MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED FINANCIAL POSITION
AND CONSOLIDATED RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

November 6, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the activities, consolidated financial position and consolidated results of the operations of Continental Gold Limited (the "Company" or "Continental") constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the three and nine months ended September 30, 2012. This discussion, dated November 6, 2012, should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and nine months ended September 30, 2012 and the audited financial statements of the Company for the year ended December 31, 2011, together with the notes thereto. The unaudited interim consolidated financial statements for the nine months ended September 30, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts in this MD&A are in United States ("U.S.") dollars, unless stated otherwise. References to C$ and COP are to Canadian dollars and Colombian pesos, respectively. Information contained herein is presented as of November 6, 2012, unless otherwise indicated.

Further information about the Company and its operations is available on SEDAR at www.sedar.com and on the U.S. Over-the-Counter market, OTCQX® International ("OTCQX"), at www.otcmarkets.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking 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, information contained herein constitutes forward-looking statements, including, but not limited to: statements with respect to the potential of the Company's properties; the estimation of mineral resources; exploration results; potential mineralization; exploration and mine development plans; timing of the commencement of operations; 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" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "is projected", "anticipates" or "does not anticipate", "believes", "targets", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "should", "would", "might", "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; fluctuations 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; uncertainties of construction and operating cost overruns; 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 mineral 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 "Risks and Uncertainties" for further discussion regarding 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 shareholders 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 Mineral Resource Estimates

This MD&A was prepared in accordance with Canadian standards for reporting of mineral resource estimates, 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 MD&A are Canadian mineral disclosure 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. 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 MD&A containing descriptions of our mineral deposits may not be comparable to similar information made public by United States companies.

EXECUTIVE SUMMARY

Continental Gold Limited (TSX:CNL;OTCQX:CGOOF) is an advanced-stage exploration and development company with seven gold projects covering over 162,529 hectares in highly-prospective areas with known historical gold production in Colombia.

Formed in April 2007, the Company is committed to become the newest hard-rock gold producer in Colombia. The Company's international management team has a successful track record of discovering and developing bulk mining targets and multi-million ounce gold deposits while its technical team boasts more than 40 years of mining and exploration experience in Colombia. Utilizing and applying this knowledge of Colombian mineral properties, the Company acquired properties which it believes entail substantial exploration and development potential.

The focus of the Company during 2012 is to advance the exploration and development program at its flagship high-grade gold project, Buriticá, located in Antioquia, Colombia.

Third Quarter 2012 Highlights

- Advancement of the exploration program at the Buriticá project:
  - On August 30, 2012, the Company received formal approval for the modification of its existing Environmental Impact Assessment. The environmental permit amendment allows the Company to build a six-kilometre switchback road into the Higabra valley and to begin underground development in the Higabra valley by constructing a one-kilometre access tunnel. The road will also provide access to future sites for mining and milling operations and the tunnel will initially provide the Company with underground drilling access but will eventually serve as the main access for all underground development.
  - Completed approximately 14,224 metres of diamond drilling during the three months ended September 30, 2012 for an overall project life total of approximately 151,449 metres to September 30, 2012. Drilling continued to expand the Yaraguá and Veta Sur systems and also discovered new mineralized vein systems, La Estera and La Mano, south of the Yaraguá and Veta Sur deposits.

