



ANNUAL INFORMATION FORM  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2011

March 7, 2012

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## INTRODUCTORY NOTES

### Cautionary Note Regarding Forward-Looking Statements

This annual information form contains or incorporates by reference “forward-looking statements” within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Except for statements of historical fact relating to the Company (as hereinafter defined), information contained herein constitutes forward-looking statements, including, but 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; conclusion of economic evaluations; requirements for additional capital; other statements relating to the financial and business prospects of the Company; and other information as to the Company’s strategy, plans or future financial or operating performance.

Generally, forward-looking statements are characterized by the use of forward-looking terminology such as “plans”, “expects” for “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 statements are based on the reasonable assumptions, estimates, analysis and opinions of management considered reasonable at the date the statements are made in light of management’s experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that it believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the actual results of exploration activities; the inherent risks involved in the exploration and development of mineral properties; changes in project parameters as plans continue to be refined; delays in obtaining government approvals; the uncertainties of project cost overruns or unanticipated costs and expenses; uncertainties inherent in conducting operations in a foreign country; title risks related to the ownership of the Company’s projects and the related surface rights and to the boundaries of the Company’s projects; the Company’s limited operating history; uncertainties related to the availability and costs of financing needed in the future; the fluctuation in mineral prices; uninsurable risks related to exploration, development and production; reliance on a preliminary economic assessment to determine the potential economic viability of the mineral resources comprising the Buriticá project; the risk that the conclusion of pre-production studies may not be accurate; uncertainties of construction and operating cost overruns; unexpected adverse changes that may result in failure to comply with environmental and other regulatory requirements; differing interpretations of tax regimes in foreign jurisdictions; the loss of Canadian tax resident status; uncertainties inherent in competition with other exploration companies; non-governmental organization intervention and the creation of adverse sentiment among the inhabitants of areas of mineral development; uncertainties related to conflicts of interest of directors and officers of the Company; dependence on key management employees; reliance on outside contractors in certain mining operations; labour and employment matters; the presence of artisanal miners; the reliability of resource estimates; the ability to fund operations through foreign subsidiaries; the residency of directors, officers and others; uncertainties related to holding minority interests in other companies; foreign currency fluctuations; unreliable historical data for projects; reliance on adequate infrastructure for mining activities; health and safety risks; compliance with government regulation; the market price of shares of the Company; the payment of future dividends; future sales of shares of the Company; accounting policies and internal controls; and Bermuda legal matters. See “Description of the Business – Risks of the Business” for a more detailed list of risk factors.

Although management of the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking

statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements contained herein or incorporated by reference herein, except in accordance with applicable securities laws.

### Differences in Reporting of Resource Estimates

This annual information form was prepared in accordance with Canadian standards which differ in some respects from United States standards. In particular, and without limiting the generality of the foregoing, the terms "inferred mineral resources," "indicated mineral resources," "measured mineral resources" and "mineral resources" used or referenced in this annual information form are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves (the "CIM Standards"). The CIM Standards differ significantly from standards in the United States. While the terms "mineral resource," "measured mineral resources," "indicated mineral resources," and "inferred mineral resources" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. Readers are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Readers are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable. Disclosure of "contained ounces" in a mineral resource is permitted disclosure under Canadian regulations; however, United States companies are only permitted to report mineralization that does not constitute "reserves" by standards in the United States as in place tonnage and grade without reference to unit measures. Accordingly, information regarding mineral resources contained or referenced in this annual information form containing descriptions of our mineral deposits may not be comparable to similar information made public by United States companies.

### Currency and Metric Equivalents

This annual information form contains references to both United States dollars and Canadian dollars. All dollar amounts referenced herein, unless otherwise indicated, are expressed in United States dollars (US\$). Canadian dollars are referred to as "C\$" and Colombian pesos are referred to as "COP".

The high, low and average exchange rates for the United States dollar in terms of Canadian dollars for the years ended December 31, 2011, 2010 and 2009 based on the noon spot rate of exchange reported by the Bank of Canada, were as follows:

	Year ended December 31		
	2011	2010	2009
High	<b>1.0604</b>	1.0778	1.3000
Low	<b>0.9449</b>	0.9946	1.0292
Average <sup>(1)</sup>	<b>0.9891</b>	1.0299	1.1420

<sup>(1)</sup> Calculated as an average of the daily noon rates of each month during the period.

On December 30, 2011, the Bank of Canada noon spot rate of exchange was US\$1.00 = C\$1.017 or C\$1.00 = US\$0.9833. On March 7, 2012, the Bank of Canada noon spot rate of exchange was US\$1.00 = C\$0.9993 or C\$1.00 = US\$1.0007.

For ease of reference, the following conversion factors are provided:

Imperial Measure	= Metric Unit	Metric Measure	= Imperial Unit
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 metre	0.3048 metres	1 foot
0.62 miles	1 kilometre	1.609 kilometres	1 mile
35.315 cubic feet	1 cubic metre	0.0283 cubic metres	1 cubic foot
0.032 ounces (troy)	1 gram	31.103 grams	1 ounce (troy)
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy/ton)	1 gram/tonne	34.28 grams/tonne	1 ounce (troy/ton)

All ounces are troy ounces; 14.58 troy ounces equal one pound (containing 16 imperial ounces).

## CORPORATE STRUCTURE

Continental Gold Limited is a Bermuda company incorporated under the *Companies Act, 1981* (Bermuda) (the "Bermuda Act") and carries on its operations through a corporate office in Toronto, Canada and a foreign company branch office in Medellín, Colombia. Pursuant to a pre-amalgamation agreement dated November 9, 2009, Continental Gold Limited, a Bermuda-based, privately-owned company, and Cronus Resources Ltd. ("Cronus"), a TSX Venture Exchange ("TSX-V") listed company, completed their proposed amalgamation on March 30, 2010 (the "Amalgamation"). The resulting issuer, a Bermuda-based company, operates under the Continental Gold Limited name and is governed by the memorandum of association (the "Memorandum") and bye-laws (the "Bye-laws") of the original Continental Gold Limited. Each shareholder of the original Continental Gold Limited and each shareholder of Cronus received one common share of the Company for each 2.6973 common shares of the original Continental Gold Limited held and each 2.35712 common shares of Cronus held, respectively. The Company's common shares (the "Common Shares") began trading on the Toronto Stock Exchange (the "TSX") on April 19, 2010.

As of March 7, 2012, the Company has five wholly-owned subsidiaries. The corporate chart that follows illustrates the Company's subsidiaries (collectively, the "Subsidiaries"), together with the jurisdiction of incorporation of each Subsidiary and the percentage of voting securities beneficially owned, controlled or directed, directly or indirectly, by the Company. As used in this annual information form, except as otherwise required by the context, reference to the "Company" or "Continental Gold" means Continental Gold Limited and the Subsidiaries.

The Company's corporate office is located at 155 Wellington Street West, Suite 2920, Toronto, Ontario, Canada M5V 3H1 and its registered office is located at Cumberland House, 9<sup>th</sup> Floor, 1 Victoria Street, Hamilton HM 11, Bermuda. The Company operates in Colombia through a foreign branch office, which is a legal extension of the Company and thus considered the same legal person for several purposes under Colombian law.



### Areas of Interest

A map showing the Company's mining operations and projects as at March 7, 2012 is set out under "Description of the Business".

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History

Over the three most recently completed financial years, the following events contributed materially to the development of the Company's business, which are discussed in greater detail below:

- 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 total gross proceeds of approximately C\$28.8 million on January 28, 2010 and February 11, 2010.
- Completed the Amalgamation with Cronus on March 30, 2010. The Company's Common Shares began trading on the TSX on April 19, 2010 under the symbol "CNL".
- 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 on September 16, 2010.
- On May 18, 2011, the Company announced the appointment of Paul Begin as Chief Financial Officer.
- On July 14, 2011, the Company announced the appointment of Mark Moseley-Williams as President and Chief Operating Officer of the Company effective July 15, 2011.

- Advancement of the exploration program at the Buriticá Project (as hereinafter defined):
  - On September 15, 2011, the Company announced a maiden NI 43-101 compliant gold, silver and zinc resource estimate for the Yaragua and Veta Sur vein systems. The mineral resource estimate is based on 54,200 metres of drilling and 1,600 metres of underground sampling (as at June 30, 2011). The combined Yaragua and Veta Sur mineral resource estimates reported 630,000 ounces of gold (average grade of 17.8 g/t), 1,500,000 ounces of silver (average grade of 42 g/t) and 18,700,000 pounds of zinc (average grade of 0.8%) in the measured and indicated category and 2,500,000 ounces of gold (average grade of 11.4 g/t), 9,500,000 ounces of silver (average grade of 43 g/t) and 88,000,000 pounds of zinc (average grade of 0.6%) in the inferred category;
  - On October 27, 2011, the Company filed on SEDAR a technical report in respect of the September 15, 2011 release entitled "Mineral Resource Estimate of the Buriticá Gold Project, Colombia" dated October 24, 2011;
  - On October 27, 2011, the Company released preliminary metallurgical test work results indicating 97.04% and 95.65% gold and silver recoveries, respectively;
  - On December 19, 2011, the Company announced drill results which confirmed strike lengths and vertical extents of the Yaragua and Veta Sur zone at 650x600 and 550x1,180 metres, respectively, both of which are open laterally and at depth;
  - Environmental baseline program, metallurgical, hydrological and geo-mechanical testing are currently underway;
  - During the first quarter of fiscal 2012, the Company submitted an environmental impact assessment with the environmental authorities to seek approval to begin construction of a one-kilometre ramp starting in the Higabra valley and a switchback road from the existing road at the top of the mountain ridge to the Higabra valley. The ramp will initially be used for further exploration and eventually used for commercial purposes. The Company expects to receive the environmental permit and to begin construction in the second half of 2012; and
  - The Company completed a 100,000-metre drill program at the end of 2011 that confirmed and expanded the Yaragua and Veta Sur zones and, on February 1, 2012, announced the Phase III, minimum 60,000-metre diamond drill program for 2012.

As noted above, pursuant to a pre-amalgamation agreement dated November 9, 2009, Continental Gold Limited, a Bermuda-based, privately-owned company, and Cronus, a TSX-V listed company, completed their proposed amalgamation on March 30, 2010. Each shareholder of the original Continental Gold Limited and each shareholder of Cronus received one Common Share of the Company for each 2.6973 common shares of the original Continental Gold Limited held and each 2.35712 common shares of Cronus held, respectively. The outstanding share purchase warrants and stock options of the original Continental Gold Limited and Cronus were converted into share purchase warrants and stock options of the Company by applying the same conversion ratios. The Common Shares began trading on the TSX on April 19, 2010.

On November 27, 2009, the predecessor Continental Gold Limited issued a convertible debenture in the principal amount of C\$3,000,000. On March 30, 2010, the principal amount of the debenture plus the accrued and unpaid interest on the debenture were automatically converted, at a 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 consists of one common share of the Company and one common share purchase warrant. Each warrant has an exercise price of C\$1.75 per common share and an expiry date of March 30, 2012.

On January 28, 2010 and February 11, 2010, pursuant to the terms and conditions of the pre-amalgamation agreement, 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 C\$28,750,000. On March 30, 2010, each subscription receipt was converted into one unit of the Company. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant had an exercise price of C\$2.25 per common share and was exercised on or prior to the expiry date of March 30, 2011.

On September 16, 2010, the Company issued, on a private placement basis, 12,000,000 units of the Company at a price of \$5.70 per unit for total gross proceeds of \$68,400,000. The financing included the initial agreement to acquire 10,000,000 units and the exercise, in full, by the underwriters of an underwriters' option granted to the underwriters to arrange for subscribers of an additional 2,000,000 units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share of the Company at a price of \$7.50 until September 16, 2012, pursuant to the terms of a warrant indenture dated September 16, 2010 between the Company and Olympia Transfer Services Inc. (the "Warrant Indenture"). 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 of the Company and one-half of one common share purchase warrant (the "additional warrants"). Each full additional warrant has an exercise price of C\$7.50 for a period of two years (the warrants and the additional warrants are collectively referred to herein as the "Warrants"). Pursuant to the terms of the financing, the Warrants were listed and began trading on the TSX on January 17, 2011 (see "Market for Securities" and "Material Contracts").

### DESCRIPTION OF THE BUSINESS

The Company is an advanced-stage exploration and development entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties in Colombia. The Company currently holds the rights to explore and develop seven properties (excluding two properties held for sale) in Colombia, totalling approximately 135,282 hectares, such rights being comprised of 47 registered concession contracts, 32 applications with technical study and 17 pending concession applications. Currently, the Company's primary focus is on its Buriticá Project (the "Buriticá Project").

In addition to the Company's material project, the Buriticá Project, the Company's portfolio includes the: (i) Anza Project; (ii) Berlin Project, (iii) Dojura Project; (iv) Dominical Project; (v) Lunareja Project; and (vi) Santander Project (collectively, the "Colombia Projects").



## Principal Products

The Company's principal product is gold. There is a global gold market into which the Company can sell its gold and, as a result, the Company is not dependent on a particular purchaser with regard to the sale of the gold that it produces.

## Competitive Conditions

The precious metal mineral exploration and mining business is a competitive business. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive precious metal mineral properties. The ability of the Company to acquire precious metal mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for precious metal development or mineral exploration.

## Operations

### Employees

As of December 31, 2011, the Company had 319 employees, which includes both salaried and hourly staff in both Canada and Colombia, and utilized the services of several professionals on a consulting basis. The Company seeks to employ individuals and utilize the services of consultants who have international mining experience and is able to identify such individuals through its industry contacts and reputable recruitment consultancies specializing in the mining sector.

### Foreign Operations

The Company's mine and mineral projects are located in Colombia. Any changes in regulations or shifts in political attitudes in this jurisdiction, or other jurisdictions in which the Company may acquire projects from time to time, are beyond the control of the Company and may adversely affect its business. Future development and operations may be affected in varying degrees by such factors, among others, as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people, mine safety and receipt of necessary permits. The effect of these factors cannot be accurately predicted.

## Environmental and Title

All phases of Continental Gold's operations in Colombia are subject to environmental regulation.

Exploration on a mineral tenure which exceeds prospecting, mapping and sampling requires the submittal and approval of an Environmental Management Plan – *Plan de Manejo Ambiental* ("PMA") which must include:

- (a) a description of activities (i.e., the number of drill holes, location, direction, depth, etc.);
- (b) the proposed points of diversion for water so appropriate water permits can be issued;
- (c) the location and number of settling ponds to prevent turbidity in the streams by drilling fluids; and
- (d) the location of fuel and oil storage areas away from streams and creeks.

The preparation and filing of the PMA is carried out by Continental Gold and is typically approved within 120 days. There is no bond requirement for exploration PMA's, and reclamation is required. While PMAs do not require any authorization, any relevant environmental permits required for the activity, such as, among other things, water discharges, water utilization, tree cutting, and emissions do require authorization.

An Environmental Impact Study – *Estudio de Impacto Ambiental* ("EIA") must be submitted in order to obtain an environmental licence. The EIA has to include a detailed description of the project – *Plan de*

*Trabajos y Obras* ("PTO"). Without approval of this study and the issuance of the corresponding environmental licence, mining and exploitation cannot commence.

Mineral property rights are governed by the Colombian Mining Code, which has been subject to various changes and amendments. The oldest version applicable is Law 20 promulgated in 1969. Law 20 was superseded by decree 2655 in 1988, which in turn was amended by Law 685 in 2001 (the "2001 Law") and Law 1382 in 2010 (the "Law 1382"). Chapter 20 of the Mining Code under the 2001 Law deals with the issuance of the required environmental licences for mining titles. Once an EIA has been submitted, the law provides that the issuance of the required environmental licences can only be refused when:

- (a) the EIA does not comply with the requirement in Article 204 of the Code and specifically those foreseen in the terms of reference and/or guides, established by the competent environmental authority;
- (b) the EIA has errors or omissions that cannot be corrected by the applicant and that are required components of such study;
- (c) the level of prevention, mitigation, correction, compensation and substitution for the negative impacts of the mining project prescribed in the EIA, do not comply with the substantial elements established for such effects in the guidelines; or
- (d) the omissions, errors or deficiencies of the EIA, and of the proposed measures referred to in the previous subsections, affect the total mining project.

The 2001 Law also requires a concession contract holder to obtain an Environmental Mining Insurance Policy. During the exploration stage, the insured value under the policy must be 5% of the value of the planned annual exploration expenditures, and during the construction phase the insured value under the policy must be 5% of the planned investment for assembly and construction under the PTO. During the exploitation phase, the insured value under the policy must be 10% of the product of the estimated annual production multiplied by the mine mouth price of the minerals being produced, as fixed annually by the Colombian government. Continental Gold has obtained the prescribed Environmental Mining Insurance Policy.

For licences or agreements to be maintained under decree 2655 (the "1988 Decree"), the holder has to obtain an insurance policy and the insured value must be 10% of the estimated production for the first two years as established by a Works and Investment Program – *Programa de Trabajos e Inversiones* ("PTI"). Further, the policy must be maintained during the entire term of the licence or agreement.

Continental Gold seeks to maintain a policy of operating its business in compliance with all environmental regulations. Exploration and mining in Colombia is governed by the 2001 Law, as modified by the Law 1382. Colombia has several authorities which enforce exploration and mining law:

- Ministry of Mines and Energy (Ministerio de Minas y Energia ("MME")).
- Colombian Geological Service (Servicio Geológico Colombiano), in charge of technical knowledge of the subsoil.
- National Mining Agency (Agencia Nacional de Minería), responsible for auditing and contracting.
- Department of Mining Delegations, which administers mining concessions in some Departments with significant mining activity including the Department Antioquia.
- Mining Energy Planning Unit (Unidad de Planeación Minero Energética), which provides support to the MME and manages the System of Colombian Mining Information (Sistema de Información Minero Colombiano).

By means of a press release dated May 13, 2011, the Constitutional Court of Colombia notified the public of its decision to strike out Law 1382. However, the Court also confirmed that the effects of its decision will be deferred for a two-year period. Pursuant to constitutional proceedings' regulations, the two-year period set forth by the Court should be counted as from the date of issuance of the press release (i.e. May 13, 2011). During the aforesaid two-year term, it is anticipated that the Colombian

Government will enact a new law, therefore providing the opportunity to overcome the constitutional defects found in Law 1382.

All mineral resources are the property of the state and, under the 2001 Law, there is only one type of concession which includes exploration, construction and mining, is valid for 30 years, and can be extended for a further 20 years (article 6 of Law 1382). However, the 2001 Law allows for the continued existence of mining titles acquired under previous legislation. These licenses, permits and concessions are still governed by the terms and conditions of the previous legislation. The location of a concession is given by a reference point with distances and bearing, or by map coordinates. There are no limits on the size of a concession.

