-**	**943**	**-**	**(943)**	**-**	**-**
Share issue cost – cash	**-**	**59**	**-**	**-**	**-**	**59**
Net income for the period	**-**	**-**	**-**	**-**	**22,052**	**22,052**
Balance, September 30, 2011	**24**	**245,320**	**1,706**	**13,649**	**(104,283)**	**156,416**
Balance, January 1, 2010 (Note 13)	12	34,135	3,129	1,215	(7,274)	31,217
Conversion of debenture	-	2,832	-	-	-	2,832
Conversion of subscription receipts	2	28,199	-	-	-	28,201
Private placement	1	66,627	-	-	-	66,628
Effect of reverse acquisition	-	8,515	-	314	-	8,829
Fair value of warrants issued	-	(23,392)	-	-	-	(23,392)
Exercise of warrants – cash proceeds	1	4,399	-	-	-	4,400
Fair value of warrants exercised	-	7,123	(26)	-	-	7,097
Cost of issue – fair value of broker warrants issued	-	(3,397)	3,397	-	-	-
Exercise of broker warrants – cash proceeds	-	815	-	-	-	815
Fair value of broker warrants exercised	-	321	(321)	-	-	-
Share issue cost – cash	-	(4,412)	-	-	-	(4,412)
Share-based payments	-	-	-	4,406	-	4,406
Exercise of share-based payments – cash proceeds	-	1,680	-	-	-	1,680
Fair value of share-based payments exercised	-	1,252	-	(1,252)	-	-
Net loss for the period	-	-	-	-	(77,472)	(77,472)
Balance, September 30, 2010	16	124,697	6,179	4,683	(84,746)	50,829

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

Continental Gold Limited

Statements of Cash Flows (unaudited)

(in 000's of U.S. Dollars)	Note	**Three months ended September 30 2011**	Three months ended September 30 2010	**Nine months ended September 30 2011**	Nine months ended September 30 2010
		$	$	**$**	$
Cash provided by (used in):					
Operating activities:					
Net income (loss) for the period		**(4,011)**	(43,719)	**22,052**	(77,472)
Items not affecting cash:					
Stock-based compensation	9	**1,666**	1,214	**4,801**	3,191
Write-down of exploration and evaluation assets		-	-	-	1,173
(Gain) loss on Canadian dollar-denominated warrants		**(4,912)**	39,891	**(34,490)**	57,911
Deferred tax expense (recovery)		**700**	(68)	**(73)**	(700)
Loss on reverse acquisition		**-**	-	-	10,222
Unrealized loss (gain) on marketable securities		**40**	(346)	**229**	(346)
Foreign exchange loss		**5,218**	-	**3,004**	-
Other non-cash items	12(a)	**70**	2,052	**260**	2,496
Changes in non-cash operating working capital balances	12(a)	**(495)**	980	**(482)**	(1,026)
		(1,724)	4	**(4,699)**	(4,551)
Investing activities:					
Amounts receivable		**391**	-	**391**	(623)
Property, plant and equipment		**(510)**	(605)	**(2,346)**	(1,091)
Acquisition of exploration and evaluation assets	10(b)	**-**	-	**(2,218)**	-
Exploration expenditures	4	**(8,009)**	(4,574)	**(21,320)**	(9,403)
Recoveries in property from gold sales		**2,159**	1,214	**3,879**	5,114
Other investing activities	12(b)	**(313)**	8	**184**	(233)
		(6,282)	(3,957)	**(21,430)**	(6,236)
Financing activities:					
Cash proceeds from subscription receipts and private placement, net of share issue costs		**-**	62,403	**-**	88,073
Cash proceeds from exercise of stock options, warrants, and broker warrants		**258**	4,486	**20,025**	6,895
		258	66,889	**20,025**	94,968
Net change in cash and cash equivalents during the period		**(7,748)**	62,936	**(6,104)**	84,181
Cash and cash equivalents, beginning of period		**101,234**	22,849	**97,208**	1,604
Foreign exchange effect on cash balances		**(5,438)**	(293)	**(3,056)**	(293)
Cash and cash equivalents, end of period		**88,048**	85,492	**88,048**	85,492

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

Tabular dollar amounts represent thousands of United States dollars, unless otherwise shown. References to C$ and COP are to Canadian dollars and Colombian pesos, respectively.

1. NATURE OF OPERATIONS

Continental Gold Limited, a Bermuda-based privately-owned company, was incorporated under the Companies Act, 1981 (Bermuda) by articles of incorporation dated April 26, 2007. Continental Gold Limited and Cronus Resources Ltd. ("Cronus"), a TSX Venture Exchange-listed company, amalgamated under the Companies Act, 1981 (Bermuda) by articles of amalgamation dated March 30, 2010 (the "Amalgamation"). The resulting issuer, a Bermuda-based company, now operates under the Continental Gold Limited name (the "Company") and is governed by the bye-laws of the original Continental Gold Limited. The Company has formed a branch pursuant to the laws of Colombia, South America effective May 23, 2007 and carries on business in Colombia under the name "CG de Colombia".