  - Expanded the strike length of both the Yaraguá and Veta Sur systems by approximately 250 metres and 20 metres, respectively. Both systems remain open in all directions.
  - Underground systematic channel sampling of the northern part of the Yaraguá vein system demonstrated the continuity of high grades over substantial strike lengths including: the HW Vein, averaging 22.4 g/t gold and 26 g/t silver over 1.55 metres true width along 213 metres; the San Antonio Vein, averaging 75.2 g/t gold and 405 g/t silver over 1.45 metres true width along 57 metres; and the Centena Vein, averaging 14.9 g/t gold and 96 g/t silver over 2.05 metres true width along 49 metres.
  - Drill results in the Yaraguá system included: BUSY272, which intersected 2.75 metres @ 21.7 g/t gold and 29 g/t silver; BUSY250, which intersected 6.4 metres @ 13.2 g/t gold and 96 g/t silver; BUSY298, which intersected 3.45 metres @ 19.3 g/t gold and 41 g/t silver; and BUSY247, which intersected 1.5 metres @ 13.4 g/t gold and 40 g/t silver at the most western part of the Yaraguá system to date, some 200 metres west of detailed Yaraguá drilling.
  - Drill results in the Veta Sur system included: BUSY257, which intersected 2.9 metres @ 38.9 g/t gold and 504 g/t silver (including 0.5 metres @ 187.2 g/t gold and 2,301 g/t silver); and BUSY293, which intersected 0.6 metres @ 256 g/t gold and 83 g/t silver and 5 metres @ 10.1 g/t gold and 34 g/t silver (including 1.1 metres @ 33 g/t gold and 97 g/t silver).
  - Initial drilling and underground channel sampling of old workings in the La Estera and La Mano areas resulted in the discovery of new mineralized vein systems south of the Yaraguá and Veta Sur vein deposits.
  - Underground channel sampling of old workings in the La Estera area ranged from no significant values to 41 g/t gold and 2,747 g/t silver, and included: 6.2 g/t gold and 362 g/t silver over an average width of 1 metre, including 27.5 g/t gold and 1,581 silver over 0.2 metres, along 22 metres; and 6.8 g/t gold and 454 g/t silver over an average width of 1.2 metres, including 41 g/t gold and 2,747 g/t silver over 0.2 metres, along 10 metres.
  - Drill results in the La Estera system ranged from no significant values to 6.32 g/t gold and 2,480 g/t silver, and included: BUSY292, which intersected 3.58 metres @ 6.8 g/t gold and 1,061 g/t silver; and BUSY282, which intersected 4.4 metres @ 8.3 g/t gold and 41 g/t silver.
  - Drill results in the La Mano system ranged from no significant values to 11.25 g/t gold and 187.0 g/t silver, and included: BUSY263, which intersected 1 metre @ 9.1 g/t gold and 1 g/t silver; and BUSY269, which intersected 0.42 metres @ 11.3 g/t gold and 187 g/t silver.
  - Environmental baseline program, hydrological, geo-mechanical and metallurgical testing are underway.
- On September 7, 2012, the Company's right of first refusal on approximately four million hectares of potential precious or base metal concessions owned by a company controlled by the Chairman of the Company (the "Chairman") expired.
- During the quarter, the Company received a total of C$46.5 million resulting from the exercise of 6,145,764 warrants and 72,000 broker warrants, including the exercise of underlying warrants. All unexercised warrants expired and were delisted from the Toronto Stock Exchange ("TSX") on September 14, 2012.

Subsequent to the quarter ended September 30, 2012:

- On October 1, 2012, the Company announced an updated mineral resource estimate for the Yaraguá and Veta Sur vein systems. The updated mineral resource estimate is based on 112,600 metres of drilling and 2,332 metres of underground sampling (as at June 30, 2012) and was prepared in accordance with NI 43-101 and covers two major vein systems, with combined measured and indicated mineral resources of 3,740,000 tonnes of mineralized material containing 1,640,000 ounces of gold grading 13.6 g/t gold, 4,600,000 ounces of silver grading 38 g/t silver and 55,800,000 pounds of zinc grading 0.7% zinc. The inferred mineral resource is 13,330,000 tonnes of mineralized material containing 3,760,000 ounces of gold grading 8.8 g/t gold, 14,200,000 ounces of silver grading 33 g/t silver and 156,500,000 pounds of zinc grading 0.5% zinc.
- On October 19, 2012 the Company transferred 3,462 hectares of mining concessions and the Company's equity investment in Minerales OTU S.A.S. ("OTU") in exchange for 32,193 hectares of mining concessions and pending applications with a company controlled by the Chairman.
- On October 22, 2012 the Company announced a revised development plan for the Buriticá project, including the commencement of a pre-feasibility study ("PFS") and an exploration update.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As at In thousands of U.S. dollars	**September 30 2012**	December 31 2011
	$	$
Consolidated Financial Position		
Cash	**102,328**	83,404
Exploration and development assets	**112,533**	83,521
Total assets	**229,836**	177,588
Shareholders' equity	**214,826**	155,804