A surface tax (canon superficiario) is due annually during the exploration and construction phases of the concession and calculated per hectare as multiples of the minimum daily wage ("MDW") which is adjusted annually. The MDW in 2010 was approximately US\$9. During years six and seven of the exploration phase, the payment increases to 1.25 x MDW per contracted hectare per year, and in years eight to eleven it increases to 1.5 x MDW per contracted hectare per year.

The concession contract has three phases and commences upon its inscription in the National Mining Registry.

Concessions Contract Phases						
Phase	Valid	Surface Tax	Plan of Work Required	Environmental Requirement	Environmental Mining Insurance Policy	Royalty
Exploration	3 + (4 x 2) years	Yes	Yes	Yes; environmental management plan and permits to use non-renewal resources granted by the Environmental Authority	Yes; 5% of planned annual expenditure	No
Construction	3 + 1 years	Yes	Yes	Yes; requires environmental license (issued upon approval of environmental impact study)	Yes; 5% of planned investment as per PTO	No
Exploitation	30 (time for exploration and construction) + 20 years	No	Yes	Yes; environmental license (issued upon approval of environmental impact study) and permit for springs, forest use permit, certificate of vehicle emissions, emissions permit and river course occupation permit	Yes; estimated annual volume multiplied by the price of the mineral at the mouth mine annually affixed by the Government	Yes; based on regulations at time of commencement

Under Law 1382, the following changes were introduced:

- The exploration phase can now be up to 11 years (previously limited to 5).
- Contract length reduced to 30 + 20 (previously 30 + 30).
- Surface tax is the same for all sizes of concession but increases from year 6.

### Health and Safety Policy

The Company is committed to (i) promoting and maintaining the highest standard of physical, social and mental well-being for all of its employees and (ii) working with its employees to prevent all accidents whether they involve people, equipment, processes or the environment that could cause any economic loss to the Company.

In order to achieve this goal, all employees must make personal commitments to their health and safety as well as that of their colleagues. The Company does the following to assist employees in achieving these goals:

- Design and implement a health and safety policy – establish clear and actionable safety and occupational health programs built around regulatory compliance and adoption of best practices;
- Develop an emergency attention and prevention program - maintain a high level of emergency preparedness;
- Mine rescue brigade training;

- Measure health indicators (noise, gases, particles in suspension in air);
- Investigate all accidents and implement appropriate remedial actions;
- Statistical analysis of accidents;
- Using risk matrix for decision-making – periodically audit compliance with the Company’s safety and occupational health programs;
- Training programs – provide the necessary expertise, resources and training to maintain a safe and healthy work environment;
- Generate operating procedures focused on health and safety – promote employee involvement and accountability in the pursuit of safety and health excellence; and
- Develop a culture of safety and wellness not just for employees, but extending to their families and to the communities in which the Company operates.

### **Risks of the Business**

The business of the Company is subject to a variety of risks and uncertainties, including those described below. The 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 reader should carefully consider the information below as well as the risks disclosed in the Company’s financial statements, management’s discussion and analysis and in other publicly-filed documentation regarding the Company available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company’s operations and any of these risk elements could have a material adverse effect on the business of the Company.

### **Nature of Mineral Exploration**

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

### **Foreign Country Risk**

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

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

### ***No Assurance of Titles or Boundaries***

The Company is not the registered holder of all of the licences or concessions that comprise its Colombia projects. Some of the licences and concessions that comprise the Colombia projects are registered in the names of certain entities controlled by Bullet Holding Corporation ("Bullet"). The Company's interest in the Colombia Projects is derived from the Concession Sale Agreement (as hereinafter defined) (see "Material Contracts – Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia"). Under the Concession Sale Agreement, Bullet has agreed to transfer the licences and concessions that comprise such properties to the Company. There can be no assurance, however, that such transfers will be effected. In addition, in the event of a dispute between the parties to the Concession Sale Agreement, the Company's only recourse against Bullet will be to seek enforcement of the terms of the Concession Sale Agreement. If the Company is required to commence legal proceedings to enforce the terms of the Concession Sale Agreement, there is no assurance that the Company will succeed in such proceedings, and, therefore, may never succeed in obtaining title to such properties.

The Company has obtained a title report from Colombian legal counsel with respect to title to the Colombia projects held by the Company and Bullet but this should not be construed as a guarantee of title. Other parties may dispute title to any of the Company's mineral properties and any of the Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected encumbrances or defects or governmental actions. The Company does not have all of the surface rights at the Colombia projects and there is no assurance that these surface rights will be granted or they will be on reasonable terms if granted.

The foregoing analysis also applies to any exercise by the Company of the Bullet Option (as hereinafter defined) (see "Material Contracts – Bullet Option Agreement"). Title to these properties are registered in the names of certain entities controlled by Bullet; however, Bullet's land holdings may increase or decrease without notice to the Company.

### ***Limited Operating History***

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

### ***Requirement for Further Financing***

The Company has sufficient financial resources to undertake its currently planned exploration and development programs for 2012, but will require additional funds to fund further exploration, future acquisitions and additional development and mine construction programs. The further exploration and development of the various mineral properties in which the Company holds interests and the acquisition of additional properties depend upon the Company's ability to obtain financing through joint ventures of projects, debt financing, equity financing or other means. There can be no assurance that the Company will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to shareholders. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations or lose its interest in its properties.

### ***Fluctuation in Mineral Prices***

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

### ***Uninsurable Risks***

Exploration, development and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, risks relating to the shipment of precious metal concentrates or ore bars, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.

### ***Preliminary Economic Assessment***

The Company is currently working on a preliminary economic assessment ("PEA") to determine the potential economic viability of the mineral resources comprising the Buriticá Project. The PEA may include or be based on inferred resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. The use of inferred mineral resources in the PEA will result in the conclusions not having the same level of confidence that might apply had the PEA only used measured and indicated mineral resources. In addition, it is important to note that mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that the conclusions and recommendations of the PEA will be realized. There is a risk that the assumptions and estimates made in the PEA are incorrect or inaccurate, which could negatively impact the expected economic return on the Buriticá Project or render the Buriticá Project uneconomic.

### ***Construction and Operating Cost Estimates***

Estimated construction and operating costs may differ significantly from those actually incurred which could negatively impact the economic return on the Buriticá Project or render the Buriticá Project uneconomic.

### ***Environmental and Other Regulatory Requirements***

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

such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration of mineral properties.

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

### ***Differing Interpretations in Tax Regimes in Foreign Jurisdictions***

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

### ***Canadian Tax Resident Status***

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

### ***Competition***

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

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

### ***Non-Governmental Organization Intervention***

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

### ***Conflicts of Interest***

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

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

### ***Dependence on Key Management Employees***

The Company's development to date has depended, and in the future will continue to depend, on the efforts of key management employees both in Canada and Colombia. The failure to retain certain personnel and to attract suitably qualified and experienced management in the future could adversely affect the Company's ability to manage its operations. The Company does not have key man insurance in place with respect to any of these individuals.

### ***Outside Contractor Risks***

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

### ***Labour and Employment Matters***

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

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

### ***Artisanal Miners***

The Company's mining concessions are held in remote areas of Colombia that have historically been mined by artisanal miners. As the Company further explores and advances mining projects towards production, it must evict or negotiate with artisanal miners who have been operating on the Company's mining concessions illegally for years. In addition, there is a risk that such artisanal miners may oppose the Company's operations, which may result in a disruption to the planned redevelopment works and/or to mining and processing operations. This could have a material adverse effect on the Company's business, operating results and financial position.

### ***Reliability of Mineral Resource Estimates***

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

Fluctuations in gold and base or other precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition.

### ***Foreign Subsidiaries***

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

### ***Residency of Directors, Officers and Others***

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

### ***Minority Interests***

The Company holds a 25% interest in Minerales OTÚ S.A. ("OTU"), the other 75% interest being held by a related party. The Company accounts for this investment as an investment in associate. The Company's interest in OTU is subject to the risks normally associated with the control of minority interests. The existence or occurrence of one or more of the following circumstances and events, for example, could have a material adverse impact on the Company's profitability or the viability of its interests held through minority interests, which could have a material adverse impact on future cash flows, earnings, results of operations and financial condition, disagreement with controlling shareholder on how to explore, develop and operate mines efficiently; inability of shareholders to meet their obligations; inability to sell a minority interest to third parties; or litigation arising between shareholders regarding matters.

### ***Foreign Currency Fluctuations***

The Company's current and proposed exploration operations in Colombia render it subject to foreign currency fluctuations, which may materially affect its financial position and results. The Company holds Canadian and U.S. dollars and sends funds to Colombia in U.S. dollars and converts these funds into Colombian pesos. The important exchange rates for the Company are currently the rate between the U.S. dollar, Canadian dollar and the Colombian peso. While the Company is funding work in Colombia, the Company's results could be impaired by adverse changes in the U.S. dollar and Canadian dollar to Colombian peso exchange rate. The Company's Common Shares are listed on the TSX, a Canadian stock exchange. Prior and future equity financings result in the generation of Canadian dollar proceeds to fund the Company's activities which are principally incurred in U.S. dollars or Colombian pesos. To the extent funds from such financings are maintained in Canadian dollars, the Company's results can be significantly impacted by adverse changes in exchange rates between the Canadian dollar and the U.S. dollar and Colombian peso.

### ***Unreliable Historical Data***

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

### ***Infrastructure***

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

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

### ***Government Regulation***

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

### ***Health and Safety Risk***

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

The Company has insurance policies in place to cover accidents and regularly monitors the adequacy of such policies.

### ***Market Price of Common Shares***

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

significant period of time could cause the Company's securities to be delisted from the exchange on which they trade, further reducing market liquidity.

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

### ***Dividend Policy***

No dividends on the Shares of the Company have been paid by the Company to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs (see "Dividends").

### ***Future Sales of Common Shares by Existing Shareholders***

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

### ***Accounting Policies and Internal Controls***

The Company prepares its financial reports in accordance with international financial reporting standards ("IFRS") applicable to publicly accountable enterprises effective January 1, 2011. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

### ***Bermuda Legal Matters***

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

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

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

#### ***Enforcement of Judgments in Bermuda May be Difficult***

As the Company is a Bermuda-exempted company, the rights of shareholders will be governed by Bermuda law and the Memorandum and Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Although the majority of the directors of the Company are residents of Canada, the majority of the Company's

assets are located outside of Canada, which could make it difficult for investors to effect service of process on directors outside of Canada or to enforce in Canada judgments obtained in the Canadian courts against the Company or those persons who may be liable under Canadian law. The current position with regard to enforcement of judgments in Bermuda is set out below but this may be subject to change. A final and conclusive judgment of a foreign court against the Company, under which a sum of money is payable (not being a sum of money payable in respect of multiple damages, or a fine, penalty tax or other charge of a like nature) may be the subject of enforcement proceedings in the Supreme Court of Bermuda (the "Bermuda Court") under the common law doctrine of obligation by action on the debt evidenced by the foreign court's judgment. On general principles, such proceedings would be expected to be successful provided that:

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

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

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

#### *The Company May Become Subject to Taxes in Bermuda*

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

#### *Exemption from Exchange Controls*

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

#### *Limitations on Carrying on Business*

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

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

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

### *Compulsory Acquisition Rules*

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

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

### **Technical Information**

The classification of mineral resources and mineral reserves used in this annual information form conforms to the definitions provided in NI 43-101, which came into effect on February 1, 2001, as revised on December 11, 2005. The guidelines adopted by the Council of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM Standards") were followed in arriving at the classifications in this annual information form. The relevant definitions for the CIM Standards/NI 43-101 are as follows:

A "*mineral resource*" is a concentration or occurrence of diamonds, natural, solid, inorganic or fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

An "*inferred mineral resource*" is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An "*indicated mineral resource*" is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A "*measured mineral resource*" is that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

A "*mineral reserve*" is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the

time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

A “*probable mineral reserve*” is the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A “*proven mineral reserve*” is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Mineral resource classification is based on certainty and continuity of geology and grades. In most deposits, there are areas where the uncertainty is greater than in others. The majority of the time, this is directly related to the drilling density. Areas more densely drilled are usually better known and understood than areas with sparser drilling.

### **Material Mineral Property - Buriticá Project**

Unless otherwise stated, the following disclosure relating to the Buriticá Project has been derived from an independent technical report on the Buriticá Project (the “MA Buriticá Report”) entitled “Mineral Resource Estimate of the Buriticá Gold Project, Colombia” dated October 24, 2011, as amended November 23, 2011, authored by Andrew Vigar and Martin Recklies for Mining Associates Pty Limited of Brisbane, Australian (“Mining Associates”), which has been completed in accordance with the terms of NI 43-101. Mr. Vigar, an employee of Mining Associates and a Principal of Mining Associates Limited of Hong Kong, is a Fellow of the Australasian Institute of Mining and Metallurgy (Melbourne) (“FAusIMM”) and a member of the Society of Economic Geologists (Denver) (“MSEG”). Mr. Recklies is a member of the Australian Institute of Geoscientists (“MAIG”) and is employed by Mining Associates. Mr. Vigar and Mr. Recklies, who prepared or supervised the preparation of the information that forms the basis for the technical disclosure relating to the Buriticá Project, are “qualified persons” within the meaning of NI 43-101 and are independent of the Company. See “Interests of Experts”.

The following disclosure provides an update (the “June 2011 Exploration Update”) to the MA Buriticá Report to account for work completed after June 2011. The updates pertain principally to changes in the land package, number of drill metres completed and advances in geological understanding. Mark Moseley-Williams, President and Chief Operating Officer of the Company and a “qualified person” within the meaning of NI 43-101, supervised the preparation of the information that forms the basis for the June 2011 Exploration update. See “Interest of Experts”.

Portions of the following disclosure are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the MA Buriticá Report, which is available under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Project Area and Location**

The Buriticá Project comprises 28,903 hectares (concessions and applications with technical study) in an area located about 75 kilometres northwest of Medellín in the Antioquia Department of north-western Colombia. The Buriticá Project includes the Yaragua Mine which is located approximately two kilometres south of the town of Buriticá. Gold was mined in the Buriticá Project prior to Spanish colonial times. The Spanish conducted extensive mining using surface hydraulic methods to recover gold from alluvium and colluvial soils on hillsides. Numerous small high grade veins have also been worked for gold and silver, and the project area hosts several small artisanal mining operations exploiting narrow high grade veins, alluvial and colluvial deposits. A group of such veins is present at the Yaragua Mine, which has been the primary area of artisanal mining and has been under operation by Continental Gold as a pre-production bulk sample testing operation.

On September 15, 2011, the Company announced maiden gold, silver and zinc resource estimates for the Yaragua and Veta Sur vein systems at the Buriticá Project, however, it does not have known reserves. Continental Gold is conducting an exploratory search for commercial quantities of gold and

silver. The operations at the Yaragua Mine have not been the subject of a formal feasibility study prepared by an independent qualified person in accordance with NI 43-101. Until such time as an independent feasibility study is prepared, there is no objective basis to determine whether such operations are economic or have the potential to be profitable. No reliance can be placed on the economic significance or prospective potential for operations at the Yaragua Mine.

### Project Tenure

The Company's Buriticá ground holdings comprised 23 registered concessions covering 10,379 hectares, and 18 pending registration concessions totalling 18,524 hectares. The process of legally transferring concessions held by Bullet to Continental Gold is in progress and is nearing completion pursuant to the Concession Sale Agreement (as hereinafter defined). See "Material Contracts – Agreement for Sale of Concession and Applications for Concession Contracts in Colombia."

Continental Gold's registered exploration concessions attracted annual concession fees of \$103,339 during 2011. Conversion of exploration to exploitation concessions replaces the concession fees with a production royalty based on gold and silver sales.

The MA Buriticá Report provides a summary of the category and expiry details for each concession, all of which are in good standing and have sufficient time to continue the planned scope of work.

Summary of Continental Tenements Details and Status								
License No.	Status	Date Granted	Date Expiry	Annual Fees (COP)	Company	Area (Ha)	% Owned by the Company	Minerals Covered
164	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	99.8	100%	Au, Ag and other Minerals
165	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	50.8	100%	Au and other Minerals
535	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	100.0	100%	Au, Ag, Galena, Sphalerite and other Minerals
752	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	72.5	100%	Au, Ag and Galena
2224	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	51.8	100%	Au, Ag and other Minerals
4467	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	414.8	100%	Au, Ag and other Minerals
4792	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	1067.2	100%	Au, Ag and other Minerals
5830	Integrated	04/07/2011	Note 1	\$644,684	CG De Colombia Ltd	36.1	100%	Precious Metals
6518	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	65.2	100%	Precious Metals, Cu, Pb, Zn
6573	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	150.0	100%	Au
6992	Concession Contract	12/28/2007	9/22/2041	281,163	Wayu SOM	15.7	100%	Au, Ag and other Minerals
7495	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	150.0	100%	Au
14228	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	33.5	100%	Au, Ag, Zn and Pb
14278	Integrated	04/07/2011	Note 1	Note 2	CG De Colombia Ltd	16.4	100%	Au, Ag, Pb, Zn and other minerals

Summary of Continental Tenements Details and Status								
License No.	Status	Date Granted	Date Expiry	Annual Fees (COP)	Company	Area (Ha)	% Owned by the Company	Minerals Covered
6227	Concession Contract	12/09/2009	09/09/2040	33,734,255	CG De Colombia Ltd	1889.5	100%	Au and concentrates
6230	Concession Contract	12/31/2008	2/17/2039	20,543,711	Negocios Mineros SA	1150.7	100%	Au and other concessions
6237	Concession Contract	4/27/2007	06/05/2037	28,078,758	Negocios Mineros SA	1572.7	100%	Au and other concessions
6366	Concession Contract	5/25/2006	7/14/2039	1,081,376	CG De Colombia Ltd	60.6	100%	Precious Metals and Cu
6747	Concession Contract	06/05/2008	10/29/2038	4,341,061	El Yerbal SOM	243.2	100%	Au, Ag, Cu, Pb, Zn and other Minerals
6748	Concession Contract	5/22/2008	7/14/2038	33,320,809	CG De Colombia Ltd	1861.3	100%	Au, Ag, Cu, Zn and other Minerals
6977	Concession Contract	12/14/2007	2/14/2038	6,198,715	CG De Colombia Ltd	347.2	100%	Au, Ag and other Minerals
8133	Concession Contract	06/07/2005	Note 4	-	CG De Colombia Ltd	150.0	100%	Precious Metals
IJN-14011	Concession Contract	12/09/2009	Note 4	-	AngloGold Ashanti Colombia SA	1268.4	100%	Au, Ag, Cu, Zn, Pt, Mo and Pb
IJN-14281	Concession Contract	12/10/2009	05/10/2041	-	AngloGold Ashanti Colombia S.A.	840.3	100%	Au, Ag, Cu, Zn, Pt, Mo and Pb
IJN-14321	Concession Contract	12/09/2009	Note 4	-	AngloGold Ashanti Colombia SA	137.6	100%	Au, Ag, Cu, Zn, Pt, Mo and Pb
12713	Exploitation	12/29/1995	08/11/2015	Note 3	Oro Plata SOM	90.0	100%	Precious Metals
5486	Exploration	12/06/2011	Note 4	(-)	Majayura SOM	3251.17	100%	Au, Ag, Cu and other minerals

Note 1. Integrated area as per resolutions #011497 and #011498 both dated April 07, 2011. Thirteen tenements were integrated into one large license. Both Yaragua and Veta Sur prospects are within the integrated license. The license integration simplifies the administration and planning of the mine development. The resolutions have not been registered with the National Mining Registry yet. The term is 30 years from the date of registration with the National Mining Registry (Registro Minero Nacional) (RMN). The PTO has been approved for the whole integrated area by resolution #011497.