The Company's shares are listed on the Toronto Stock Exchange (the "TSX"). The registered address and corporate records of the Company are located at Cumberland House, 9th floor, 1 Victoria Street, Hamilton HM 11, Bermuda.

2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

Basis of Presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in its 2011 unaudited interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before adoption of IFRS.

These unaudited interim financial statements were prepared in accordance with IFRS applicable to the preparation of unaudited interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-time Adoption of IFRS. The accounting policies followed in these unaudited interim financial statements are the same as those applied in the Company's unaudited interim financial statements for the period ended March 31, 2011, Notes 3 and 4. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The accounting policies applied in these unaudited interim financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 9, 2011, the date the Audit Committee of the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ended December 31, 2011 could result in restatement of these unaudited interim financial statements, including the transition adjustments recognized on changeover to IFRS.

2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS (continued)

These unaudited interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010 and the Company's first IFRS unaudited interim financial statements for the three months ended March 31, 2011. Note 13 discloses the impact of the transition to IFRS on the Company's reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010.

The Company engages principally in the acquisition, exploration and development of its mineral properties in Colombia. The Company's activities include 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 exploring, financing and developing these properties. There has been no determination whether the Company's interests in exploration and evaluation assets contain mineral reserves which are economically recoverable. The Company's primary assets are located in Colombia and are subject to the risks 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, among other things, 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, among other things, government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

Continuance of Operations
These unaudited interim financial statements were prepared on a going concern basis. In addition, these unaudited interim financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS (continued)

Accordingly, these unaudited interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

If the going concern assumption 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. OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Colombia. As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim financial statements also represent segment amounts.

Geographical information

The Company operates in three principal geographical areas – Bermuda, Canada and Colombia. Geographical segmentation of the Company's capital assets is as follows:

September 30, 2011 (in 000's of U.S. Dollars)	**Canada**	**Bermuda**	**Colombia**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	**86,312**	**73**	**1,663**	**88,048**
Exploration and evaluation assets	**-**	**-**	**74,715**	**74,715**
Assets held for sale	**-**	**-**	**7,663**	**7,663**
Total assets	**89,062**	**73**	**89,967**	**179,102**
Total liabilities	**6,950**	**12,870**	**2,866**	**22,686**
Net income (loss)	**23,632**	**(180)**	**(1,400)**	**22,052**
Capital expenditures	**899**	**-**	**18,995**	**19,894**

3. OPERATING SEGMENTS (continued)

December 31, 2010 (in 000's of U.S. Dollars)	Canada	Bermuda	Colombia	Total
	$	$	$	$
Cash and cash equivalents	95,088	69	2,051	97,208
Exploration and evaluation assets	-	-	54,809	54,809
Total assets	97,717	210	61,209	159,136
Total liabilities	90,042	14,648	1,962	106,652
Net loss	114,236	1,959	2,866	119,061
Capital expenditures	216	-	13,321	13,537

4. EXPLORATION AND EVALUATION ASSETS

(in 000's of U.S. Dollars)	**Balance December 31 2010**	**Additions**	**Proceeds from Options and Recoveries**	**Disposals or Write-downs**	**Balance September 30 2011**
	$	**$**	**$**	**$**	**$**
Anza (b)	**105**	**2**	**(106)**	-	**1**
Arenosa (c)	**744**	**100**	-	**(844)**	**-**
Berlin	**13,724**	**263**	-	-	**13,987**
Buriticá (a)	**29,986**	**28,263**	**(3,879)**	**(242)**	**54,128**
Dojura	**1,373**	**33**	**(150)**	-	**1,256**
Dominical (a)	**2,861**	**1,911**	-	-	**4,772**
Santander	**531**	**40**	-	-	**571**
Zaragoza (c)	**5,485**	**1,333**	-	**(6,818)**	**-**
Total	**54,809**	**31,945**	**(4,135)**	**(7,904)**	**74,715**

(000's of U.S. dollars)	Balance January 1 2010	Additions	Proceeds from Options and Recoveries	Disposals or Write-downs	December 31 2010
	$	$	$	$	$
Anza	893	69	(30)	(827)	105
Arenosa	584	160	-	-	744
Berlin	12,454	1,270	-	-	13,724
Buriticá	17,780	18,545	(6,068)	(271)	29,986
Dojura	1,380	-	(7)	-	1,373
Dominical	2,758	103	-	-	2,861
Lunareja	1,173	-	-	(1,173)	-
Santander	429	102	-	-	531
Zaragoza	7,222	61	-	(1,798)	5,485
Total	44,673	20,310	(6,105)	(4,069)	54,809

(a) On May 5, 2011, the Company acquired property from the Chairman of the Company for total consideration of $6,447,000 (Note 10(b)). The total consideration has been allocated to each project based on the pro rata share of hectares acquired.