Note 2. On April 27, 2011 a unified canon was paid for the integrated area in the amount of COP35,737,022. Exception area 5830 corresponding to canons/fees before integration.

Note 3. Exploitation licenses do not have canons/exploration fees.

Note 4: Licenses are signed but not currently registered in the RMN.

### **Agreements, Royalties and Other Encumbrances**

The Buriticá Project is 100% owned by Continental Gold. There are no other agreements, royalties or other encumbrances with the exception of state concession fees and royalties.

### **Environmental Liabilities**

The Yaragua Mine concession is subject to an environmental permit which contains an approved environmental plan and mine abandonment plan. The location of the Yaragua Mine in a steep sided valley means there is significant potential for contaminated runoff. The valley is dry and joins the La Mina creek below the mine. Dumps for waste rock and gravity (sand) tailings are constructed within the steep confines of the valley. Water for the mine is sourced from the La Mina creek in the valley to the west of the mine offices and fluid is discharged into the Yaragua valley below the waste dump. Environmental test work and a baseline environmental audit completed in 2008 by an independent consultant confirm that the La Mina creek is polluted below the mine. The consultant's report outlines

various concerns within the Buriticá Project area, and highlights that the previous operators of the Yaragua Mine failed to meet environmental requirements resulting in Continental Gold inheriting an environmental liability.

Continental Gold is currently upgrading the tailings and rehabilitating the Yaragua Mine site focusing on tailings management and water discharge.

### **Permits**

Additional permits required to work a property might include permits for water usage and fluid discharge, atmospheric emissions, forestry clearance and land access. Pursuant to the environmental permit required for the Yaragua Mine as discussed above, the necessary industrial fluid discharge permits and forestry clearance permits have been provided. Continental Gold was granted a water usage permit on February 28, 2009 with a validity of ten years which can be extended in line with the validity of the mining licence. This permit also includes domestic and industrial discharges. The environmental base line study will be kept current with new weather data and continuous surface and underground water monitoring. This will be used to present the appropriate modifications to existing environmental and operating licenses for the Buriticá Project.

During the first quarter of fiscal 2012, the Company submitted an environmental impact assessment with the local Colombian government environmental authorities to seek approval to begin construction of a one kilometre ramp starting in the Higabra valley. The ramp will initially be used for further exploration and eventually used for commercial purposes. The Company expects to receive the required environmental permit and to begin construction in the second half of 2012.

There are no other permits required for the Buriticá Project at this time.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

#### **Accessibility and elevation**

The Buriticá Project is accessed via the paved road from Medellín to Pinguro, which forms one of the branches of the Pan-American Highway. A paved road leading to Buriticá village passes through the heart of the project area. The distance by road from Medellín is approximately 125 kilometres, and the regional centre of Santa Fe de Antioquia is located some 23 kilometres to the south east of the Yaragua Mine.

The Yaragua Mine is accessed from the road via a mule trail down slope, the horizontal distance is approximately 620 metres and the elevation decreases from approximately 1,760 metres to 1,484 metres. A cableway is used for the delivery of supplies to the mine site. The upper portion of the mule trail has been upgraded to allow drill rig access to the exploration drilling sites.

#### **Topography, climate and vegetation**

The terrain in the Buriticá Project area is rugged with elevations ranging from around 500 metres at the Cauca river valley to the east, to over 2,000 metres at the tops of the ridges. The climate is tropical with an average temperature of 26°C. Being located in the Andean region, the mean average temperatures range from 12°C to 22°C with high rainfall with a mean annual rainfall of 169 centimetres (as measured at Medellín). The operating season is not affected by the climate.

On steeper slopes within the project area, the vegetation is predominantly forest with small clearings for the cultivation of coffee, yucca, banana and other crops. On flatter lower lying ground and many of the ridges, the forest has been cleared and replaced by grassland used for pasture.

#### **Infrastructure**

The Buriticá Project is reasonably well-developed in terms of infrastructure with good road access from the towns of Buriticá and Santa Fe de Antioquia. There are several other villages and a large number of isolated dwellings within the project area where access is by mule or on foot.

The Yaragua Mine is a typical small scale, labour intensive, operation and historically was mined underground on three levels. The Yaragua Mine site is set in a steep-sided valley in a region of relatively high rainfall and there is potential for local slope instability and erosion, which may affect production. In particular, the gravity tailings and the cyanide tailings at the plant site contain unconsolidated material which could be vulnerable to erosion. As noted above, Continental Gold is taking remedial action to stabilize these slopes.

Power is supplied from the local grid via a dedicated transmission line to a transformer on site. Major equipment such as the compressors are all electrically powered. The mine has radio communications and mobile phones work at the mine offices. The mine offices, including the laboratory, are simple timber structures. A total of 165 people work at the mine, an additional 55 are involved in exploration and 17 in community relations. Due to the varied mining activity in the area, there is a good source of experienced miners and labourers in the district.

Mine water is sourced from the La Mina Creek in the valley to the west of the mine and is piped into a holding tank above the mine offices. The mine offices include a laboratory.

All of the Company's tenements and applications have rights to gold; however, not all other commodities are covered by the tenements. As long as any commodity is associated with gold or other commodity associated with the tenement, the Company has the rights to that commodity.

Concession agreements are granted over the minerals requested upon the application and those directly associated (liga intima) with it or sub-products of the same (Article 61 of the 2001 Law). Furthermore, concessionaires may request an extension of the concession agreement to any mineral founded in the granted area as a consequence of its exploration or exploitation activities (Article 62 of the 2001 Law).

## **History**

The high grade gold veins of the Buriticá Project area have been mined since before the arrival of the Spanish colonialists. Extensive areas of superficial weathered material are believed to have been worked by hydraulic methods, and small high grade veins were worked underground for gold and silver. Several old vein mine workings are known in the Buriticá Project area and there are also extensive outcrops of altered rocks at surface.

The exploration history of the Buriticá Project consists of concentrated activity at the Yaragua Mine, and the exploration of other areas in the Buriticá Project. There are no records of previous resource and reserve estimates for the Yaragua Mine or any other deposits within the Buriticá Project area.

Bullet acquired the Buriticá Project concessions over the last 20 years. Continental Gold acquired the Buriticá Project concessions from Bullet pursuant to the Concession Sale Agreement. See "Material Contracts – Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia".

### ***Yaragua Mine Exploration and Development History***

The Yaragua Mine is the largest underground vein mine in the Buriticá Project area. It has been producing gold continuously since 1992. Between 2001 and 2010, the mine produced 21,343 ounces of gold. During 2011, Continental Gold produced 3,689 ounces of gold, derived from exploration development at Yaragua. Material derived from this development currently supplies the pilot plant at a processing rate of 30 tonnes per day. During 2011, the pilot plant processed 9,843 tonnes at an average gold grade of 13/11 g/t Au.

The Yaragua Mine is accessed via three adits on Level 1 (elevation 1,492 metres), Level 2 (elevation 1,430 metres) and Level 3 which is also known as San Felipe (elevation 1,370 metres). Level 1 is developed for 470 metres along the Murcielagos vein structure. The Murcielagos vein on Level 2 is accessed via a 110 metre crosscut and has 310 metres of development on the vein. On Level 3, the Murcielagos vein is accessed via a 200 metre crosscut and has 100 metre of development on the vein. Mining traditionally took place in vertical stopes via a cut and fill method. The high grade material was mined first followed by the waste material which is used as backfill on the floor of the development stope.

Exploration drilling undertaken by Continental Gold in 2008 identified a parallel high grade vein (the San Antonio vein) some 130 metres north of the Murcielagos vein. Continental Gold subsequently developed an underground exploration cross cut on Level 1 which intersected the San Antonio vein in October 2008. Since November 2008, pilot plant production has processed mineral produced from the development of the exploration drive along the San Antonio vein. The Company has mined 523 metres of exploration development along the San Antonio vein on three levels: Level 0 – 173 metres, Level 1 – 280 metres, and Level 2 – 70 metres. This later development indicates that a third vein structure (Veta Centena) on a northwest-southeast trend may either truncate or merge with the San Antonio vein in the east.

### ***Other Exploration and Development History of the Buriticá Project***

In addition to exploration and development at the Yaragua Mine, several surface mapping and sampling campaigns have been carried out in the area by different companies which have identified several zones of interest, as summarized below based on public reports.

- To the west of the Yaragua Mine, work done by Gran Colombia Resources Ltd. (GCR), in the mid-1990s delineated an area of hydrothermal alteration (quartz-sericite-pyrite) measuring 700 metres by 400 metres. Channel samples were collected from road cuts, with reported grades up to 7.9 g/t gold.
- Le Mano prospect, a massive quartz-limonite alteration zone in siliceous breccia, located one kilometer south of the Yaragua Mine, was excavated with an adit. Sampling at the time reported grade of up to 5 g/t Au, 150 g/t Ag and 4.6% Zn. GCR conducted grid surface sampling in the immediate area and identified several anomalous areas near the adit. Mineralization was noted on the west side of the Tonusco fault.
- La Estera prospect, a vein prospect located approximately two kilometres south of the Yaragua Mine, was excavated in a 100 metre drift which was suspended due to poor ground conditions. Average grades were reported of up to 12 g/t Au and over 1,000 g/t Ag. Other veins located in the same area, the Sulliman and Pulpito veins, had reported grade of 5 g/t Au over 0.5 metre vein width.
- San Augustin Creek, located 1 kilometre north of the Yaragua Mine, has a 40 metre wide zone of sulphide mineralization in sedimentary rocks. Old workings were reported to the northwest of this occurrence. The mineralization was reported as being associated with a zone of sediments within igneous rocks. Samples from the contact zone were reported to contain an average 1.45 g/t Au and 24.3 g/t Ag.
- La Guacamaya prospect, located just north of the Clara Creek in the northeast of the Buriticá Project area, was identified as a contact breccia between sediments and a diorite intrusive. Sampling reportedly returned an average grade of 2.7 g/t Au in talus.

### ***Geological setting***

#### ***Regional Geology***

South American geology is dominated by three principal lithospheric plates - the Pacific (Nazca) plate in the west, the Caribbean plate to the north and the South American plate which forms the bulk of the continental landmass. The Northern Andean Block forms a distinct geological segment of the Andean Cordillera in Colombia and is subdivided into three mountain chains, the Occidental (western), Central and Oriental (eastern) Cordillera.

Colombia's geological history has been dominated by processes occurring along the accreting plate boundary between the Nazca and South American plates. Changes in the position of the subduction zone have resulted in the progressive accretion of the Cordilleran mountain chains onto the western margin of the Guiana Shield, forming the current complex geological framework. These plate tectonic processes are also strongly associated with ore forming processes and the formation of many of Colombia's mineral deposits.

Colombia comprises the Precambrian metamorphic and igneous basement rocks of the Guiana Shield in the east, Palaeozoic to Cainozoic igneous and sedimentary rocks which make up mountainous Cordillera, and Cainozoic sediments which dominate in the lower lying parts of the country.

There are a variety of igneous rocks of different ages in the country. These igneous rocks form the underlying geology in most of the mountain ranges in the country and generally decrease in age from east to west. Palaeozoic magmatic rocks outcrop in the Oriental Cordillera along the border with Venezuela, whilst Mesozoic intrusive rocks are mainly found in the Central Cordillera. Cainozoic volcanic and intrusive rocks are found in the southern part of the Central Cordillera as well as in the Occidental Cordillera. Younger sedimentary cover, mainly of Cainozoic age, dominates at lower elevations in the Amazon basin, intermontane basins and along the coastal margins of the country.

Three major gold belts are defined in Colombia: the Choco, Middle Cauca and Segovia belts. Buriticá falls in the Middle Cauca belt which is situated between the Occidental and the Central Cordillera. This belt contains porphyry, and epithermal mineralization in addition to the carbonate base metal type gold vein and breccia deposits seen at Buriticá.

### *Local Geology*

On a regional scale, the Buriticá Project area is divided into two distinct geological domains. On the eastern part, the area is dominated by basic to intermediate igneous rocks, which are interpreted as representing mainly intrusive rocks of Cretaceous age. The western part of the area is dominated by marine sedimentary rocks, mostly argillites of Cretaceous to Tertiary age. The main contact between the sedimentary and igneous rocks runs through the centre of the Buriticá Project area, and local outcrops of hornfelsed sediments surrounded by igneous rocks are interpreted as roof pendants. Previous authors have noted that the project area is centred within an annular topographic and satellite anomaly. Major regional structures include the Cauca-Romeral fault located approximately three kilometres to the east, along the Cauca River.

### *Property Geology*

Previous mapping in the central part of the Buriticá Project area has identified the presence of the following rock types:

- Sedimentary rocks: Mostly limonitic argillites with interbedded black chert; generally unaltered. Inferred to belong to the Penderisco Formation of the Cañasgordas Group;
- Igneous rocks: Intrusive and extrusive rocks consisting of quartz-diorite, diorite, porphyritic andesite, porphyritic dacite and volcanoclastics. These are interpreted as ranging in age from Cretaceous to Tertiary. Mineralization and alteration appear to be associated with younger (6 Ma to 8 Ma), less extensive, intrusive to hypabyssal bodies of andesitic composition which together form the Buriticá complex;
- Siliceous hornfels: In the vicinity of La Mano anomaly, a zone of highly siliceous rock is interpreted as representing a contact-metamorphic hornfels;
- Breccias: Different types of breccia have been mapped in the area, several of which are interpreted as tectonic in origin. They are commonly clast supported and the clasts are often altered and pyritic; and
- Quaternary deposits: These are mainly colluvial and landslip deposits that fill the valley bottoms.

Many faults have been noted during mapping at Buriticá, and satellite imagery for the area displays a large number of linear features many of which are likely to represent major faults. Two dominant fault directions striking between 70° and 100° have been noted. These east-west structures are interpreted as being the main control on the distribution of breccias, mineralization and hydrothermal alteration and appear to displace north-south lineaments which represent older structures.

## **Exploration**

### *Overview*

Continental Gold commenced exploration at the Buriticá Project in late 2007 and started its drilling program with one drill rig from surface in January 2008 and one drill rig from underground in April 2008. By March 2012, a total of 282 surface and 89 underground drill holes have been completed for a total of more than 112,000 metres. The initial focus was on the identification of bulk mineable mineral deposits and to develop to a feasibility study stage, as well as to define new mineral resources. The initial exploration focus was on the Yaragua breccia and La Mano deposits. However, low grades were returned from La Mano and the aerial extent of the high grade breccia proved to be limited. The subsequent discovery of the high grade San Antonio vein and the Veta Sur zone during drilling to define the limits of the Yaragua breccia has refocused Continental Gold's exploration efforts.

In addition to surface and underground diamond drilling, the Company has completed detailed channel sampling on several levels on the Murcielagos, San Antonio, and Centena veins. Over 5,200 samples have been taken with summary results reported in the Company's press releases dated March 3, 2011 and December 19, 2011 (which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com)). A 2.5 x 1.5 kilometre, 1,800 sample surface soil grid has been completed over the central portion of the property and several of the resulting gold and multi-element anomalies have been drill tested. Ground magnetic and induced polarization geophysical studies have been completed and in March 2011 a program of property-wide airborne magnetometry and radiometrics was initiated.

Drilling in 2011 was completed by Major Drilling Group International Inc. and Kluane Drilling Ltd., both Canadian contractors with significant experience in Colombia and in the type of drilling required by the Company, being diamond drilling extracting HQ and NQ diameter core samples. Drill core recovery rates averaged greater than 90%, well within industry-acceptable parameters.

### **Mineralization – Overview**

Three potentially economic styles of mineralization are developed within the Buriticá Project area. At the Yaragua Mine, both high grade veins and mineralized breccias occur. At La Mano and San Augustin, the mineralization is of a replacement style with low gold grades. On a regional scale, there is potential for placer gold deposits in the main river systems and these may be present on Continental Gold's concession holdings.

### *Vein Systems*

Two main areas of vein (+/- breccia) mineralization have been discovered at Buriticá. Twenty individual veins have been correlated from drill holes and underground workings in the Yaragua Mine area and eighteen veins have been identified in drilling to date in the Veta Sur area 500m to the southwest.

The vein system and associated breccia bodies at Buriticá represent part of a classic porphyry-related, carbonate base metal gold vein and breccia system. The veins are noted for their high gold content, moderate levels of silver, and associated base metals - notably zinc and lead.

The vein-breccia system comprises near vertical pyrite-sphalerite-galena sulphide veins, locally with minor amounts of quartz, chalcopyrite and carbonate, which range from 15 centimetres to several metres in width and are associated with east-west and west-northwest fractures. Geometrical complexities such as en-echelon vein networks and pinch and swell structures may occur. The banded pyrite-sphalerite-galena mineralization has been designated Phase 1 type mineralization. Most of the veins show evidence of a Phase 2 event which is dominated by free gold, carbonate and local stibnite. This phase is significantly lower in base metal mineralization than Phase 1.

### *Mineralized Breccias*

Breccia style mineralization appears in a vaguely pipe-like body at the west end of the Yaragua Mine which has been interpreted as a diatreme. Similar breccias occur along several of the Yaragua area

veins. Mineralization in the breccias is very similar to that in the veins with regard to mineralogy and metal ratios however Phase 2 mineralization is much less prevalent.

### *Replacement Mineralization*

Replacement mineralization has been identified on the contact between the volcanoclastic sequence and the Buriticá complex. The mineralization is marked by zones of silica and pyrite alteration and generally low gold grades (<0.5 g/t Au). The mineralization at San Augustin and La Mano fall into this type.

### *Placer and Colluvial Gold Deposits*

There is a long history of placer gold production dating from before the Spanish colonization of South America. Mineros S.A.'s alluvial dredging operation at El Bagre on the Rio Nechi has been one of Colombia's most substantial producers of gold in recent years. The Rio Cauca and its tributaries have the potential to host placer gold deposits within Continental Gold's Buriticá licences.

The formation of placer deposits results from the erosion of a host rock containing a heavy mineral (e.g. gold, platinum, diamonds, ilmenite) and the sorting of the light from the heavy minerals during sedimentation. The placer deposit can be formed in either the marine or the fluvial environment. Water is a powerful erosive force and through its actions the grain size of the sediment load is reduced. This process liberates the heavy mineral which can then be deposited into the alluvial sediments.

The scale of the heavy mineral concentration can vary from small (bedding lamellae or cross bedding) to large scale regional systems (alluvial fans and beaches). In Colombia, most gold placer deposits are located in small to intermediate scale features such as point bars within the river flood plain. Features such as potholes or irregularities in the morphology of the riverbed can also be significant in the deposition of placer gold.

Most placer mining occurs close to the current river channel, although potential should exist for palaeo river channels to host placer gold deposits.

Colluvial deposits derive from eroded material, and are usually located on slopes close to their original outcrop. This material has yet to be extensively reworked by water. Historically colluvial deposits were worked by the Spanish through hydraulic methods, effectively using water to wash the colluvial material into a river valley from where the gold could be recovered.

### *Drilling*

In December 2007, Continental commenced drilling at the Buriticá Project. There are no records of any historical drilling prior to this. By July 2009, a total of 49 surface drill holes (9,931 metres) and 21 underground drill holes (2,285 metres) had been completed. On completion of drilling, all surface holes are capped with a cement plinth and plastic casing and, where possible, underground drillholes are also capped.

Continental commenced 40,184 metres of diamond drilling in 165 holes from July 2009 to June 2011. This included 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 in both areas. Areas to the north and south of currently known mineralization, defined by soil anomalies, were drilled in a reconnaissance fashion.

Downhole surveys for the drilling are carried out using a Flexit survey tool. This modern digital survey tool provides multiple survey readings which can be transferred directly to a computer via a special adaptor supplied with the survey tool. All drillhole collars are surveyed by the surveying contractor once drilling of the holes is completed from the surface drill pads or the underground drilling stations.

Drilling continues with ten drills at the project and is scheduled to continue throughout 2012 at a pace of 5,000 metres per month.

Drilling during 2011 was successful in extending both the strike and the vertical extensions of both the Yaragua and Veta Sur systems and incorporated the release of the maiden resource calculation in

September 2011 (see “Mineral Resources and Mineral Reserve Estimates” below). The ongoing 2012 drilling program will be aimed at expanding this resource and increasing the measured and indicated categories through infill resource definition drilling. Additionally, drill testing of the known extensions of mineralization and near-mine targets will be a key strategy of the 2012 drilling program.

### ***Sampling and Analysis***

Continental Gold utilizes a rigorous, industry-standard QA/QC program. HQ (63mm) and NQ (48mm) diamond drill-core is sawn in half with one half shipped to a sample preparation lab in Medellín run by SGS Laboratory in Colombia (“SGS”). Samples are then shipped for analysis to the SGS certified assay laboratory in Lima, Peru. The remainder of the core is stored in a secured storage facility for future assay verification. Blanks, duplicates and certified reference standards are inserted into the sample stream to monitor laboratory performance and a portion of the samples are periodically check assayed at ACME Analytical Laboratories (Vancouver) Ltd. in Vancouver, B.C., Canada and/or Inspectorate America Corp. in Reno, Nevada, U.S.A.

### ***Database and Data Capture***

In 2011, Continental adopted a digital core logging system which automates data transfer to the database. The database used for all geological data is Datashed. Laboratory analyses are sent directly from the lab to the database manager and entered into the database after passing through a rigorous QA/QC analysis.

### ***Drill Core Logging and Sampling Procedures***

At the drill site, the drill crew measures core runs and mark these with wooden blocks placed in the core trays in keeping with industry norms. Borehole numbers and box numbers are recorded on the outside of the core boxes. Once full, the core boxes are sealed with a lid and strapped to prevent movement or loss of core during transport to the Continental Gold core yard. From the Yaragua drilling sites, the core boxes are carried by hand or by mule up to the Buriticá road and then transported by vehicle to the core yard.

### ***Security of Samples***

Continental Gold’s core yard facility is located 590 metres southwest of the Yaragua Mine. The core yard is simple but effective and is located adjacent to the Buriticá road. A core storage shed has been constructed as a timber frame with wire mesh walls and a tin roof. Core is stored on locally constructed shelving. The core storage shed is locked and guarded at night. Once core is photographed, logged, and sampled, it is moved to a permanent storage facility at the company warehouse in Medellín.

### ***Mineral Resources and Mineral Reserve Estimates***

The Buriticá Project contains several known areas of high-grade gold and silver mineralization, of base metal-carbonate style (“Stage I”) variably overprinted by texturally and chemically distinctive high-grade “Stage II” mineralization. The two most extensively explored of these areas, the Yaragua system and the Veta Sur system (Figures 2 & 3 below), are central to this land package. The Yaragua system has been drill-outlined along 650 metres of strike and 600 vertical metres and partially sampled in underground developments. The Veta Sur system has been drill intersected along 550 metres of strike and over 1,180 vertical metres. Both systems are characterized by multiple steeply-dipping veins and broader, more disseminated mineralization and both remain open along strike and at depth at high grades.

Mining Associates was commissioned to undertake resource estimations for Yaragua and Veta Sur. There was close collaboration between Mining Associates and the Buriticá site geologists and consultants, undertaken during site visits and at Mining Associates’ Brisbane offices, in particular on the selection and tagging of the vein domains in the context of existing underground and surface geology.

Resource modeling was based on Continental’s Buriticá database as at June 30, 2011, audited and provided by Resource and Exploration Mapping Ltd., which maintains the Company’s database. A total

of 41,246 assay samples comprised of approximately 40,400 metres of surface diamond drilling, 12,000 metres of underground drilling (Yaragua) and 1,600 metres of underground channel sampling (Yaragua) were utilized in the resource estimations.

In view of their geology, grade distributions and potential mining methods, Yaragua and Veta Sur were modeled as sets of sub-parallel, steeply-dipping vein domains. In the case of Yaragua, 20 vein domains were interpreted from geological mapping and sampling of underground developments and drilling in the upper part of the system and extended to greater depth and along strike from drill intercepts.

The resource is constrained by domains consisting of 3D geological models. The drillhole data was displayed in section and elevation slices showing assays and geology. Intercepts were selected and coded for each vein domain based on the following selection criteria, in decreasing hierarchy:

- a. Gold grade greater than 3 g/t Au; or
- b. No assays but a "vein" lithology code in the expected location; or
- c. (For breccia ("BX") only): within or near the breccia lithology zone with anomalous Au grades; or
- d. Sub-grade areas where the interpreted vein domain passed through the drill hole but was not already coded (i.e. "brought through")

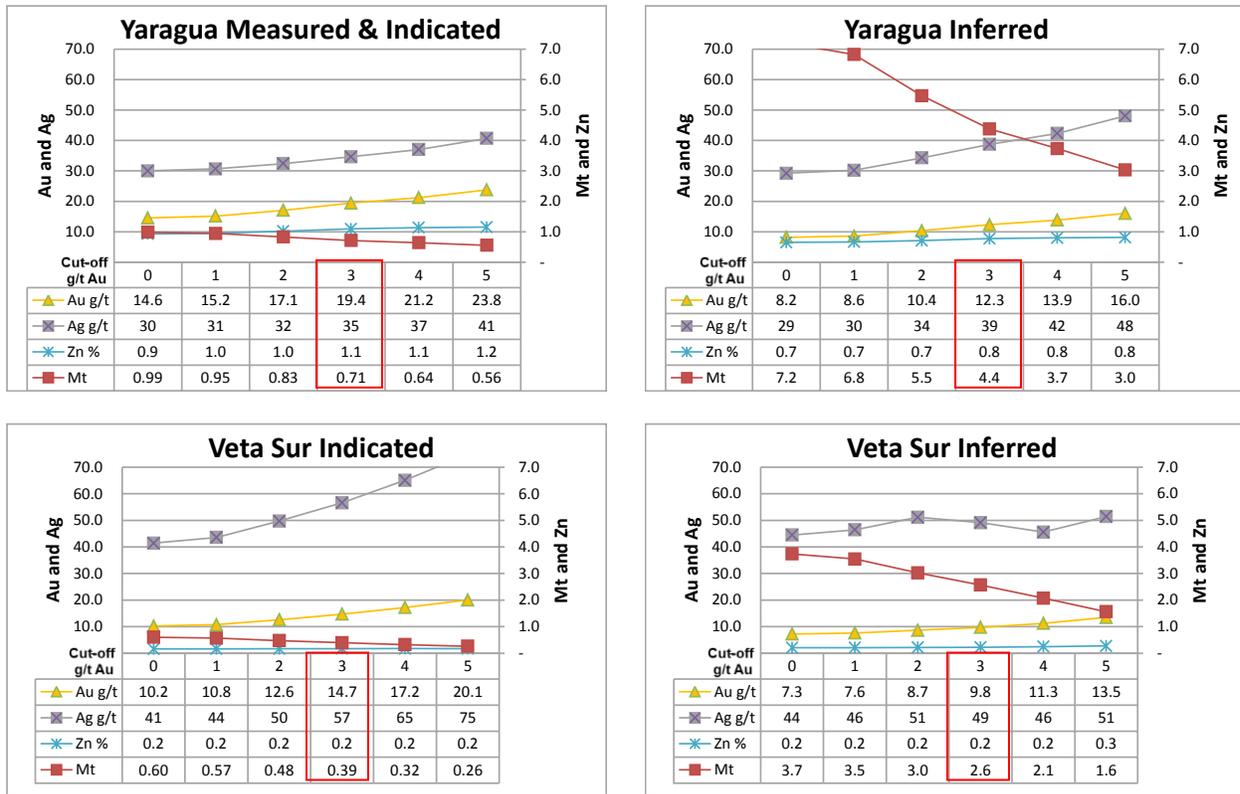
Vein domains were modeled using MA's proprietary software. For Veta Sur, 18 vein domains were interpreted from drilling. Intercepts (primarily utilizing a 3 g/t cut-off grade) were tagged by vein domain name and several iterations of 3D sections, plans and visualizations were done to ensure geologically consistent vein domains. Other mineralization is present outside the domains but requires further delineation drilling. In Yaragua, lower grade breccia-hosted mineralization was modeled separately from and outside of the vein domains.

Informing samples were vein composites within domains, one composite sample across each vein intercept. The estimation grid size was 5m in X and Y with vein thicknesses (horizontal widths), and gold, silver and zinc grades estimated in unfolded space using Ordinary Kriging estimation. The informing sample grades were capped on a domain or sub-domain basis as determined by geostatistical analysis. A minimum of three composites and a maximum of eight are required to estimate a block. As well as the tightly constrained vein domains, high grade and low grade sub-domains were used within the vein domains, as required. Results of the Kriging estimation were validated against raw data statistics. Trend analysis against the informing samples and check estimates using Inverse Distance Squared and Nearest Neighbour (Polygonal) estimation techniques are in generally good agreement with the Kriging estimates and grade patterns, highlighting the importance of the sub-domaining in minimizing grade "smearing" where data density was low.

Results of the estimation for each vein domain are combined to a normal 3D block model with sub-block size of 2.5 m (E) by 0.25 m (N) by 2.5 m (RL). The model was screened for topography. The number of informing samples, presence of underground development or mining, kriging variance (gold) and average distance to informing samples were used to define contiguous areas defining mineral resource categories of measured, indicated and inferred. Areas within a vein domain already taken by development and/or historical mining have been removed.

Grade-Tonnage charts for 0 to 5 g/t gold cut-off grades are presented below (Figure 1) by resource category in both Yaragua and Veta Sur. These are the capped Ordinary Kriging estimates for vein domains, diluted to one metre minimum horizontal widths. It should be noted that the resource tonnes tabled in Figure 1 are only for sub-grade areas contained within the tightly constrained vein domains, which were targeted at areas over 3 g/t Au, and thus do not truly reflect large quantities of undefined lower grade (less than 3 g/t Au) material outside the currently defined vein domains, such as the breccia-hosted mineralization.

Figure 1: Grade Tonnage plots by resource category for Yaragua and Veta Sur as at June 30, 2011



\*Note: Mt in Figures and Tables is millions of metric tonnes

These results demonstrate the high grade nature of both the Yaragua and Veta Sur auriferous vein systems over significant tonnages.

The results presented below are capped krigé estimates at 3 g/t gold cut-off grade and for one metre minimum horizontal vein thicknesses. This gold cut-off grade reflects conceptual costs for underground development, mining and treatment.

Yaragua (see also Figures 2 and 3 below)

Resource		Grades			Metal		
Category	Tonnes	Au g/t	Ag g/t	Zn %	Au oz	Ag oz	Zn lb
Measured	40,000	55.1	138	2.4	70,000	200,000	2,100,000
Indicated	670,000	17.3	29	1.0	380,000	600,000	15,100,000
<b>Total M&amp;I</b>	<b>710,000</b>	<b>19.4</b>	<b>35</b>	<b>1.1</b>	<b>450,000</b>	<b>800,000</b>	<b>17,200,000</b>
Inferred	4,400,000	12.3	39	0.8	1,700,000	5,400,000	75,000,000

\*There have been no assumptions made as to metal prices or recoveries in this resource estimate.

These resources for Yaragua are mainly contained in 20 vein domains modeled over average strike extents of 400 metres and average depths extents of 300 metres. All modeled veins are open at depth and along strike. The Inferred resources also contain a small amount of breccia-hosted mineralization above the 3 g/t gold cut-off grade, part of much larger tonnages of lower grade mineralization not included in this modeling.

The significant proportion of Measured plus Indicated Resources reflects the underground sampling of several of the major vein domains and also the intensity of drilling in the central part of the vein system.

**Veta Sur** (see also Figures 2 and 3 below)

<b>Table 2: Veta Sur Resources as at June 30,2011</b> (at 3 g/t gold cut-off grade, 1 metre minimum width in vein domains)							
<b>Resource</b>		<b>Grades</b>			<b>Metal</b>		
<b>Category</b>	<b>Tonnes</b>	<b>Au g/t</b>	<b>Ag g/t</b>	<b>Zn %</b>	<b>Au oz</b>	<b>Ag oz</b>	<b>Zn lb</b>
<b>Indicated</b>	390,000	14.7	57	0.2	190,000	700,000	1,500,000
<b>Inferred</b>	2,600,000	9.8	49	0.2	800,000	4,100,000	13,000,000

\*There have been no assumptions made as to metal prices or recoveries in this resource estimate.

These resources for Veta Sur are contained in 18 vein domains modeled over average strike extents of 250 metres and average depths extents of 300 metres. All modeled veins are open to depth and along strike.

Indicated resources are currently confined to the more intensively drilled central part of the Veta Sur system.

**Combined Yaragua and Veta Sur Resources** (see also Figures 2 and 3 below)

<b>Table 3: Combined Yaragua and Veta Sur Resources as at June 30, 2011</b> (at 3 g/t gold cut-off grade, 1 metre minimum width in vein domains)							
<b>Resource</b>		<b>Grades</b>			<b>Metal</b>		
<b>Category</b>	<b>Tonnes</b>	<b>Au g/t</b>	<b>Ag g/t</b>	<b>Zn %</b>	<b>Au oz</b>	<b>Ag oz</b>	<b>Zn lb</b>
<b>Measured</b>	40,000	55.1	138	2.4	70,000	200,000	2,100,000
<b>Indicated</b>	1,070,000	16.4	39	0.7	560,000	1,300,000	16,600,000
<b>Total M&amp;I</b>	<b>1,110,000</b>	<b>17.8</b>	<b>42</b>	<b>0.8</b>	<b>630,000</b>	<b>1,500,000</b>	<b>18,700,000</b>
<b>Inferred</b>	6,900,000	11.4	43	0.6	2,500,000	9,500,000	88,000,000

\*There have been no assumptions made as to metal prices or recoveries in this resource estimate.

The tabulated resources are for areas in the Yaragua and Veta Sur systems with adequate sampling densities to permit estimation. Further drilling at Buritica has continued to demonstrate that both systems are open along strike and at depth.

A feasibility study has not yet been completed for the Buritica Project and therefore mineral reserves have not been determined.

The mineral resources described above constitute contained material in the ground and have not been included in any formal plan of exploitation. There are no known material issues related to environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues which may affect the mineral resources.

Figure 2: 3D Model of Yaragua and Veta Sur Systems with Proposed Developments (Plan View)