4. EXPLORATION AND EVALUATION ASSETS (continued)

(b) On June 29, 2011, the Company received $125,000 and 125,000 shares of Waymar Resources Ltd. ("Waymar") (valued at $64,000) as its share of option payments pursuant to the terms of an option agreement dated May 21, 2010. As the option payments received exceeded the net book value of the property on the date of receipt, the excess has been recognized in other income on the statement of operations and comprehensive income (loss). Subsequent expenditures continue to be capitalized according to the Company's accounting policy for exploration and evaluation assets.

(c) On October 27, 2011, the Company completed a transaction whereby the remaining licences for the Arenosa and Zaragoza properties were transferred to Minerales Otu S.A.S. ("OTU") in exchange for a 25% equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU). See note 11 for further details.

The transaction qualifies for treatment as assets held for sale and accordingly, the book value of the assets of $7,662,000 has been reclassified as assets held for sale.

5. CANADIAN DOLLAR-DENOMINATED WARRANTS

The Canadian dollar-denominated warrants are classified as derivative financial liabilities and measured at fair value using quoted market prices for the warrants and the Black-Scholes option pricing model for the warrants where quoted market prices are not available. The following represents warrants denominated in Canadian dollars:

	September 30 2011		December 31 2010	
	Number of Warrants	**Fair Value**	Number of Warrants	Black-Scholes Value
		$(000's)		$(000's)
Balance, beginning of year	**13,005,747**	**90,074**	–	–
Issued (a)	**–**	**–**	2,029,135	822
Issued (b)	**110,209**	**770**	10,143,959	4,557
Issued (c)	**252,000**	**686**	6,000,000	19,398
Conversion of Cronus warrants (d)	**–**	**–**	1,889,488	1,154
Exercised	**(7,223,949)**	**(50,885)**	(7,004,597)	(34,004)
Expired	**(7)**	**–**	(52,238)	–
Fair value revaluation of liability	**–**	**(34,490)**	–	98,147
Balance, end of period	**6,144,000**	**6,155**	13,005,747	90,074
Current portion	**6,144,000**	**6,155**	7,005,747	55,865
Non-current portion	**–**	**–**	6,000,000	34,209

5. CANADIAN DOLLAR-DENOMINATED WARRANTS (continued)

The following are the Canadian dollar-denominated warrants outstanding:

		September 30 2011		December 31 2010	
Expiry Date	Exercise Price	Number of Warrants	Fair Value	Number of Warrants	Black-Scholes Value
	C$		$(000's)		$(000's)
February 5, 2011 (d)	0.35	-	-	74,243	720
March 30, 2011 (b)	2.25	-	-	6,242,100	48,700
April 21, 2011 (d)	0.35	-	-	270,459	2,625
July 27, 2011 (d)	0.94	-	-	90,154	822
August 5, 2011 (d)	0.94	-	-	328,791	2,998
September 16, 2012 (c)	7.50	**6,144,000**	**6,155**	6,000,000	34,209
		6,144,000	**6,155**	13,005,747	90,074

(a) Pursuant to the Amalgamation, 2,029,135 warrants were issued as part of the conversion of the convertible debenture. Each warrant had an expiry date of March 30, 2012 and an exercise price of C$1.75 per common share.

The issue date fair value of the 2,029,135 warrants was estimated at $822,000. As at December 31, 2010, all such warrants were exercised. For the three and nine months ended September 30, 2011, a derivative loss of $nil (2010 - $6,475,000 and $9,935,000, respectively) was recognized in the statement of operations and comprehensive income (loss) relating to the revaluation of the warrants outstanding prior to exercise. Fair values were determined using the Black-Scholes option pricing model using observable inputs and are therefore classified as level 2 within the fair value hierarchy.

(b) On March 30, 2010, 9,583,334 warrants were issued upon conversion of subscription receipts from equity financings completed on January 28, 2010 and February 11, 2010. Each full warrant had an exercise price of C$2.25 and expired on March 31, 2011.

In addition, during the three and nine months ended September 30, 2011, nil and 110,209 warrants (117,375 warrants and 281,750 warrants, respectively, for the three and nine months ended September 30, 2010) were issued as a result of the exercise of nil and 220,418 broker warrants in the respective periods in 2011 (234,750 and 563,500 broker warrants for the three and nine months ended September 30, 2010) with the same terms and conditions as the original pool of warrants and are included with the original pool of warrants for revaluation purposes.

The issue date fair value of the original 9,583,334 warrants was estimated at $2,971,000. The issue date fair value of the additional warrants issued during the three and nine months ended September 30, 2011 was estimated at $nil and $770,000 ($201,000 and $409,000, respectively, for the three and nine months ended September 30, 2010).

5. CANADIAN DOLLAR-DENOMINATED WARRANTS (continued)

As at March 31, 2011, all such warrants were exercised. The fair value of the warrants outstanding as at December 31, 2010 and September 30, 2010 was $48,700,000 and $39,582,000, respectively.

A derivative gain of $nil and $4,976,000 was recognized in the statement of operations and comprehensive income (loss) for the three and nine months ended September 30, 2011 (2010 – loss of $29,131,000 and $40,887,000, respectively, for the three and nine months ended September 30, 2010) relating to the revaluation of the warrants outstanding or upon exercise. Fair values were determined using the Black-Scholes option pricing model using observable inputs and are therefore classified as level 2 within the fair value hierarchy.

(c) On September 16, 2010, 6,000,000 warrants were issued upon completion of an equity financing. Each full warrant has an exercise price of C$7.50 and an expiry date of September 16, 2012. However, in the event that the closing sale price of the Company's common shares on the TSX is greater than C$9.75 per share for a period of 20 consecutive days at any time after September 16, 2010, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and, in such case, the warrants will expire on the 30th day after the date on which such notice is given by the Company. As at September 30, 2011, no such notice has been given by the Company.

In addition, during the three and nine months ended September 30, 2011, nil and 252,000 warrants (three and nine months ended September 30, 2010 – nil warrants) were issued as a result of the exercise of nil and 504,000 broker warrants (three and nine months ended September 30, 2010 – nil broker warrants) with the same terms and conditions as the original pool of warrants and are included with the original pool of warrants for revaluation purposes.

The issue date fair value of the original 6,000,000 warrants was estimated at $19,398,000. The issue date fair value of the additional warrants issued during the three and nine months ended September 30, 2011 was nil and $686,000 (three and nine months ended September 30, 2010 – $nil).

On January 17, 2011, these warrants began trading on the TSX under the symbol "CNL.WT". As a result, fair values are based on quoted market prices after this date and are therefore classified as level 1 within the fair value hierarchy. Prior to this date, fair values were calculated using the Black-Scholes option pricing model using observable inputs and were therefore classified as level 2 within the fair value hierarchy.

The fair value of the outstanding warrants on September 30, 2011 was $6,155,000 (September 30, 2010 – $20,433,000), resulting in a derivative gain recognized in the statement of operations and comprehensive income (loss) for the three and nine months ended September 30, 2011 of $4,930,000 and $28,444,000 (three and nine months ended September 30, 2010 - $1,035,000).

5. CANADIAN DOLLAR-DENOMINATED WARRANTS (continued)

(d) On March 30, 2010, 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 $1,154,000 on the date of conversion.

As at September 30, 2011, all such warrants were exercised. The fair value of the warrants outstanding as at December 31, 2010 and at September 30, 2010 was $7,165,000 and $4,825,000, respectively. A derivative loss of $18,000 and a derivative gain of $1,070,000 was recognized in the statement of operations and comprehensive income (loss) for the three and nine months ended September 30, 2011 (2010 – loss of $3,450,000 and $6,254,000, respectively, for the three and nine months ended September 30, 2010) relating to the revaluation of the warrants outstanding or upon exercise. Fair values were determined using the Black-Scholes option pricing model using observable inputs and are therefore classified as level 2 within the fair value hierarchy.

(e) The Black-Scholes option pricing model was used to measure fair value where quoted market prices are not available. The following is the range of assumptions used to value such warrants for the periods ended September 30, 2011 and December 31, 2010:

	Nine months ended September 30 2011	Year ended December 31 2010
Expected dividend yield	Nil%	Nil%
Expected volatility	100%	100%
Risk-free interest rate	1.06% to 1.9%	1.23% to 2.01%
Period to expiry on date of exercise or revaluation	0.01 to 0.58 years	0.05 to 1.70 years

6. EQUITY TAX LIABILITY

On December 29, 2010 the Colombian Congress passed a law which imposes a 6% equity tax levied on Colombian operations. The Company's equity tax payable for the years 2011 to 2014 is a total of $1,115,000, payable in eight equal semi-annual instalments.

The amount of equity tax payable is fixed for the four-year term ending in 2014 and is payable regardless of whether subsequent changes to the Company's financial position would result in a reduction or elimination of the equity tax amount during the four-year term. As a result, the Company has recognized the entire amount of the equity tax payable in the statement of financial position and a corresponding expense in the statement of operations and comprehensive income (loss). The amount recognized is calculated by discounting the future equity tax payments by a discount rate of 4.55% at September 30, 2011.

6. EQUITY TAX LIABILITY (continued)

	$000's
Equity tax expense	**1,115**
Payments	**(299)**
Accretion	**14**
Foreign exchange	**4**
Balance, September 30, 2011	**834**
Current, included in accounts payable and accrued liabilities	**298**
Non-current	**536**
Balance, September 30, 2011	**834**

7. SHARE CAPITAL

(a) Authorized

At September 30, 2011, the authorized share capital consisted of 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. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

(b) Issued

As of September 30, 2011, the issued share capital was 107,684,401. The change in issued share capital for the period was as follows:

	Number of Shares	
	2011	2010
Balance, beginning of year	**98,548,890**	43,499,959
Issue of shares – asset purchase	**495,106**	–
Exercise of stock options	**580,806**	1,547,210
Exercise of warrants	**7,335,182**	2,489,481
Exercise of broker warrants	**724,417**	563,500
Conversion of debenture	-	2,000,000
Shares in lieu of interest	-	29,135
Conversion of subscription receipts	-	19,166,667
Conversion of Cronus shares	-	6,500,008
Private placement	-	12,000,000
Balance, September 30	**107,684,401**	87,795,960

8. WARRANTS AND BROKER WARRANTS RESERVE

(a) Warrants

	September 30, 2011		December 31, 2010	
	Number of Warrants	$000's	Number of Warrants	$000's
Balance, beginning of year	2,409,334	961	7,847,181	3,129
Exercised	(111,222)	(45)	(5,437,847)	(2,168)
Balance, end of period	2,298,112	916	2,409,334	961

The above warrants have an expiry date of March 30, 2012 and an exercise price of $0.98 per share.