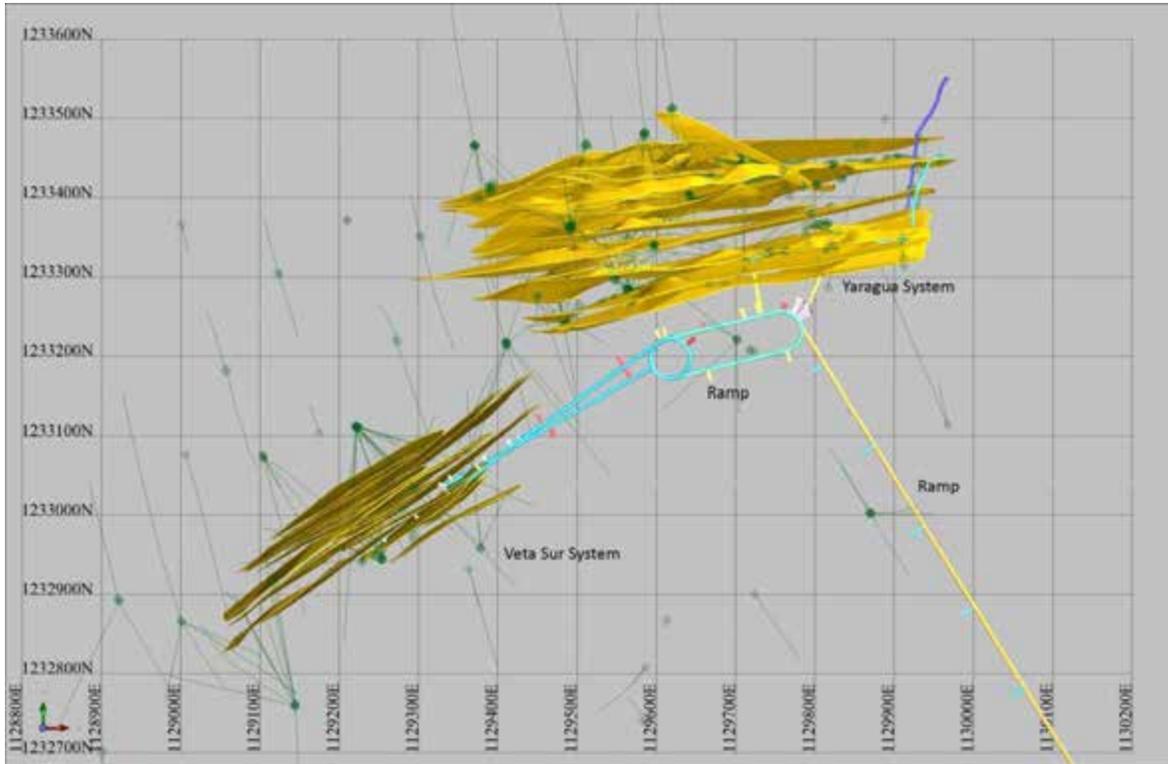
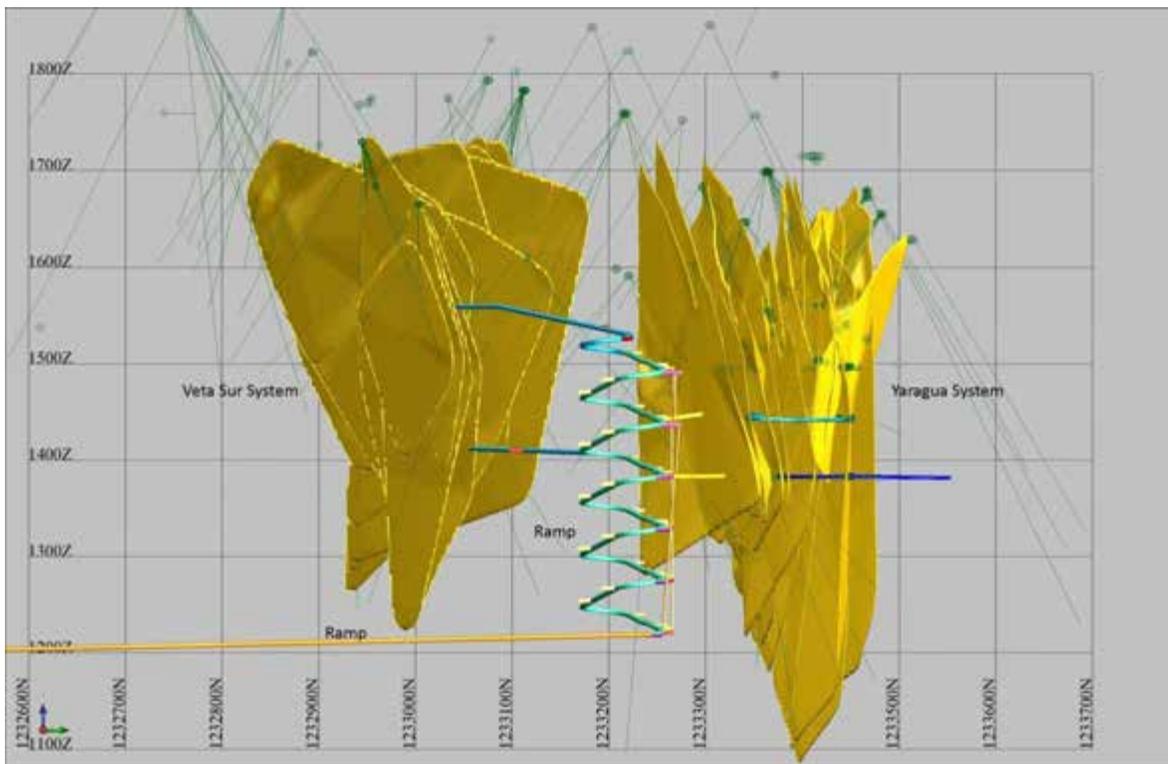


Figure 3: 3D Model of Yaragua and Veta Sur Systems with Proposed Developments (Looking West)



## Metallurgical Testing

During 2011, metallurgical testing was conducted on eight samples weighing 60 kilograms each from the Buriticá Project. The sample names and head grades are as follows:

Head Assay on Composite Sample Summary of Results		
Sample ID	Assays (g/t)	
	Au	Ag
San Antonio Vein East	39.18	121.1
Murcielagos Vein	35.74	265.3
San Antonio Vein West	152.44	331.0
Breccia BX1	13.39	16.0
Veta Sur Main Vein	44.77	252.6
Composite 1*	76.53	240.0
Breccia BX1 and BX2	0.72	4.3
Composite 2*	72.21	164.3

\* Composite 1 and Composite 2 are blended composite samples consisting of Veta Sur Main Vein 40%, San Antonio Vein 30%, Murcielagos Vein 10% and Breccia 20%.

The metallurgical work performed on the samples included:

1. Gravity concentration
2. Gravity concentration followed by cyanidation on the gravity tails
3. Gravity concentration followed by flotation on the gravity tails
4. Cleaner Flotation
5. Selective rougher flotation.

### 1. Gravity Concentration:

Gravity Concentration was conducted on each sample at three grind sizes of approximately 80% passing 150 microns, 105 microns and 74 microns using a laboratory Falcon concentrator.

Grind Size	Distribution (%)					
	Max Au	Min Au	Avg Au	Max Ag	Min Ag	Avg Ag
P80 150 micron	84.25	72.42	<b>79.33</b>	48.13	12.22	<b>31.93</b>
P80 105 micron	71.28	79.05	<b>75.61</b>	41.76	11.21	<b>30.58</b>
P80 74 micron	82.83	71.64	<b>79.23</b>	44.61	10.38	<b>28.05</b>

### 2. Gravity Concentration followed by Cyanidation on Combined Gravity Tails:

Gravity concentration was conducted on each sample at approximately 80% passing 74 microns using a laboratory Falcon concentrator. The combined tails (gravity rougher tails and gravity cleaner tails) were subjected to agitated cyanidation leach.

Grind Size	Distribution (%)					
	Max Au	Min Au	Avg Au	Max Ag	Min Ag	Avg Ag
Total Recovery	98.80	95.81	<b>97.81</b>	78.36	29.93	<b>57.04</b>

### 3. Gravity Concentration followed by Flotation on Gravity Tails and Cyanidation on Flotation Tails:

Gravity concentration was conducted on each sample at approximately 80% passing 74 microns using a laboratory Falcon concentrator. The combined tails (gravity rougher tails and gravity cleaner tails) were subjected to rougher flotation. The rougher flotation tails were subjected to agitated cyanidation leach.

Grind Size	Distribution (%)					
	Max Au	Min Au	Avg Au	Max Ag	Min Ag	Avg Ag
Total Recovery	99.85	97.21	<b>99.44</b>	99.87	97.16	<b>99.36</b>

### 4. Cleaner Flotation:

Three stages of cleaner flotation were conducted at two pulp pH levels to evaluate the effect on pyrite depression. This test was performed on the Composite 1 sample and the results at a pH level of 7.5 are:

	Recovery (%)	
	Au	Ag
Au-Ag 3 <sup>rd</sup> Cleaner	94.13	92.31
Au-Ag 2 <sup>nd</sup> Cleaner	97.87	97.02
Au-Ag 1 <sup>st</sup> Cleaner	98.79	98.40
Au-Ag Rougher	99.48	99.79

### 5. Selective Rougher Flotation:

A selective rougher flotation of Lead-Gold-Silver and Zinc was conducted to depress pyrite in the flotation tails. Metallurgical results contained in this release are preliminary in nature and more sample material and test work is required to further refine and optimize a commercial flow sheet for Buriticá.

	Recovery (%)			
	Pb	Zn	Au	Ag
Pb-Au-Ag Rougher Concentrate	94.20	16.49	<b>94.64</b>	<b>90.59</b>
Zn Rougher Concentrate	1.52	82.37	<b>2.41</b>	<b>5.06</b>
Total Recovery (Pb/Ag Con + Zn Con)	95.72	98.87	<b>97.04</b>	<b>95.65</b>

Metallurgical results contained in this release are preliminary in nature and more sample material and test work is required to further refine and optimize a commercial flow sheet for the Buriticá project.

### Exploration and Development

The mineral resource models detailed in the MA Technical Report will be used to launch a PEA. The Company expects to have the PEA assessment completed towards the end of 2012.

Preliminary metallurgical test work indicates that the Buriticá Project deposit is amenable to gold and silver recoveries using various processing methods. Test work thus far indicates that the most reasonable flow sheet will include a gravity circuit and bulk or selective flotation to produce a precious metals concentrate that will either be shipped or leached. Additional test work will be required to test mineral samples from both the Yaragua and Veta Sur systems. This simplified flow sheet will be evaluated on various composite samples. Additional test work will be performed to define the abrasiveness of the samples as well as solid-liquid separation tests for tails and concentrates.

Definition drilling will continue at Buriticá and will focus on expanding the resource at both the Veta Sur and Yaragua systems. For 2012, the company is planning for 60,000 metres of surface and

underground diamond drilling, and 966 metres of underground horizontal development and 275 metres of underground vertical development. In addition, many of the numerous targets identified surrounding the Buriticá Project will also be drilled.

A revised resource estimation of the Buriticá Project is to be completed by mid-2012.

An environmental base line study for the Buriticá Project will be kept current with new weather data and continuous surface and underground water monitoring. This environmental base line study will be used to present the appropriate modifications to the Buriticá Project's existing environmental and operating licenses.

A one kilometre-long exploration drift is planned to be built at the bottom of the Higabra Valley. This drift will be used to access the Veta Sur and Yaragua system at the 1,150 metre elevation. The tunnel will commence as soon as Environmental permits are received. Permitting is currently in progress. An access road is planned to be built from the main paved road to Buriticá down into the Higabra Valley. This road will be approximately six kilometres long and is expected to commence during the second half of 2012.

## **Other Exploration Projects**

### **Berlin Project**

The Berlin project is a 100%-owned project totalling 24,528 hectares (concessions and applications with technical study) and 516 hectares (applications) located in the Antioquia Department 90 kilometres north of Medellín. Access is through Yarumal on paved road and through Briceno or San Andreas to the property on dirt roads. The area is very sparsely populated, the terrain is steep, and much of the concession area is only accessible by mule or on foot.

The property is underlain by graphitic- and sericite-chlorite schists of the Paleozoic Cajamarca complex, and located in a structural wedge between north and northeast-trending extensions of the Romeral fault system, which is a prominent suture zone between Mesozoic continental margin and Cretaceous and younger accreted terranes.

Gold mineralization is characterized by large-scale quartz veins which are preferentially developed in the graphitic schists, and are both strike and vertically extensive. The Berlin vein trend is a minimum 11 kilometres of strike length north-south and the newly discovered sub-parallel Troncal trend is a minimum four kilometres in strike length. Ore-grade mineralization has been discovered along the entire length of the Berlin trend over a minimum vertical extent of 1,400 metres. Mineralization is hosted in quartz veins and lodes from 0.5 - 25 metres thickness, with gold grades being higher in areas that have abundant inclusions of the graphitic schist. Alteration consists of a simple assemblage of sericite +/- carbonate which is developed within 1 - 25 metres of the vein margins.

According to the *Engineering and Mining Journal* (Vol. 143, No. 4, 1942), the original Berlin Mine was operated from 1930-1946 by Canadian company Timmins Ochali. It produced 413,000 ounces of gold from a number of quartz veins and quartz lenses, up to 20 metres thickness, with a life-of-mine production grade of 16 g/t Au. Gold recoveries averaged 94% in a standard gravity, flotation and cyanidation circuit. The mine covered approximately 900 metres of strike in the centre of a 12-kilometre mineralized trend that has been defined by Continental Gold during 2008 and 2009 exploration programs. No historical drilling has been done outside of the Berlin mine area anywhere along either of the two known vein trends.

Field work programs carried out by Continental Gold to date have consisted of detailed geologic mapping and more than 1,100 stream sediment, rock chip and channel samples. Surface mapping and sampling have also confirmed on the adjacent Troncal trend similar veins that have been traced along a minimum 4 kilometers of strike. Approximately 90% of the combined strike length on the two prospective trends is on concessions which are 100% owned by the Company. The Company is planning to initiate a diamond drilling campaign in 2013.

The Berlin project displays high potential for the discovery of multiple mineralized quartz veins and lodes, similar to the original Berlin deposit, along the entire strike length of the Romeral and Troncal trends within the Continental Gold tenure package.

### **Anza Project**

The Anza project is located 50 kilometres west of Medellín in the Antioquia Department and consists of two registered concessions (4,715 and 4,718) covering 6,309 hectares.

### **Anza Option Agreement**

The Company and five other parties (the "Optioners") completed a definitive option agreement dated May 20, 2010 on a contiguous group of properties (the "Optioned Properties"), including part of the Anza concessions, with Waymar Resources Ltd. ("Waymar"). The Company is entitled to receive 25% of all consideration flowing to the Optionors from Waymar pursuant to the option agreement. To date, the Company has received \$188,000 and 200,000 common shares of Waymar pursuant to the option agreement. In addition, the Optionors are entitled to receive \$1,000,000 and 1,000,000 common shares of Waymar (Company share - \$250,000 and 250,000 common shares) on June 29, 2012 and \$2,000,000 and 2,000,000 common shares of Waymar (Company share - \$500,000 and 500,000 common shares) on June 29, 2013. Waymar is also responsible for incurring a minimum of \$4,000,000 of exploration expenditures on the Optioned Properties pursuant to the option agreement. The Optionors will maintain a 2% net smelter royalty in the Optioned Properties. Additionally, Waymar will have the option to purchase half of the net smelter royalty from the Optionors at a cost of \$1,000,000.

### **Waymar Acquisition Agreement**

The Company also completed the sale of certain other Anza concessions on May 21, 2010 to Waymar. Pursuant to the sale of its legal and beneficial interest in these concessions to Waymar, the Company received 1,000,000 common shares of Waymar and 500,000 common share purchase warrants giving the Company the right to purchase 500,000 Waymar common shares at a price of C\$0.75 per share until June 29, 2012.

### **Dominical Project**

The Dominical project consists of 9,016 hectares (concessions and applications with technical study) and applications for concessions covering 15,311 hectares. The project area is located in southern Colombia in the Cauca Department.

The Dominical project was subject to an option agreement dated October 4, 2006 between AngloGold Ashanti Limited ("AngloGold") and Robert W. 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. AngloGold began exploration on the Dominical project in April of 2007 and continued exploration on the project up to February 5, 2010, at which time AngloGold notified the Company that they would no longer be carrying out exploration activity on the Dominical project. The property has now reverted 100% back to the Company.

The geology of the concession area is tectonically complex due to its location on the faulted boundary of the upper Mesozoic continental margin and younger accreted terranes. The host rocks to the mineralization consist of Paleozoic crystalline schists on the east and a sequence of Tertiary age continental clastic sedimentary rocks to the west. Both sequences have been intruded by a series of small upper Tertiary stocks of intermediate composition.

Porphyry-style gold mineralization has been found in the central part of the property in small bodies of potassically altered diorite. Additionally there are two areas of epithermal mineralization on the western side. These include veins and some disseminated gold in sandstones. Best results to date come from the northwest trending epithermal systems which are between 400-1,500 metres in strike length.

Work to date includes stream sediment sampling with follow-up rock-chip sampling and detailed geological mapping of prospective areas. A project-wide helicopter supported geophysical (magnetic and radiometrics) program is planned and is expected to be completed in the first half of 2013. No drilling has yet been done. Continental Gold has a geological crew dedicated to the property which is furthering the area of first pass mapping and sampling and doing detailed work in the western vein area in preparation for first pass drilling in 2013.

### **Dojura Project**

The Dojura project consists of concessions totalling 26,912 hectares (concessions and applications with technical study) and applications totalling 17,192 hectares.

The area is underlain by marine sediments which are intruded by a diorite - quartz monzonite complex. A large portion of the intrusive complex is strongly pyritic and part is characterized by porphyry-style alteration. A significant portion of the concession block has evidence of alluvial gold workings of significant size and there is significant potential for Au-Cu porphyry mineralization.

The Dojura project is subject to an option agreement dated October 4, 2006 between AngloGold and Robert W. 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.

On January 15, 2010, AngloGold made to the Company an initial payment of \$100,000, a second payment of \$150,000 on January 15, 2011 and a third payment of \$250,000 on January 15, 2012 with regard to the Dojura project. Work was halted on the Dojura project on a partial force majeure basis until such time as security conditions in the area improve. However, Continental Gold has initiated discussions with AngloGold to determine the suitability for work thereon to resume. Until that time, (a) AngloGold Ashanti Limited has paid and shall continue to pay any payments required to keep the Dojura project in good standing. Exploration expenses, as defined in the assignment agreement, will be paid when the exploration is resumed. See "Material Contracts: AngloGold Assignment Agreement".

During 2011, the Company received a summary of the results of an airborne geophysical survey performed by AngloGold over a portion of the property. The results are consistent with the long-standing recommendation that the property has potential for large-scale copper-gold porphyry style mineralization.

### **Santander Project**

The Santander property consists of concessions totalling 4,466 hectares and applications totalling 1,513 hectares. It is located 50 kilometres northeast of Bucaramanga in the California Mining District in northeastern Colombia. It is divided into three non-contiguous blocks, each at relatively high altitude in sparsely populated country with dirt road access only to parts of the concessions.

The project area is underlain by a complex assemblage of Precambrian and Palaeozoic metamorphic rocks and Cretaceous felsic-intermediate intrusions. The three blocks border the California and Vetás mining districts on the west, east, and southeast. Known mineralization in the district includes the gold deposit at Angostura (10.2 Moz measured and indicated resource, Eco Oro Minerals Corp. formerly Greystar Resources Ltd.), the significant new high-grade gold discovery recently reported by Galway Resources and numerous precious metal vein occurrences in the Vetás District.

The Company's land position is well located with respect to the concessions of the other significant mineral exploration companies in the district and known mineralization. The small triangle near the town of California is located directly along the main California-Ventana-Greystar trend, the large block to the south contains the southern extension of the Vetás gold district currently being explored by Galway and CB Gold, and the block on the northwest is along the emerging Surata trend.

Other than initial reconnaissance sampling, Continental Gold has not carried out any significant work in the area and no significant work is planned for 2012 on the property. Given the amount of interest in the area, the Santander project is a possible farm-out candidate. Concession GLU-133 is directly on trend to the southwest from the gold deposits owned by two Canadian 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 totalling 616 hectares. Two of the registered concessions are within the boundaries of a national park located approximately 65 kilometres west of Medellín.

On February 9, 2010 the Colombian Ministry of the Environment, Housing and Territorial Development introduced an amendment to the Colombian Mining Code, Law 1382. Law 1382 was designed to broaden the definition of environmentally sensitive areas where mining operations would be prohibited. Amongst other tests, an elevation test of 3,200 metres was introduced in the amendment thereby precluding the construction of a mine above this height restriction. Management of the Company has now determined that development of the Lunareja project is no longer feasible and wrote down the carrying value of the Lunareja project to zero in the first quarter of 2010.

### **Arenosa Project**

The Arenosa project consists of ten concession contracts totalling 16,688 hectares and 7 applications of 4,008 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. The concession area is underlain by a sequence of Palaeozoic metamorphic rocks that is intruded by a Cretaceous age quartz diorite body. Known mineralization consists of a number of mesothermal gold quartz veins, several of which have been worked by small miners in the past. The principal vein has been located in float and outcrop along more than four kilometres of strike, half of which is on the property. This vein reaches a maximum of four metres in width but averages about one metre.

In July 2009, the Company entered into a five-year mining agreement with Sociedad Bettel S.A., an arm's-length party. The agreement was cancelled in April 2011 as no work was done on the property during the twelve months ended December 31, 2011.