(b) Broker warrants

	September 30, 2011		December 31, 2010	
	Number of Warrants	$000's	Number of Warrants	$000's
Balance, beginning of year	940,417	2,758	-	-
Issued	-	-	2,061,667	3,397
Exercised	(724,417)	(1,968)	(1,121,250)	(639)
Balance, end of period	216,000	790	940,417	2,758

The following are the broker warrants outstanding:

			September 30 2011		December 31 2010	
Expiry Date	Exercise Price		Number of Warrants	Black-Scholes Value $000's	Number of Warrants	Black-Scholes Value $000's
March 30, 2011	1.47	(C$1.50)	-	-	220,417	126
September 16, 2012	5.55	(C$5.70)	216,000	790	720,000	2,632
			216,000	790	940,417	2,758

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

Expected dividend yield	Nil%
Expected volatility	100%
Risk-free interest rate	1.51% to 1.63%
Expected life	1 to 2 years

No broker warrants were issued during the nine months ended September 30, 2011.

9. SHARE-BASED PAYMENTS

Movements in stock options during the period were as follows:

	Number of stock options	Weighted Average Exercise Price $
Balance, beginning of year	**5,667,196**	**1.98**
Granted (*)	**2,237,500**	**8.50**
Exercised	**(580,806)**	**1.27**
Expired/Forfeited	**(78,749)**	**6.39**
Balance, end of period	**7,245,141**	**3.78**

(*) The weighted average grant date fair value of stock option grants during the nine-month period ended September 30, 2011 and the year ended December 31, 2010 was $5.13 and $1.42, respectively.

The following table shows the Company's issued and outstanding stock options at September 30, 2011:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Price $US	Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $US	Number of stock options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price $US
$0.42 - $2.00	3,513,891	4.24	1.33	3,513,891	4.24	1.33
$2.01 - $4.00	1,090,000	3.61	2.40	802,500	3.61	2.40
$4.01 - $6.00	200,000	3.93	5.62	162,500	3.93	5.65
$6.01 - $8.00	590,000	4.51	7.31	260,000	4.33	6.98
$8.01 - $10.25	1,851,250	4.59	8.76	637,500	4.54	9.07
	7,245,141	4.24	4.00	5,376,391	4.17	2.81

(a) The following is a summary of the stock options granted, the fair values and the assumptions used in the Black-Scholes option pricing formula:

	Nine months ended September 30 2011	Nine months ended September 30 2010
Number of stock options granted	**2,237,500**	4,764,725
Weighted average exercise price (US$ per share)	**8.48**	1.73
Weighted average market price (US$ per share)	**8.39**	1.62
Expected dividend yield	**nil**	nil
Expected volatility	**100%**	100%
Weighted average risk-free interest rate	**1.88%**	2.91%
Weighted expected life (years)	**2.88**	2.84
Weighted average grant date fair value (US$ per share)	**5.13**	0.98

9. SHARE-BASED PAYMENTS (continued)

The Company estimated the expected volatility of 100% by reference to the historical volatility for comparable listed companies on the TSX.

(b) The Company recorded share-based payments as follows:

For the nine months ended September 30 (in 000's of U.S. Dollars)	**2011**	2010
	$	$
Share-based payments, included in corporate administration expense	**4,801**	3,191
Share-based payments included in loss on reverse acquisition	-	314
Share-based payments capitalized to exploration and evaluation assets	**3,396**	1,215
	8,197	4,720

10. RELATED PARTY TRANSACTIONS

Related parties include management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The following related party transactions were conducted in the normal course of operations and are measured at the exchange value (the amount established and agreed to by the related parties):

(a) During the three and nine months ended September 30, 2011, aggregate gold sales to a refinery company controlled by a director of the Company amounted to $2,159,000 and $3,879,000, respectively (three and nine months ended September 30, 2010 - $1,214,000 and $5,114,000, respectively) and are reported as a reduction to exploration and evaluation assets on the statement of financial position.

(b) On May 5, 2011, the Company acquired from the 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 total consideration of $6,447,000, including $2,000,000 in cash and 495,106 common shares of the Company.

(c) As at September 30, 2011, included in accounts payable and accrued liabilities are cost reimbursement expenditures of $6,000 (December 31, 2010 – nil) payable to the Chairman of the Company.