On October 27, 2011, the Company transferred its Arenosa and Zaragoza properties to Minerales OTU S.A.S. ("OTU"), a private Colombian company controlled by Grupo, in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU). Prior to the transfer, OTU held mineral properties in the vicinity of the Company's Arenosa and Zaragoza properties. The Company, along with Grupo, intends to market the properties with the intent of divesting a portion of or all of its equity interest in OTU.

### **Zaragoza Project**

The Zaragoza project consists of 35 concession contracts totalling 24,805 hectares, seven applications with technical studies totalling 7,233 hectares and nine applications totalling 9,793 hectares. The project is located in the eastern part of the Antioquia Department, 160 kilometres northeast of Medellín. It includes the towns of El Bagre, Zaragoza, and Machuca. The project is accessed from the north by paved road and there are scheduled daily flights from Medellín to both the El Bagre and Otú airports.

Elevation varies from 100 to 200 metres and the climate is semi-tropical. The greater El Bagre, Zaragoza, Frontino Mine area is one of Colombia's most significant historical gold producers with over 20 million ounces having been produced from alluvial and hard rock sources. The Company's land package has dozens of known gold occurrences. These are mostly smaller quartz veins and lodes with little documented production. They are generally mesothermal in character, and appear to be controlled by secondary structures related to the Otú strike-slip fault. Larger veins of similar geological character have been mined ten kilometres to the south at Frontino (4-5 million ounces historical production) and at the Limon Mine five kilometres south of Zaragoza, which the Company agreed to

sell in February 2009. Large-scale alluvial production has occurred in several areas adjacent to the Company's claims, especially from the Nechi River in the north.

Prior to 2010, the Company had performed first pass reconnaissance scale exploration over approximately 50% of the concession area. This work has documented the presence of several existing artisanal mining operations. A number of these including Oro Verde, La Diamantina, Machuca, and Los Delerios were sampled on multiple levels and the presence of gold-mineralized veins has been documented in all of them. Two diamond drill holes were drilled at the Limon Mine in 2008. These were successful in documenting the down-dip continuation of the vein. The mine was also de-watered and re-sampled on Levels 6 and 7 but results were such that the Company subsequently sold the property. Three additional holes were drilled at the Mangos Mine at Machuca with generally negative results. The access decline at Mangos was also rehabilitated. The Mangos Mine is now subject to a third-party operating agreement and the Company is not conducting any additional exploration in that area. The Company considers that its landholdings in the Zaragoza project area are highly prospective for numerous smaller, high-grade vein mining operations.

The potential quantity and grade of the Company's properties is conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the targets being delivered as a mineral resource.

On October 27, 2011, the Company transferred its Arenosa and Zaragosa properties to OTU in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU). Prior to the transfer, OTU held mineral properties in the vicinity of the Company's Arenosa and Zaragosa properties. The Company, along with Grupo, intends to market the properties with the intent of divesting a portion of or all of its equity interest in OTU.

## **DIVIDENDS**

There are no restrictions on the Company's ability to pay dividends on the Common Shares, other than the Company's financial position from time to time. The Company has not paid any dividends on its Common Shares and it expects to continue to retain future profits to finance further growth and does not expect to pay any dividends in the near future.

Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors including, among other things, its earnings, cash flow and financial requirements, as well as relevant legal and business considerations.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Authorized Capital**

The Company is authorized to issue up to 50,000,000,000 Common Shares with a par value of \$0.0001 per share, and up to 100,000,000 preference shares with a par value of \$0.0001, issuable in one or more series, of which there were 108,145,007 Common Shares and no preference shares issued and outstanding at December 31, 2011. As of March 7, 2012, there were 108,378,149 Common Shares and no preference shares issued and outstanding.

### **Common Shares**

The holders of Common Shares are entitled to receive notice of and attend all meetings of the shareholders of the Company and will be entitled to one vote in respect of each common share held at such meetings. Upon any liquidation, dissolution or winding-up of the Company, the holders of Common Shares will be entitled, subject to the rights of holders of any class of shares rating senior to the Common Shares in respect of any liquidation, dissolution or winding-up of the Company, to share rateably in the remaining assets of the Company.

### **Preference Shares**

Before the issue of the first shares of any series of preference shares, the board of directors of the Company must fix the number of shares within such series and determine the designation, rights, privileges, restrictions and conditions attaching to each such series, including the rate, amount or

method of calculation of dividends, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights (if any), the conversion or exchange rights attached thereto (if any), the voting rights attached thereto (if any), and the terms and conditions of any share purchase plan or sinking fund, and file articles of amendment containing a description of such series. As a class, the preference shares will have priority over the Common Shares and over any other shares of the Company ranking junior to the preference shares with respect to priority in the payment of dividends and the distribution of assets among the Company's shareholders.

## **MARKET FOR SECURITIES**

### **Price Range and Trading Volume**

The Common Shares are listed and posted for trading on the TSX under the symbol "CNL" and began trading on the TSX on April 19, 2010. The Warrants are also posted for trading on the TSX under the symbol "CNL.WT" and began trading on January 17, 2011.

The following table sets forth information relating to the closing Common Share price trading ranges and volume of Common Shares traded by month in 2011 based on information published by the TSX.

<b>Period</b>	<b>High (C\$)</b>	<b>Low (C\$)</b>	<b>Volume</b>
January 2011	10.27	7.50	4,642,414
February 2011	9.75	8.11	10,203,652
March 2011	10.49	8.27	6,868,694
April 2011	8.83	7.55	6,037,926
May 2011	8.60	6.87	3,068,366
June 2011	8.30	6.91	4,940,029
July 2011	7.89	6.89	4,516,410
August 2011	7.68	5.73	10,644,883
September 2011	8.95	6.24	16,447,439
October 2011	8.49	6.45	5,614,403
November 2011	9.62	7.30	11,484,547
December 2011	9.60	6.50	6,738,844

## **ESCROWED SECURITIES**

To the knowledge of the Company, there were no Common Shares held in escrow as at December 31, 2011.

A total of 35,097,441 Common Shares (the "Escrowed Shares") held by promoters and insiders of Continental Gold and/or the associates or affiliates of such persons, were escrowed pursuant to the terms of an escrow agreement dated March 1, 2010 with Olympia Transfer Services Inc., entered into upon completion of the Amalgamation. Approximately 25% of the Escrowed Shares were released upon the listing of the Common Shares on the TSX on April 19, 2010, and a further 25% were released on each of the six-month, 12-month and 18-month anniversaries of the TSX listing on October 19, 2010, April 19, 2011, and October 19, 2011, respectively. No Common Shares remain in escrow. The promoters and insiders of the Continental Gold, and/or associates or affiliates of such persons, also deposited a total of 1,497,115 common share purchase warrants into escrow under the same escrow agreement, which have been released in equal installments of 25% on the same escrow release schedule as outlined above for the Escrowed Shares.

## DIRECTORS AND OFFICERS

The following table sets out the name, province and country of residence, position held with the Company and period(s) during which each director of the Company has served as a director, the principal occupation of each director and executive officer of the Company. Each director holds office until the next annual meeting of shareholders of the Company or until his successor is elected or appointed. The term of office of the officers expires at the discretion of the Company's directors.

Name and Municipality of Residence	Current Position with the Company	Principal Occupation	Director/ Officer Since
Robert W. Allen Medellin, Colombia	Chairman of the Board of Directors	Chairman and director, Grupo de Bullet S.A.	2007
Ari B. Sussman Ontario, Canada	Chief Executive Officer and Director	Chief Executive Officer of the Company	2010
Patrick F.N. Anderson <sup>(2)</sup> Ontario, Canada	Director	Chairman and Chief Executive Officer, Dalradian Resources Inc.	2010
James S. Felton <sup>(1)(2)</sup> Medellin, Colombia	Director	Vice President of Business Development, Grupo de Bullet S.A.	2008
Jaime I. Gutiérrez <sup>(1)(2)</sup> Medellin, Colombia	Director	General Manager, Gutiérrez Investments (CIIGSA)	2007
Paul J. Murphy <sup>(1)</sup> Ontario, Canada	Director	Executive Vice President, Finance and Chief Financial Officer, Guyana Goldfields Inc.	2010
Timothy A. Warman <sup>(1)(2)</sup> Ontario, Canada	Director	President & Chief Executive Officer, Malbex Resources Inc.	2010
Mark Moseley-Williams Medellin, Colombia	President and Chief Operating Officer	President and Chief Operating Officer of the Company	2010
Paul P. Begin Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Company	2011
Gustavo J. Koch Medellin, Colombia	Executive Vice President	Executive Vice President of the Company	2007
Mauricio Castaneda Medellin Colombia	Vice President, Exploration	Vice President, Exploration of the Company	2011
Christian Grainger Medellin, Colombia	Vice President, Exploration – Regional	Vice President, Exploration – Regional of the Company	2011

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance, Nominating and Compensation Committee.

Based on the disclosure available on the System for Electronic Disclosure by Insiders (SEDI), as of March 7, 2012, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over approximately 26,537,578 Common Shares, representing approximately 24.5% of the total number of Common Shares outstanding.

The principal occupations, businesses or employments of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies set out below.

### *Robert Allen, Chairman and Director*

Mr. Allen has been the Chairman and a director of the Company since completion of the Amalgamation and held the same position in the predecessor Continental since September 2007. Mr. Allen has over 40 years of experience in the mining industry. Mr. Allen has been involved in the identification, financing, and development of oil, gas, coal, and precious metals properties in the United States and

South America for over thirty years. Since 1994, Mr. Allen has served as the Chairman and director of Grupo de Bullet S.A., a private Colombian company dedicated to the exploration, development, and mining of metal and industrial mineral deposits in Colombia, South America. For the last twenty years, Grupo and its predecessors have maintained an on-site, working presence in Colombia. Due to its long-term presence in Colombia, Grupo has developed an extensive portfolio of gold, copper, and polymetallic mineral projects totalling over 4,000,000 hectares in the core zones of many of the most important precious metal and base metal camps in Colombia. Grupo selected the Colombia Projects which have been transferred to Continental Gold. Mr. Allen has been dedicated to the development of Grupo's Colombian project portfolio and has been responsible for all of Grupo's key acquisitions including the Colombia Projects. Mr. Allen also controls Bullet, which is the principal shareholder of Continental Gold, and he is a promoter of Continental Gold.

*Ari Sussman, Chief Executive Officer and Director*

Mr. Sussman has been Chief Executive Officer and a director of the Company since completion of the Amalgamation. Prior to the Amalgamation, Mr. Sussman was President of Cronus Resources Ltd. from July 2005 until the Amalgamation. Mr. Sussman is also Executive Chairman of Colossus Minerals Inc. and is on the board of directors of Dalradian Resources Inc. Mr. Sussman has over 15 years of experience in both the resources and investment markets sectors. Having dedicated the majority of his career to the natural resources industry, Mr. Sussman has been instrumental in sourcing, funding and developing high-quality mineral assets.

*Patrick Anderson, Director*

Patrick Anderson is an exploration geologist, entrepreneur, and business executive with over 16 years of experience working in the resource sector. After graduating with a geology degree from the University of Toronto, he held the role of resident project geologist on a successful kimberlite exploration program in Venezuela. Since then, he has been a consulting geologist on gold, base metals and diamond projects for junior explorers, major producers and mineral industry consulting firms in South America, North America and Europe. From 2003 to 2009, Mr. Anderson was Director, President, Chief Executive Officer and co-founder of Aurelian Resources Inc., which discovered a 13.7 million ounce gold deposit in 2006 and was acquired by Kinross Gold in 2008. Mr. Anderson serves on the boards of Colossus Minerals Inc., Noront Resources Ltd. and Continental Gold. He was named Mining Man of the Year by The Northern Miner in 2009 and received the PDAC's Thayer Lindsley Award for international discovery in 2008. Mr. Anderson is currently the Chief Executive Officer and Chairman of Dalradian Resources Inc.

*James Felton, Director*

Mr. Felton has been a director of the Company since the Amalgamation and was previously a director of the predecessor Continental Gold Limited since April 2008. Mr. Felton is a business and financial consultant with an emphasis on corporate finance and international capital markets. He is presently the Vice President of Business Development at Grupo since 2008 and has over eight years of Colombian experience. Prior to that, Mr. Felton worked at the University of Arkansas in Little Rock, Arkansas. Mr. Felton has a B.Sc. (Commerce) from Washington and Lee University with a Major in Business Administration and Accounting.

*Jaime I. Gutiérrez, Director*

Mr. Gutiérrez has been a director of the Company since completion of the Amalgamation and was previously a director of the predecessor Continental Gold Limited since May 2007. Since 2004, Mr. Gutiérrez has been a General Manager of Gutiérrez Investments (CIIGSA), a privately-owned refining company and one of the largest in Colombia. Mr. Gutiérrez was a Manager with C.I Trade S.A., a privately-owned refining company, from 1997 to 2004. Mr. Gutiérrez's career has focused on the establishment of purchase and sale policies of precious metals which includes analysis of pricing, development of new technologies, liaison with suppliers, customers and union representatives, and government compliance. Mr. Gutiérrez holds bachelor degrees in civil engineering and finance from universities in Medellín, Colombia. He is a member of the National Association of Foreign Trade – Analex and The Colombian Mining Association (Asomineros).

*Paul Murphy, Director*

Paul Murphy is a retired partner of PricewaterhouseCoopers LLP (1981-2010), where he served as National Mining Leader and West Cluster Leader in Canada. Throughout his career, Mr. Murphy has worked primarily in the resource sector and his clients have included major international oil and gas, and mining companies. Mr. Murphy's professional experience includes financial reporting controls, operational effectiveness, international financial reporting standards and SEC reporting issues, financing, valuation, and taxation as they pertain to the mining sector. Mr. Murphy has a Bachelor of Commerce degree from Queen's University and has been qualified as a chartered accountant since 1975. More recently, Mr. Murphy joined Guyana Goldfields Inc. as its Executive Vice President of Finance and Chief Financial Officer, and is also a director of Alamos Gold, Inc.

*Timothy Warman, Director*

Timothy Warman is a professional geologist with over 20 years of experience in all phases of the mining industry, from grass roots exploration through feasibility and development. Mr. Warman is currently the President and Chief Executive Officer of Toronto-based junior exploration company, Malbex Resources since February 2009. Previously, he held the role of Vice President, Corporate Development of Aurelian Resources Inc. from 2006 to 2008, where he liaised with the exploration team in Ecuador, initiated and managed early-stage development studies, marketed Aurelian to international investors and played a significant role in successfully negotiating the \$1.2 billion acquisition of Aurelian by Kinross Gold Corporation. Prior to Aurelian, Mr. Warman held senior positions in a number of mining and exploration companies in North America, Africa and Europe.

*Mark Moseley-Williams, President and Chief Operating Officer*

Mr. Moseley-Williams, a citizen of Colombia and the United Kingdom, holds a BSc. Mining Engineering degree from the Colorado School of Mines and an MBA from the Cranfield School of Management in the United Kingdom. Having been raised in Colombia, he is fluent in both Spanish and English. Mr. Moseley-Williams has over 16 years of experience in mine construction, expansion projects and operations in North, Central and South America. His most recent positions were Operations Manager for Agnico-Eagle's Pinos Altos Mine located in Chihuahua, Mexico from 2008-2009 (where he was responsible for all underground and open pit operations as well as the mine's engineering and planning requirements), and Vice-President, Project Development for Fortuna Silver Mines from 2007 to 2008. In his previous roles, he acquired expertise in a variety of fields including corporate development, project development, corporate social responsibility and environmental permitting.

*Paul Begin, Chief Financial Officer*

Mr. Begin served as Chief Financial Officer and Corporate Secretary for Hanfeng Evergreen Inc., a leading developer and producer of value added fertilizers in China and South East Asia, from 2009 until 2011, and Vice President and Chief Financial Officer of Trilliant Incorporated (formerly OZZ Corporation), a network solutions provider from 2004 until 2009. Prior to that, Mr. Begin served as Corporate Controller at MDC Partners Inc., a Canadian-based marketing communications and secure transactions company. Mr. Begin obtained his Chartered Accountants designation with BDO Dunwoody, LLP. Mr. Begin holds a Bachelor of Arts (Honors) degree in Political Science from the University of Western Ontario and a Master's degree in Business Administration from the University of Toronto. Mr. Begin joined the Company as Chief Financial Officer on May 18, 2011.

*Gustavo Koch, Executive Vice President*

Mr. Koch has been an Executive Vice President of the Company since completion of the Amalgamation and was a director and General Counsel of the predecessor Continental Gold Limited since September 2007. From 1994 to 2007, Mr. Koch held various positions with Grupo as Manager, Colombian Division Officer and Operating Manager. From 1993 to 1994 Mr. Koch was an Associate with the International Law Institute in Washington. Between 1992 and 1993 he was an Associate at the Latin American Mining Institute where he was responsible for editing *The South American Investment and Mining Guide* and *The Mexican and Central American Investment and Mining Guide*. Mr. Koch was a solicitor with Koch & Arroyo from 1988 to 1991 in Santa Fe, Argentina and was also a Staff Attorney for the Argentina Department of Transportation in 1990. Mr. Koch has a L.L.M in International Trade and Banking from the Washington College of Law and also attended the University Nacional Del

Litoral, School of Law (J.D. Equivalent) in Argentina. He has been admitted to practice law in Argentina.

*Mauricio Castaneda, Vice-President, Exploration*

Mauricio Castañeda has over 10 years of experience as a geologist and is skilled in production stage and underground exploration. He joined the Company in April 2009, initially as the Company's Exploration Manager. Prior to Continental Gold, Mr. Castañeda held senior positions as a geologist in a number of exploration and mining companies in Colombia, including Anglo American Colombia Exploration, ColGold Inc. Colombia, Consorcio de Inversionistas S.A. and Mineros Nacionales S.A.

*Christian Grainger, Vice President, Exploration – Regional*

Christian Grainger has over 15 years of experience as a geologist in Latin America, Australia and West Africa, specializing in grassroots and brownfields exploration, resource definition and development within a number of different commodities and diverse geological environments. Prior to joining Continental Gold, Dr. Grainger was the Chief Geologist for Colossus Minerals Inc., where he was responsible for all aspects of resource definition and exploration drilling, resource modelling and target generation within and adjacent to the world-class Serra Pelada gold-platinum-palladium deposit. Additionally, Dr. Grainger has held senior level positions at Troy Resources, LionOre Australia, INCO Brazil, and CVRD Brazil. He holds a Bachelor of Science (first class honors) and a PhD in Economic Geology from the University of Western Australia.

**Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade or similar order, or an order that denied the company access to any exemption under securities legislation, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade or similar order, or an order that denied the company access to any exemption under securities legislation, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer, that was in effect for a period of more than 30 consecutive days.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is as of the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## Conflicts of Interest

To the best of the Company's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Company and any directors or officers of the Company, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public or private companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the laws and regulations governing the Company and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. See "Description of the Business – Risks of the Business – Conflicts of Interest".

## AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Company's external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full Board of Directors.

The Audit Committee's charter sets out explicitly the roles and responsibilities of the Audit Committee and is reviewed annually by the Board of Directors. A copy of the charter is attached hereto as Schedule "A".

During the year ended December 31, 2011, the Audit Committee was comprised of four directors: Paul Murphy (Chair), James Felton, Jaime I. Gutiérrez, and Timothy Warman. In addition to being independent directors, all members of the Company's Audit Committee must meet an additional "independence" test under Canadian Multilateral Instrument 52-110, "Audit Committees" in that their directors' fees are the only compensation they, or their firms, receive from the Company and that they are not affiliated with the Company. Each member of the Audit Committee is financially literate within the meaning of Multilateral Instrument 52-110.

## Relevant Education and Experience

Set out below is a description of the education and experience of each of the Company's four current audit committee members, which is relevant to the performance of his responsibilities as an Audit Committee member.

- Paul Murphy is the Executive Vice-President, Finance and Chief Financial Officer of Guyana Goldfields Inc. Mr. Murphy previously served as a partner with PricewaterhouseCoopers LLP from 1981 to 2010. Mr. Murphy is a graduate of Queens University and has been a Chartered Accountant (C.A.) since 1975.
- James Felton is a business and financial consultant with an emphasis on corporate finance and international capital markets. He is presently the Vice President of Business Development at Grupo. Mr. Felton has a B.Sc. (Commerce) from Washington and Lee University with a Major in Business Administration and Accounting.
- Since 2004, Jaime I. Gutiérrez has been a General Manager of Gutiérrez Investments (CIIGSA), a privately-owned refining company and one of the largest in Colombia. Mr. Gutiérrez was a Manager with C.I Trade S.A., a privately-owned refining company, from 1997 to 2004. Mr. Gutiérrez holds bachelor degrees in civil engineering and finance from universities in Medellín, Colombia.

- Timothy Warman is a professional geologist with over 20 years of experience in all phases of the mining industry. He held the role of Vice President, Corporate Development of Aurelian Resources Inc., marketed Aurelian to international investors and played a significant role in successfully negotiating the \$1.2 billion acquisition of Aurelian by Kinross Gold Corporation. Prior to Aurelian, Mr. Warman held senior positions in a number of mining and exploration companies in North America, Africa and Europe. Mr. Warman is currently the President & Chief Executive Officer of Malbex Resources Inc.

### Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

### External Auditor Service Fees

The following table provides information about the fees billed (in Canadian dollars) to the Company for professional services rendered by the Company's current external auditors, PricewaterhouseCoopers LLP, and former external auditors, McGovern Hurley Cunningham LLP, during 2011 and 2010:

	2011 (\$)	2010 <sup>(1)</sup> (\$)
Audit Fees	58,865	45,000
Audit-related Fees	140,066	75,916
Tax Fees	53,744	-
All Other Fees	-	118,300
<b>Total</b>	<b>252,675</b>	<b>239,216</b>

<sup>(1)</sup> The company changed auditors effective December 7, 2010.

### Audit Fees

The audit fees relate to the audit of the annual financial statements of the Company and certain statutory audits outside of Canada.

### Audited-related Fees

The audit-related fees are the aggregate fees paid to the auditors for assurance and related services that are reasonably related to the performance of the auditor review of the Company's financial statements that are not reported under 'Audit Fees', including statutory audits of the Company's Colombian branch, work done in connection with offerings completed by the Company and analysis relating to the early phases of the Company's conversion to IFRS.

### Tax Fees

The tax fees relate to tax compliance, tax advice and tax planning issues.

### All Other Fees

All other fees are the aggregate fees paid to the auditors for products and services other than as reported above.

## PROMOTER

Other than as set forth below, no person or company has within the two most recently completed financial years, or is during the current financial year, been a promoter of Continental Gold or a subsidiary thereof.

Robert W. Allen, the Chairman of Continental Gold, who is resident in Medellin, Colombia, may be considered to be a Promoter of the Company as he took the initiative in organizing the business of the Company and its predecessors. The number of Common Shares currently beneficially owned, or

controlled or directed, directly or indirectly, by Mr. Allen and his affiliates and associates is 23,170,353, representing approximately 21.4% of the issued and outstanding Common Shares as at December 31, 2011. Within the two most recently completed financial years prior to the date hereof, Robert W. Allen has been involved in certain transactions with Continental Gold pursuant to which assets have been disposed of or sold by him to Continental Gold as set forth below. Grupo and Bullet are entities controlled by Mr. Allen.

- (1) On May 5, 2011, the Company acquired from Mr. Allen (i) title to mineral concession contracts and rights to mineral applications adjacent to the Buriticá Project; and (ii) title to concession contracts adjacent to the Dominical project for \$6,500,000 paid in \$2,000,000 cash and 495,106 Common Shares valued at \$4,500,000.
- (2) On October 27, 2011, the Company transferred its Arenosa and Zaragosa properties to OTU, a Colombian company controlled by Grupo, in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU). Prior to the transfer, OTU held mineral properties in the vicinity of the Company's Arenosa and Zaragosa properties. The Company, along with Grupo, intends to market the properties with the intent of divesting a portion of or all of its equity interest in OTU.
- (3) On November 22, 2011, the Company entered into a one-year consulting agreement with Bullet for certain services to be provided by Bullet for a monthly fee of \$20,000. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company was not during fiscal 2011, and is not currently, a party to, nor was/is any of its properties the subject of, any legal proceedings, or any known to be contemplated, which involve a material claim for damages within the meaning of applicable securities legislation.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during fiscal 2011, or any other time that would likely be considered important to a reasonable investor making an investment decision in the Company, and the Company has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during fiscal 2011.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the directors, executive officers or persons or companies who beneficially own, or control or direct, directly or indirectly, more than 10 percent of any class of outstanding voting securities of the Company, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the past three financial years or during the current financial year, that has materially affected or is reasonably expected to have material effect on the Company.

#### **TRANSFER AGENTS AND REGISTRAR**

During the year ended December 31, 2011, the transfer agent and registrar for the Common Shares and the warrant agent for the listed Warrants of the Company was Olympia Transfer Services Inc., Suite 920, 120 Adelaide Street West, Toronto, Ontario Canada M5H 1T1. Effective February 15, 2012, the transfer agent and registrar for the Common Shares of the Company is Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario Canada M5J 2Y1.

## MATERIAL CONTRACTS

The only material contracts entered into by the Company, other than in the ordinary course of business, within the most recently completed financial year, or prior thereto and are still in effect, are described below. Copies of these material contracts are available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

- (a) Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia dated December 20, 2007, between Continental Gold and Bullet, whereby Bullet assigned to Continental Gold certain holdings of mineral rights in Colombia (see "Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia" below);
- (b) Bullet Option Agreement dated January 16, 2008, between Bullet and Continental Gold whereby Bullet granted Continental Gold the option to acquire certain mineral rights in Colombia (see "Bullet Option Agreement" below);
- (c) Assignment Agreement dated June 4, 2008, among Continental Gold, Robert W. Allen and AngloGold Ashanti Limited, whereby Robert W. Allen agreed to assign to Continental Gold his rights, title and interest in the Head of Terms for the Newco Joint Venture Agreement dated October 4, 2006, between Allen and AngloGold Ashanti Limited (see "Assignment Agreement" below);
- (d) the Underwriting Agreement dated September 16, 2010 among the Company and TD Securities Inc., Clarus Securities Inc., Dundee Securities Corporation, GMP Securities L.P. and Macquarie Capital Markets Canada Ltd. in connection with the September 16, 2010 equity financing consisting of the issue of 12,000,000 units at a price of C\$5.70 per unit or gross proceeds of C\$68.4 million (see "General Development of the Business – Three-Year History"); and
- (e) the Warrant Indenture dated September 16, 2010 between the Company and Olympia Transfer Services Inc. providing for the issue of up to 6,360,000 Warrants in connection with the September 16, 2010 equity financing consisting of the issue of 12,000,000 units at a price of C\$5.70 per unit or gross proceeds of C\$68.4 million (see "General Development of the Business – Three-Year History").

### Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia

Bullet transferred and assigned to Continental Gold certain holdings of the mineral rights in Colombia over which it had direction and control (the "Colombia Projects Rights") pursuant to the Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia between Bullet and Continental Gold dated December 20, 2007 (the "Concession Sale Agreement") with the result that Continental Gold assumed all of the obligations of each of the Colombia Projects Rights as of December 20, 2007. Bullet is controlled by Robert W. Allen, the Chairman and the promoter of Continental Gold (see "Directors and Officers" and "Promoter"). The value of the Colombia Project Rights was determined to be \$25,995,091, and Continental Gold provided the following to Bullet in consideration of the sale and assignment of the Colombia Projects Rights to Continental Gold:

- (a) issued to Bullet 84,000,000 common shares of the Company at a deemed value of \$0.2995 per share;
- (b) issued to Bullet 3,000,000 units at a deemed value of \$0.3636 per unit, each unit consisting of one common share of the Company at a deemed value of \$0.2995 per share and one-half of one Continental Gold share purchase warrant at a deemed value of \$0.0642 per one-half of a share purchase warrant or \$0.1284 per whole share purchase warrant; and
- (c) reimbursed Bullet in the amount of \$447,652 for certain expenditures Bullet had made on the mineral properties during 2007.

Bullet agreed to hold the Colombia Projects Rights in trust for Continental Gold and acknowledged that neither it nor any third party has any beneficial interest in the Colombia Projects Rights, and agreed to execute such transfers, assignments and other documents required for the purpose of recording title to the Colombia Projects Rights in the name of Continental Gold. Pursuant to the Concession Sale Agreement, the completion of the assignment of legal ownership of the Colombia Projects Rights takes place progressively as the Colombia Projects Rights are assigned or granted and assigned. See "Interests of Management and Others in Material Transactions".

### **Bullet Option Agreement**

Bullet controls or is the beneficiary of mineral rights in Colombia (collectively, the "Mineral Rights") some of which are registered in the mining registry ("Current Mineral Rights"), others for which registration is pending ("Beneficial Mineral Rights") and the remainder which are applications for mineral rights presented before the competent authority which are currently being processed ("After Acquired Mineral Rights"). Continental Gold has an option to acquire the Mineral Rights from Bullet pursuant to the Bullet Option Agreement between Continental Gold and Bullet dated January 16, 2008.

The following is a summary of the Bullet Option Agreement:

- (a) the Bullet Option Agreement is in effect until September 7, 2012, and, for this purpose, the After Acquired Mineral Rights include any further applications made for mineral rights by Bullet until September 7, 2012;
- (b) the purchase price for Mineral Rights acquired under the Bullet Option Agreement is based on market value as negotiated by the parties, or as determined by an independent mutually acceptable expert whose opinion shall be binding, pursuant to the following formula:
  - (i) 25% of the market value plus all other expenses incurred by Bullet in respect of Current Mineral Rights and Beneficial Mineral Rights; and
  - (ii) 100% of the market value in respect of After Acquired Mineral Rights;
- (c) the purchase price for Mineral Rights acquired under the Bullet Option Agreement may be paid in cash or Common Shares as Continental Gold may elect in its sole discretion, subject to regulatory approval, and such shares shall be valued on the basis of a twenty day weighted average trading price formula;
- (d) if the Mineral Rights acquired under the Bullet Option Agreement are subject to a joint venture with a third party, Bullet is entitled to 25% of the benefits derived by Continental Gold from such joint venture for the duration of the joint venture;
- (e) if Continental Gold elects to acquire Mineral Rights under the Bullet Option Agreement but does not complete such acquisition, such Mineral Rights are no longer subject to the Bullet Option Agreement and may not be acquired by Continental Gold in the future;
- (f) Bullet retains the right to explore, exploit, recover and commercialize non-metallic minerals that may occur in the Mineral Rights, with the result that Continental Gold has no right to non-metallic minerals and should non-metallic minerals be found on any property acquired by Continental Gold pursuant to the Bullet Option Agreement, or in another property owned by Continental Gold within three kilometres from each point on the outermost boundaries of such Mineral Rights, then the rights to non-metallic minerals on all such Mineral Rights and mineral properties shall be re-conveyed to Bullet for no further consideration; and
- (g) if within twelve months of acquisition under the Bullet Option Agreement Continental Gold does not explore or develop, or chooses to relinquish its interest in such Mineral Rights, then such Mineral Rights shall be re-conveyed to Bullet for no further consideration.

## AngloGold Assignment Agreement

Pursuant to the AngloGold Assignment Agreement between Continental Gold, Robert W. Allen and AngloGold Ashanti Limited dated June 4, 2008, Robert W. Allen agreed to assign his rights, title and interest in the "Head of Terms for the Newco Joint Venture Agreement" between AngloGold Ashanti Limited and Robert W. Allen dated October 4, 2006 (the "AngloGold Joint Venture") to Continental Gold. The terms of the AngloGold Joint Venture and the AngloGold Assignment Agreement are described below.

### *AngloGold Joint Venture*

AngloGold Ashanti Limited and Robert W. Allen entered into the AngloGold Joint Venture on October 4, 2006 to explore and develop certain mineral rights which were owned by Robert W. Allen as follows: (a) the Dojura Project; (b) the Cerro Negro/Dominical Project (herein known as the, "Dominical Project"); and (c) the Paramo de Frontino Project, together with all areas within two kilometres from the boundaries of these projects (collectively the "Projects").

Pursuant to the AngloGold Joint Venture, AngloGold Ashanti Limited has agreed to pay Robert W. Allen an amount of \$50,000 ("Initial Due Diligence Payment") and amounts of \$20,000 over 30 day periods for a total of \$100,000 (the "Additional Due Diligence Payments") in exchange for which Robert W. Allen has granted AngloGold Ashanti Limited the exclusive right for a period of six months (the "Due Diligence Period"), at AngloGold Ashanti Limited's cost including costs to maintain the mining interests in good standing, to review the Projects and make a determination as to which of the Projects (the "Selected Projects") shall be encompassed by the Business Relationship (as defined below) as between AngloGold and Robert W. Allen. At the end of the Due Diligence Period and after the aforementioned payments have been received by Robert W. Allen, AngloGold Ashanti Limited shall have the right to earn up to a 51% interest in the AngloGold Joint Venture by:

- (i) upon the expiration of the Due Diligence Period, paying Robert W. Allen \$100,000 for each of the Selected Projects in which AngloGold Ashanti Limited wishes to earn a 51% interest;
- (ii) during the 12-month period following the Due Diligence Period, spending \$450,000 in exploration expenses on each of the Selected Projects in which AngloGold Ashanti Limited wishes to earn up to a 51% interest;
- (iii) at the end of the 12-month period from the end of the Due Diligence Period, paying Robert W. Allen the amount of \$150,000 for each of the Selected Projects in which AngloGold Ashanti Limited wishes to earn up to a 51% interest;
- (iv) during the 13 to 24 month period following the end of the Due Diligence Period, spending \$750,000 in exploration expenses on each of the Selected Projects in which AngloGold Ashanti Limited wishes to earn up to a 51% interest;
- (v) at the end of the 24-month period following the end of the Due Diligence Period paying Robert W. Allen the amount of \$250,000 for each of the Selected Projects in which AngloGold Ashanti Limited wishes to earn up to a 51% interest;
- (vi) during the 25 to 36 month period following the end of the Due Diligence Period, spending \$1,000,000 in exploration expenses on each of the Selected Projects in which AngloGold Ashanti Limited wishes to earn up to a 51% interest;
- (vii) at the end of the 36-month period following the end of the Due Diligence Period, pay Robert W. Allen the amount of \$500,000 for each of the Selected Projects in which AngloGold Ashanti Limited wishes to earn up to a 51% interest; and

- (viii) fulfill the payment of the exploration expenses through an AngloGold Ashanti Limited nominee, Sociedad Kedahda S.A. ("Kedahda"), and exploration expenses exceeding the amounts required shall carryforward to the next 12-month period,
- (collectively, the "51% Payments").

The Anglo-Gold Joint Venture further provides that after the 36-month period following the Due Diligence Period and during the following 36-month period or until such time as a feasibility study is completed to the satisfaction of AngloGold Ashanti Limited whichever occurs first (the "Post-Three Year Period"), AngloGold Ashanti Limited shall have the right to earn an additional 24% interest in the AngloGold Joint Venture for a total 75% interest by making payments to Robert W. Allen in the amounts of \$200,000 for each of the Selected Projects as follows:

- (a) at the end of the 42-month period following the Due Diligence Period;
- (b) at the end of the 48-month period following the Due Diligence Period;
- (c) at the end of the 54-month period following the Due Diligence Period;
- (d) at the end of the 60-month period following the Due Diligence Period;
- (e) at the end of the 66-month period following the end of the Due Diligence Period; and
- (f) at the end of 72 months following the Due Diligence Period.

(collectively, the "Post-Three Year Period Payments").

At the end of the Post-Three Year Period and after the Post-Three Year Period Payments have been made, AngloGold Ashanti Limited shall make a payment to Robert W. Allen in the amount of \$2,500,000 (the "75% Payment") for each of the Selected Projects.

Prior to or through the end of the Due Diligence Period and after the Initial Due Diligence Payment and the Additional Due Diligence Payments have been made, AngloGold Ashanti Limited has the right to establish a business relationship (the "Business Relationship") with Robert W. Allen. The terms of the Business Relationship will be that AngloGold Ashanti Limited, or a related affiliate entity (the "AngloGold Entity") shall establish an off-shore company in a jurisdiction determined by AngloGold Ashanti Limited (the "Off-Shore Company") in which the AngloGold Entity has the right to ultimately own a 75% ownership interest in the Projects and Robert W. Allen shall have a 25% ownership interest. A shareholders' agreement will be entered into between AngloGold Ashanti Limited and Robert W. Allen.

The AngloGold Entity shall establish in Colombia, a branch of the Off-Shore Company (the "Branch"). The Branch shall be the holder of the mineral interests and the legal representative of the Branch shall be appointed by the AngloGold Entity.

The Branch shall enter into a contract with Kedahda to carry out the development and exploration work for the Projects. Kedahda shall be the operator in charge of the entire program and provide the AngloGold Entity and Robert W. Allen with semi-annual reports.

The shares in the Off-Shore Company shall be delivered to the AngloGold Entity and Robert W. Allen upon the payments being made by AngloGold Ashanti Limited to earn the 51% interest and subsequently upon the payments being made by AngloGold Ashanti Limited to earn the additional 24% interest, if applicable, resulting in the AngloGold Entity owning up to a 75% interest and Robert W. Allen owning a 25% interest in the Off-Shore Company.

In the event that AngloGold does not elect to exercise its option to earn an additional 24% interest in the Off-Shore Company, the parties agree that Kedahda shall continue to act as the operator.

Upon the AngloGold Entity earning a 75% interest in the Off-Shore Company, both Robert W. Allen and AngloGold Ashanti Limited shall contribute its share of the approved expenditures in proportion to their respective ownership interest.

Upon the AngloGold Entity acquiring its 75% interest, Robert W. Allen may choose to sell his 25% interest in the Off-Shore Company, at the fair market value, to the AngloGold Entity or to a third party.

### *AngloGold Assignment Agreement*

Pursuant to the AngloGold Assignment Agreement, in consideration for the retention by Robert W. Allen of 25% of the cash payments made and to be made in the future by AngloGold Ashanti Limited pursuant to the AngloGold Joint Venture on or after September 7, 2007, Robert W. Allen assigned all of his rights, title and interest in the AngloGold Joint Venture to Continental Gold. Continental Gold agreed to assume all obligations of Robert W. Allen under the AngloGold Joint Venture.

The AngloGold Assignment Agreement confirms that AngloGold has paid the Initial Due Diligence Payment and the Additional Due Diligence Payments to Robert W. Allen and that AngloGold Ashanti Limited has selected the Dominical Project and the Dojura Project as the Selected Projects.

Work was halted on the Dojura Project on a force majeure basis; however, Continental Gold has initiated discussions with AngloGold to determine the suitability for work thereon to resume. Until that time, (a) AngloGold Ashanti Limited has paid and shall continue to pay any payments required to keep the Dojura Project in good standing, and (b) in reference to the 51% Payments with respect to the Dojura Project, payments to Robert W. Allen shall continue. Exploration Expenses, as defined in the AngloGold Assignment Agreement will be paid when the exploration is resumed.

With respect to the Dominical Project, the Due Diligence Period ended on April 4, 2007, and AngloGold Ashanti Limited has made, completed or determined the following:

- (i) all rental, maintenance and other payments required to keep the Dominical Project in good standing have been made;
- (ii) 51% Payments have been made as follows:
  - (a) a cash payment to Robert W. Allen in the amount of \$100,000 on April 4, 2007;
  - (b) exploration expenditures of \$483,700 were incurred during the twelve month period ended April 4, 2008 (the minimum obligation was \$450,000);
  - (c) cash payment to Robert W. Allen of \$150,000 (which amount has been reimbursed to Continental Gold as a result of the assignment) of which 25% or \$37,500 has been paid to Robert W. Allen pursuant to the terms of the Assignment;
  - (d) a cash payment to Robert W. Allen of \$250,000 (which amount has been reimbursed to Continental Gold as a result of the assignment) of which 25% or \$62,500 has been paid to Robert W. Allen pursuant to the terms of the Assignment; and
  - (e) exploration expenditures of \$407,498 were incurred during the twelve month period ended April 4, 2009 (the minimum obligation was \$750,000 representing a shortfall of \$342,502 and Continental Gold, Robert W. Allen and AngloGold Ashanti Limited entered into an agreement to add this amount to the minimum exploration expenditure of \$1,000,000 for the twelve months ended April 4, 2010 such that the amended minimum exploration expenditure for the twelve months ended April 4, 2010 is \$1,342,502).
- (iii) AngloGold has not determined to establish a Business Relationship with respect to the Dominical Project to date; and
- (iv) title to the Dojura Project and the Dominical Project have been assigned by Robert W. Allen to Continental Gold and AngloGold Ashanti Limited has consented thereto.
- (v) On February 5, 2010 AngloGold notified the Company that they would no longer be carrying out exploration activity on the Dominical project. The property has now reverted 100% back to the Company.

## INTERESTS OF EXPERTS

The following are the names of each person or company who is named as having prepared or certified a report, valuation, statement or opinion during or relating to the financial year ended December 31, 2011, whose profession or business gives authority to such report, valuation, statement or opinion:

1. PricewaterhouseCoopers LLP, Chartered Accountants (regarding the Company's financial statements for the fiscal year ended December 31, 2011, and auditor's report thereon). PricewaterhouseCoopers LLP has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario; and
2. Andrew Vigar, FAusIMM, MSEG, and Martin Recklies, MAIG, each of Mining Associates (regarding the MA Buriticá Report), and Mark Moseley-Williams, President and Chief Operating Officer of the Company (regarding the technical information relating to the June 2011 Exploration Update).

The MA Buriticá Report is available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com) and a summary of such report is contained in this annual information form under "Description of the Business – Material Mineral Property".

The aforementioned firm and persons held either less than one percent or no securities of the Company or of any associate or affiliate of the Company at or following the time when they prepared the MA Buriticá Report or the technical information relating to the June 2011 Exploration Update, as applicable, and either did not receive any or received less than a one percent direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of the MA Buriticá Report or the technical information relating to the June 2011 Exploration Update, as applicable.

Other than Mark Moseley-Williams, President and Chief Operating Officer of the Company, none of the aforementioned persons, nor any directors, officers or employees of such aforementioned firms, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Company's management information circular filed in connection with its 2010 annual shareholders' meeting. Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the fiscal year ended December 31, 2011. Additional financial information relating to the Company may also be found under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## GLOSSARY

<b>"Assay"</b>	means to test ores or minerals by chemicals or other methods for the purpose of determining the amount of valuable metals contained.
<b>"Ag"</b>	means silver.
<b>"Au"</b>	means gold.
<b>"Base Metal"</b>	means a classification of metals usually considered to be of low value and higher chemical activity when compared with the precious metals (gold, silver, platinum, etc.). This nonspecific term generally refers to the high-volume, low-value metals copper, lead, tin, and zinc.
<b>"Breccia"</b>	means rock consisting of fragments, more or less angular, in a matrix of finer-grained material or of cementing material.
<b>"CIM"</b>	means the Canadian Institute of Mining, Metallurgy and Petroleum.
<b>"CIM Standards"</b>	means the Mineral Resources and Reserves Definitions and Guidelines adopted by the CIM Council on August 20, 2000, as those definitions may be amended from time to time by the CIM.
<b>"Claim"</b>	means a mining interest giving its holder the right to prospect, explore for and exploit minerals within a defined area.
<b>"Concentrates"</b>	means the clean product of ore or metal separated from its containing rock or earth by froth flotation or other methods of mineral separation.
<b>"Concentrator"</b>	means a plane where ore is separated in values (concentrates) and rejects (tails).
<b>"Concession"</b>	means a grant or lease of a tract of land made by a government or other controlling authority in return for stipulated services or a promise that the land will be used for a specific purpose.
<b>"Cu"</b>	means copper.
<b>"Diamond Core"</b>	means a rotary type of rock drill that cuts a core of rock and is recovered in long cylindrical sections, two centimetres or more in diameter.
<b>"Deposit"</b>	means an informal term for an accumulation of mineral ores.
<b>"Exploration Stage"</b>	means a prospect that is not yet in either the development or production stage.
<b>"Feasibility Study"</b>	means an engineering study designed to define the technical, economic, and legal viability of a mining project with a high degree of reliability.
<b>"Formation"</b>	means a distinct layer of sedimentary rock of similar composition.
<b>"Grade"</b>	means the metal content of ore, usually expressed in troy ounces per ton (2,000 pounds) or in grams per ton or metric tons which contains 2,204.6 pounds or 1,000 kilograms.
<b>"g/t"</b>	means grams per tonne.
<b>"Indicated Mineral Resource"</b>	has the meaning set out under the heading "Description of the Business – Technical Information".

<b>"Inferred Mineral Resource"</b>	has the meaning set out under the heading "Description of the Business – Technical Information".
<b>"kg"</b>	means kilograms.
<b>"km"</b>	means kilometre.
<b>"lb"</b>	means one pound and is equal to 454 grams.
<b>"lode"</b>	means a mineral deposit, consisting of a zone of veins, veinlets or disseminations, in consolidated rock as opposed to a placer deposit.
<b>"m"</b>	means metre.
<b>"Ma"</b>	means millions of years.
<b>"Mineral Reserves"</b>	has the meaning set out under the heading "Description of the Business – Technical Information".
<b>"Mineral Resource"</b>	has the meaning set out under the heading "Description of the Business – Technical Information".
<b>"Mineralization"</b>	means the concentration of metals within a body of rock.
<b>"Mining"</b>	means the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product. Exploration continues during the mining process and, in many cases, mineral reserves are expanded during the life of the mine operations as the exploration potential of the deposit is realized.
<b>"Moz"</b>	means millions of ounces.
<b>"Net Smelter Return Royalty"</b>	means a defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of transportation, insurance, and processing costs.
<b>"Open Pit"</b>	means a mine working or excavation open to the surface.
<b>"Outcrop"</b>	means that part of the geologic formation or structure that appears at the surface of the earth.
<b>"Oxide"</b>	means mineralized rock in which some of the original minerals have been oxidized (i.e. combined with oxygen). Oxidation tends to make the ore more porous and permits a more complete permeation of cyanide solution so that minute particles of gold in the interior of the minerals will be more readily dissolved.
<b>"oz"</b>	means ounces.
<b>"Pb"</b>	means lead.
<b>"Placer deposit"</b>	means a deposit of sand or gravel that contains particles of gold, ilmenite, gemstones, or other heavy minerals of value.
<b>"Precious Metal"</b>	means any of several relatively scarce and valuable metals, such as gold, silver and the platinum group metals.
<b>"Production Stage"</b>	means a project that is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

<b>"Reclamation"</b>	means the process of returning land to another use after mining is completed.
<b>"Recovery"</b>	means the portion of the metal contained in the ore that is successfully extracted by processing, expressed as a percentage.
<b>"Reserves"</b>	means that part of the mineral deposit that could be economically and legally extracted or produced at the time of reserve determination.
<b>"Sampling"</b>	means selecting a fractional, but representative, part of a mineral deposit for analysis.
<b>"Sediment"</b>	means solid fragmental material that originates from weathering of rocks and is transported or deposited by air, water, or ice, or that accumulates by other natural agents, such as chemical precipitation from solution or secretion by organisms, and that forms in layers on the Earth's surface at ordinary temperatures in a loose, unconsolidated form.
<b>"Sedimentary"</b>	means formed by the deposition of sediment.
<b>"SFA"</b>	means screen fire assay.
<b>"Sulfide"</b>	means a compound of sulfur and some other element.
<b>"t" or "tonne"</b>	is a measure of weight equal to 1,000 kg or 2,204 lbs.
<b>"tpd"</b>	means tonnes per day.
<b>"Tertiary"</b>	means the first period of the Cenozoic Era (after the Cretaceous of the Mesozoic Era and before the Quaternary), though to have covered the span of time between 65 million years and 3 to 2 million years ago.
<b>"Vein"</b>	means a fissure, fault or crack in a rock filled by minerals that have traveled upwards from some deep source.
<b>"Waste"</b>	means rock lacking sufficient grade and/or other characteristics of ore.

## **SCHEDULE "A"**

### **CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

#### **PURPOSE**

1. The audit committee ("Committee") is a committee of the board of directors (the "Board") of Continental Gold Limited ("Continental Gold" or the "Company"). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to:
  - (a) the financial reporting process and the quality, transparency and integrity of the Company's financial statements and other related public disclosures;
  - (b) the Company's internal controls over financial reporting;
  - (c) the Company's compliance with legal and regulatory requirements relevant to the financial statements and financial reporting;
  - (d) ensuring that there is an appropriate standard of corporate conduct for senior financial personnel and employees including, if necessary, adopting a corporate code of ethics;
  - (e) the external auditors' qualifications and independence; and
  - (f) the performance of the internal audit function and the external auditors.
2. The function of the Committee is oversight. The members of the Committee are not full-time employees of the Company. The Company's management is responsible for the preparation of the Company's financial statements in accordance with applicable accounting standards and applicable laws and regulations. The Company's external auditors are responsible for the audit or review, as applicable, of the Company's financial statements in accordance with applicable auditing standards and laws and regulations.

#### **COMPOSITION**

3. The Committee shall be appointed by the Board annually on the recommendation of the Nominating & Governance Committee and shall be comprised of a minimum of three directors. If an appointment of members of the Committee is not made as prescribed, the members shall continue as such until their successors are appointed. The Board of Directors may remove a member of the Committee at any time in its sole discretion by resolution of the Board.
4. All of the members of the Committee shall be directors whom the Board has determined are independent and "financially literate", taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.
5. The Chair of the Committee will be designated by the Board from among the members of the Board. If for any reason a Chair of the Committee is not appointed by the full Board, members of the Committee may designate a Chair of the Committee by majority vote of the full membership of the Committee.

#### **POWERS OF THE COMMITTEE**

6. The Committee shall have the authority, including approval of fees and other retention terms, to obtain advice and assistance from outside legal, accounting or other advisors in its sole discretion, at the expense of the Company, which shall provide adequate funding for such purposes. The Company shall also provide the Committee with adequate funding for the ordinary administrative expenses of the Committee. The Committee shall have unrestricted

access to the books and records of the Company, management, the external auditors and the head of internal audit, including private meetings, as it considers necessary or appropriate to discharge its duties and responsibilities.

## **MEETINGS**

7. The Committee shall have a minimum of four meetings per year, to coincide with the Company's financial reporting cycle. Additional meetings will be scheduled as considered necessary or appropriate, including to consider specific matters at the request of the external auditors or the head of internal audit.
8. The time and place of the meetings of the Committee, the calling of meetings and the procedure in all things at such meetings shall be determined by the Chairman of the Committee. A meeting of the Committee may be called by notice, which may be given by written notice, telephone, facsimile, email or other communication equipment, given at least 48 hours prior to the time of the meeting provided that no notice of a meeting will be necessary if all of the members are present either in person or by means of conference telephone or if those absent waive notice or otherwise signify their consent to the holding of such meeting.
9. The Committee will hold an in camera session without any senior officers present at each meeting.
10. The Committee will keep minutes of its meetings which shall be available for review by the Board.
11. The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.
12. The Committee may invite such directors, senior officers and other employees of the Company and such other advisors and persons as is considered appropriate to attend any meeting of the Committee.
13. At least two members of the Committee will constitute a quorum at each meeting.
14. Any matter to be determined by the Committee will be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Any action of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterpart) and any such action will be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.
15. The Committee will report its determinations and recommendations to the Board.

## **DUTIES AND RESPONSIBILITIES**

The responsibilities of a member of the Committee shall be in addition to such Member's duties as a member of the Board. The duties and responsibilities of the Committee shall be as follows:

### **Financial Reporting and Disclosure**

16. The Committee has the duty to determine whether the Company's financial disclosures are complete, accurate, are in accordance with international financial reporting standards and fairly present the financial position and risks of the organization. The Committee should,

where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company's own policies.

17. Review and discuss with management and the external auditor at the completion of the annual examination:
  - (a) the Company's audited financial statements and related notes;
  - (b) the external auditor's audit of the annual financial statements and their report thereon;
  - (c) any significant changes required in the external auditor's audit plan;
  - (d) any serious difficulties or disputes with management encountered during the course of the audit; and
  - (e) other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
18. Review and discuss with management and the external auditor at the completion of any review engagement or other examination, the Company's quarterly unaudited financial statements.
19. Review, discuss with management the annual reports, the quarterly reports, the related Management Discussion and Analysis, the annual information form, any prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.
20. Review disclosure respecting the activities of the Committee included in the Company's annual filings.
21. Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of Continental Gold and provide their recommendations on such documents to the Board.
22. Inquire of the auditors the quality and acceptability of Continental Gold's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.
23. Meet independently with the external auditor and management in separate executive sessions, as necessary or appropriate.
24. Ensure that management has the proper systems in place so that the Company's financial statements, financial reports and other financial information satisfy legal and regulatory requirements. Based upon discussions with the external auditor and the financial statement review, if it deems appropriate, provide the Board with such recommendations and reports with respect to the financial disclosures of the Company.

#### **External Auditor**

25. Retaining and terminating, and/or making recommendations to the Board of Directors and the shareholders with respect to the retention or termination of, an external auditing firm to conduct review engagements on a quarterly basis and an annual audit of the Company's financial statements.

26. Communicating to the external auditors that they are ultimately accountable to the Board and the Committee as representatives of the shareholders.
27. Obtaining and reviewing an annual report prepared by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
28. Evaluating the independence of the external auditor and any potential conflicts of interest and (to assess the auditors' independence) all relationships between the external auditors and the Company, including obtaining and reviewing an annual report prepared by the external auditors describing all relationships between the external auditors and the Company.
29. Approving, or recommending to the Board of Directors for approval, all audit engagement fees and terms, as well as all non-audit engagements of the external auditors prior to the commencement of the engagement.
30. Reviewing with the external auditors the plan and scope of the quarterly review and annual audit engagements.
31. Setting hiring policies with respect to the employment of current or former employees of the external auditors.

#### **Internal Controls and Audit**

32. Reviewing and discussing with management, the external auditors and the head of internal audit the effectiveness of the Company's internal controls over financial reporting, including reviewing and discussing any significant deficiencies in the design or operation of internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.
33. Discussing the Company's process with respect to risk assessment (including fraud risk), risk management and the Company's major financial risks and financial reporting exposures, all as they relate to internal controls over financial reporting, and the steps management has taken to monitor and control such risks.
34. Reviewing and discussing with management the Company's Code of Business Conduct and Ethics and anti-fraud program and the actions taken to monitor and enforce compliance.
35. Establishing procedures for:
  - (a) the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, internal controls or auditing matters.
36. Reviewing and discussing with management, the external auditors and the head of internal audit the responsibilities and effectiveness of the Company's internal audit function, including reviewing the internal audit mandate, independence, organizational structure, internal audit plans and adequacy of resources, receiving periodic internal audit reports and meeting privately with the head of internal audit on a periodic basis.

37. Approving in advance the retention and dismissal of the head of internal audit.

#### **Other**

38. Meeting separately, periodically, with each of management, the head of internal audit and the external auditors.
39. Reporting regularly to the Board.
40. Reviewing and assessing its mandate and recommending any proposed changes to the Nominating & Corporate Governance Committee of the Board on an annual basis.
41. Evaluating the functioning of the Committee on an annual basis, including with reference to the discharge of its mandate, with the results to be reported to the Nominating & Corporate Governance Committee, which shall report to the Board.
42. Review annually, together with the Nominating & Corporate Governance Committee of the Board, the directors' and officers' liability insurance and indemnities of the Company and consider the adequacy of such coverage.

#### **DUTIES OF THE COMMITTEE CHAIR**

43. The fundamental responsibility of the Committee Chair is to be responsible for the management and effective performance of the Committee and provide leadership to the Committee in fulfilling its mandate and any other matters delegated to it by the Board. To that end, the Committee Chair's responsibilities shall include:
  - (a) working with the Chairman of the Board, the Chief Executive Officer and the Secretary to establish the frequency of Committee meetings and the agendas for meetings;
  - (b) providing leadership to the Committee and presiding over Committee meetings;
  - (c) facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions and express their viewpoints;
  - (d) reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
  - (e) leading the Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate; and
  - (f) taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.

#### **ADOPTION**

This Charter was adopted by the Board on March 17, 2011.