(d) During October 2011, the Company acquired, for a nominal amount, additional licenses for properties adjacent to the Buriticá project from a company controlled by a director of the Company and reimbursed the company $0.1 million for prepaid license fees.

10. RELATED PARTY TRANSACTIONS (continued)

(e) On October 27, 2011, the Company transferred certain exploration and evaluation assets to OTU, a Colombian company controlled by a director of the Company, in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU. See note 11 for further details.

11. ASSETS HELD FOR SALE and SUBSEQUENT EVENT

On October 27, 2011, the Company completed a transaction whereby exploration and evaluation assets were transferred to OTU, a Colombian company controlled by a director of the Company, in exchange for an equity interest in OTU. The details of the transaction are as follows:

(a) The Company transferred property covering the remaining licences for the Arenosa and Zaragoza properties.
(b) Prior to the transfer, OTU held mineral properties within the same vicinity of the Company's Arenosa and Zaragoza properties.
(c) Equity interest issued by OTU resulted in the Company owning 25% of OTU, and the remaining 75% owned by a company controlled by a director of the Company (representing the approximate proportion of hectares transferred by each company to OTU).
(d) The shareholders of OTU are responsible for proportionately funding its activities based on the shareholder's interest.
(e) A company controlled by a director of the Company will manage the activities of OTU.
(f) The Company and a company controlled by a director will engage in the marketing of OTU with the objective to divest all or a portion of their equity interest in OTU to unrelated third parties.

As at September 30, 2011, the assets qualify for treatment as assets held for sale as the transfer of the assets were completed subsequent to the quarter-end and the transaction resulted in a loss of control over the assets. Accordingly, the book value of the assets of $7,663,000 has been transferred from exploration and evaluation assets to assets held for sale on the balance sheet.

As the consideration received for the transfer is in the form of equity and results in the Company having significant influence, in accordance with IAS 28 – Associates, the Company has classified and accounted for its investment in OTU as an equity investment. As a result, upon completion of the transaction, the equity investment will be valued at the same amount as the assets held for sale.

12. CASH FLOW – OTHER ITEMS

(a) Other Operating Activities

(in 000's of U.S. Dollars)	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
	$	$	**$**	$
Other non-cash items:				
Depreciation and amortization	**98**	53	**251**	103
Interest and accretion expense	**(1)**	1	**31**	48
Interest income	**(30)**	-	**(167)**	-
Loss on sale of equipment	**3**	-	**145**	-
Share issue costs expensed	**-**	1,998	**-**	2,345
	70	2,052	**260**	2,496
Net changes in non-cash operating working capital balances:				
Receivables and prepaid expenses	**(539)**	658	**(361)**	(257)
Accounts payable and accrued liabilities	**259**	322	**(948)**	(427)
Equity tax liability	**(215)**	-	**827**	-
Effect of non-cash working capital as a result of amalgamation	**-**	-	**-**	(342)
	(495)	980	**(482)**	(1,026)

(b) Other Investing Activities

(in 000's of U.S. Dollars)	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
	$	$	**$**	$
Marketable securities	**-**	-	**(64)**	-
Restricted cash	**6**	(17)	**185**	(275)
Prepaids and advances	**(159)**	(265)	**(396)**	(677)
Intangible assets	**(18)**	(5)	**(107)**	(168)
Accounts payable and accrued liabilities attributable to exploration and evaluation assets	**(289)**	171	**181**	596
Depreciation and amortization attributable to property exploration	**147**	124	**285**	188
Proceeds from disposal of equipment	**-**	-	**100**	-
Cash acquired on amalgamation	**-**	-	**-**	103
	(313)	8	**184**	(233)

13. TRANSITION TO IFRS

The Company's financial statements for the year ended December 31, 2011 will be the first annual financial statements that comply with IFRS and these unaudited interim financial statements were prepared as described in Note 2, including the application of IAS 34 and IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adopters.

Initial elections upon adoption
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS:

IFRS Exemption Options

1. Business combinations - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively. The Company elected to apply IFRS 3 prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated.
2. Share-based payments - IFRS 1 encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

IFRS Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

13. TRANSITION TO IFRS (continued)

Changes in accounting policies:

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company. Note 17 in the Company's unaudited interim financial statements for the period ended March 31, 2011 provides differences and reconciliations for the year ended December 31, 2010.

(a) **Measurement of decommissioning and rehabilitation provision**

Canadian GAAP – Asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

IFRS – IFRS requires decommissioning provisions to be measured based on management's best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current risk-free pre-tax discount rate in Colombia.

Impact on Unaudited Interim Statements of Financial Position and Statements of Operations

(in 000's of U.S. Dollars)	Three months ended September 30 2010	Nine months ended September 30 2010
	$	$
Increase in exploration and evaluation assets	-	149
Decrease (increase) in rehabilitation provision	-	(148)
Increase (decrease) in accretion expense	-	(1)

(b) **Share-based compensation**

Canadian GAAP - Forfeitures of awards are recognized as they occur. Stock options subject to graded vesting (i.e. that vest in equal increments over the vesting term) were treated as a single grant for purposes of valuation.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Where stock options are subject to graded vesting, each vesting tranche is valued separately.

13. TRANSITION TO IFRS (continued)

As a result, the Company adjusted its share-based payments to reflect these differences.

Impact on Unaudited Interim Statements of Financial Position and Statements of Operations

(in 000's of U.S. Dollars)	Three months ended September 30 2010	Nine months ended September 30 2010
	$	$
Increase (decrease) in share-based payment expense	(562)	(991)
Increase (decrease) in exploration & evaluation asset	601	1,216
Decrease in deficit	-	(29)
Decrease (increase) in share-based payment reserve	(136)	(263)
Decrease (increase) in share premium reserve	97	67

(c) **Reclassification within equity section**

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. As the result, the Company performed the following reclassification:

(in 000's of U.S. Dollars)	September 30 2010
	$
Decrease in contributed surplus	120,532
Increase in share premium reserve	(116,426)
Increase in share-based payment reserve	(4,106)

(d) **Reclassification from exploration and evaluation assets into equipment**

Certain reclassifications were performed from exploration and evaluation assets into equipment to conform to the presentation of mining-related equipment under IFRS:

(in 000's of U.S. Dollars)	September 30 2010
	$
Increase in property, plant and equipment	1,208
Decrease in exploration and evaluation assets	(1,208)

13. TRANSITION TO IFRS (continued)

(e) **Classification and measurement of warrants denominated in Canadian dollars**

Canadian GAAP – The Company's Canadian dollar-denominated warrants are classified as equity instruments and measured at fair value upon initial recognition. Transactions costs related to the issuance of warrants are recognized as a deduction to the value of the warrants.

IFRS – The Company's Canadian dollar-denominated warrants are considered derivative instruments and have been reclassified as Canadian dollar-denominated warrants and measured at fair value. On initial recognition and at each subsequent reporting date, the derivatives are adjusted to fair value with changes recognized in the statement of operations and comprehensive income (loss). Transaction costs attributable to the issuance of warrants are recognized in the statement of operations and comprehensive income (loss).

Impact on Unaudited Interim Statements of Financial Position and Operations and Statements of Operations

(in 000's of U.S. Dollars)	Three months ended September 30 2010	Nine months ended September 30 2010
	$	$
Increase in Canadian dollar-denominated warrants	(52,908)	(74,206)
Decrease (increase) in share premium reserve	912	177
Decrease in warrants and broker warrants reserve	10,107	13,773
Corporate administration	1,998	2,345
Loss on derivative financial instruments	39,891	57,911

(f) **Reverse Acquisition**

Canadian GAAP - The reverse acquisition was treated as a capital transaction with the cost of the transaction measured at the fair value of the consideration given or the assets acquired, whichever is more reliably measured. As the valuation of the consideration is calculated using the Black-Scholes option pricing model which requires assumptions to be used, the Company measured the transaction based on the fair value of the net assets acquired, which was in a deficit position and therefore, recorded the transaction directly into deficit.

IFRS – The substance of the transaction is a reverse acquisition of a non-operating company which does not constitute a business combination as Cronus does not meet the definition of a business. The transaction is accounted for as a capital transaction with the consideration paid by the Company measured with the excess over the fair value of the assets being recognized in the statement of operations and comprehensive income (loss). As the acquiree was in a net liability position on the date of the reverse acquisition, the consideration paid and the net liability positions were recorded in the statement of operations and comprehensive income (loss).

13. TRANSITION TO IFRS (continued)

Impact on Unaudited Interim Statements of Financial Position and Statements of Operations

(in 000's of U.S. Dollars)	Nine months ended September 30 2010
	$
Increase in warrants liability	(1,154)
Increase in share premium reserve	(8,515)
Increase in share-based payment reserve	(314)
Decrease in deficit	(239)
Loss on reverse acquisition	10,222

(g) **Income taxes**

Canadian GAAP – Taxable and deductible temporary differences are computed in the local tax reporting currency of Colombian pesos. After applying the appropriate tax rate, any resulting future income tax asset or liability is then translated into the Company's functional currency of U.S. dollars at the current rate.

In addition, future income taxes are recognized for the tax effect of temporary differences at the time of acquisition or upon initial recognition of an asset.

IFRS – The carrying amount of non-monetary assets and liabilities is translated into the functional currency of U.S. dollars at the historical rate and compared to its tax base translated into the functional currency at the current rate. The resulting temporary difference (measured in the Company's functional currency of U.S. dollars) is then multiplied by the appropriate tax rate to determine the related deferred tax asset or liability.

Deferred taxes on temporary differences which arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit are not permitted to be recognized.

Impact on Unaudited Interim Statements of Financial Position and Statements of Operations

(in 000's of U.S. Dollars)	Three months ended September 30 2010	Nine months ended September 30 2010
	$	$
Increase(decrease) in exploration and evaluation assets	-	(350)
Decrease in deferred tax liability	68	437
Income tax recovery	(68)	(700)
Deficit	-	613

13. TRANSITION TO IFRS (continued)

(h) Presentation of expenses

Under IFRS, the Company has presented expenses on the statements of operations and comprehensive income (loss) by function.

Impact on Unaudited Interim Statements of Operations

(in 000's of U.S. Dollars)	Three months ended September 30 2010	Nine months ended September 30 2010
	$	$
Corporate administration	1,775	4,181
Share-based compensation	(1,775)	(4,181)

13. TRANSITION TO IFRS (continued)

Reconciliation of Statement of Financial Position between IFRS and Canadian GAAP
As at September 30, 2010

Canadian GAAP accounts	Canadian GAAP Balances	IFRS Adjustments	IFRS Balances	IFRS accounts
(in 000's of U.S. Dollars)	$	$	$	
Assets				**Assets**
Current assets				**Current assets**
Cash and cash equivalents	85,492	-	85,492	Cash and cash equivalents
Marketable securities	1,005	-	1,005	Marketable securities
Receivables and prepaid expenses	489	-	489	Receivables and prepaid expenses
Long-term assets				**Non-current assets**
Restricted cash	358	-	358	Reclamation deposit
Long-term portion of receivables	623	-	623	Long-term portion of receivables
Prepaids and advances	1,032	-	1,032	Prepaids and advances
Intangible assets	155	-	155	Intangible assets
Equipment (d)	1,492	1,208	2,700	Property, plant and equipment
Mineral properties (a), (b), (d), (g)	48,833	(193)	48,640	Exploration & evaluation assets
Total assets	139,479	1,015	140,494	**Total assets**
Liabilities				**Liabilities**
Current liabilities				**Current liabilities**
Accounts payable and accrued liabilities	1,860	-	1,860	Accounts payable and accrued liabilities
(e)	-	44,408	44,408	Current portion of Canadian dollar-denominated warrants
Long-term liabilities				**Non-current liabilities**
Future income tax liability (g)	12,669	(437)	12,232	Deferred income tax liability
(e)	-	30,952	30,952	Canadian dollar-denominated warrants
Asset retirement obligation (a)	65	148	213	Rehabilitation provision
Total liabilities	14,594	75,071	89,665	**Total liabilities**
Equity				**Equity**
Share capital	16	-	16	Share capital
(c)	-	124,697	124,697	Share premium reserve
Warrants and broker warrants	19,952	(13,773)	6,179	Warrants and broker warrants reserve
Contributed surplus (b), (c), (f)	120,532	(115,849)	4,683	Share-based payments reserve
Deficit	(15,615)	(69,131)	(84,746)	Deficit
Total equity	124,885	(74,056)	50,829	**Total equity**
Total liabilities & equity	139,479	1,015	140,494	**Total liabilities & equity**

13. TRANSITION TO IFRS (continued)

Reconciliation of statement of operations and comprehensive income (loss) for the three months ended September 30 2010:

Canadian GAAP accounts	Canadian GAAP Balances	IFRS Adjustments	IFRS Balances	IFRS accounts
(in 000's of U.S. Dollars)	$	$	$	
Stock-based compensation (h)	1,775	(1,775)	-	
Corporate administration (b),(h)	1,114	3,211	4,325	Corporate administration
Foreign exchange gain	(64)	-	(64)	Foreign exchange gain
Unrealized gain on marketable securities	(346)	-	(346)	Unrealized gain on marketable securities
(e)	-	39,891	39,891	Loss on derivative financial instruments
Interest income	(9)	-	(9)	Interest income
Other (income) expense	(12)	-	(12)	Other (income) expense
Interest & accretion expense (a)	2	-	2	Interest & accretion expense
Income tax recovery (g)	-	(68)	(68)	Income tax recovery
Net loss and comprehensive loss	2,460	41,259	43,719	**Net loss and comprehensive loss**

Reconciliation of statement of operations and comprehensive income (loss) for the nine months ended September 30 2010:

Canadian GAAP accounts	Canadian GAAP Balances	IFRS Adjustmen ts	IFRS Balances	IFRS accounts
(in 000's of U.S. Dollars)	$	$	$	
Stock-based compensation (h)	4,181	(4,181)	-	
Corporate administration (b),(e),(h)	3,347	5,535	8,882	Corporate administration
Write-down of mineral properties	1,173	-	1,173	Write-down of mineral properties
Foreign exchange loss	334	-	334	Foreign exchange loss
Unrealized gain on marketable securities	(346)		(346)	Unrealized gain on marketable securities
(e)	-	57,911	57,911	Loss on derivative financial instruments
Interest income	(30)	-	(30	Interest income
Other (income) expense	(22)	-	(22)	Other (income) expense
Interest & accretion expense (a)	49	(1)	48	Interest & accretion expense
Income tax recovery (g)	-	(700)	(700)	Income tax recovery
(f)	-	10,222	10,222	Loss on reverse acquisition
Net loss and comprehensive loss	8,686	68,786	77,472	**Net loss and comprehensive loss**