	Three months ended September 30		Nine months ended September 30	
In thousands of U.S. dollars	**2012**	2011	**2012**	2011
	$	$	**$**	$
Consolidated Operating Results				
Net income (loss)	**(4,457)**	(4,011)	**(4,589)**	22,052
Adjusted net (loss) *	**(906)**	(8,923)	**(5,240)**	(12,439)
Consolidated Cash Flow				
Acquisition of and investment in exploration and evaluation assets, net of gold sales	**(8,507)**	(5,850)	**(25,231)**	(17,441)
Cash flows from financing activities	**47,167**	258	**50,471**	20,025
Net cash (out) inflow	**35,462**	(7,748)	**17,597**	(6,104)

* Adjusted net loss is a non-generally accepted accounting principles ("GAAP") measure and represents net income (loss) before gain on Canadian dollar-denominated warrants.

The Company's total assets as at September 30, 2012 was $229.8 million compared to $177.6 million as at December 31, 2011 and $181.5 million as at June 30, 2012. The change is mainly due to an increase in cash from the exercise of share purchase warrants, broker warrants and stock options and unrealized foreign exchange gains related to the revaluation of monetary assets.

Cash and cash equivalents as at September 30, 2012 was $102.3 million compared to $83.4 million at December 31, 2011 and $65.4 million as at June 30, 2012. The change during the quarter and the nine months ended September 30, 2012 is mainly a result of $47.2 million and $50.5 million, respectively, of cash generated from the exercise of share purchase warrants, broker warrants and stock options and foreign exchange gains relating to the revaluation of Canadian dollar cash balances, net of investments in exploration and evaluation of assets.

Net loss for the three months and nine months ended September 30, 2012 of $4.5 million and $4.6 million, respectively, includes a loss of $3.6 million and a gain of $0.7 million, respectively, related to the revaluation of Canadian dollar-denominated warrants compared to a net loss of $4.0 million and net income of $22.1 million, respectively, including a gain of $4.9 million and $34.5 million related to the revaluation of Canadian dollar-denominated warrants, for the same respective periods in 2011. In 2012, all Canadian dollar-denominated warrants represented warrants that were listed on the TSX. As a result, changes in the fair values of Canadian dollar-denominated warrants in 2012 were determined using the warrants' quoted market prices and reflect the change in the warrants' quoted market price to C$1.01 on September 14, 2012 (the last trading date prior to expiry) from C$0.41 on June 30, 2012 and C$1.10 on December 31, 2011. During 2011, Canadian dollar-denominated warrants represented both privately-held warrants as well as warrants traded on the TSX. As a result, fair values for Canadian dollar-denominated warrants in 2011 were determined using the Black-Scholes model or the warrants' quoted market price, as applicable. Therefore, changes in fair values in 2011 reflect the decrease in the Company's share price to C$6.64 on September 30, 2011 from C$7.34 on June 30, 2011 and C$10.00 on December 31, 2010 and certain warrants' quoted market price on September 30, 2011 of C$1.05 from the market price on June 30, 2011 of C$1.74 and on March 31, 2011 of C$2.05.

Adjusted net loss (a non-GAAP measure, representing net income (loss) before gain (loss) on Canadian dollar-denominated warrants) for the three and nine months ended September 30, 2012 was $0.9 million and $5.2 million, respectively, compared to an adjusted net loss of $8.9 million and $12.4 million for the same respective periods in 2011. The change is primarily due to unrealized foreign exchange losses on monetary balances net of decreases in share-based payments expense and a one-time equity tax of $1.1 million incurred in 2011.

The Company has no long-term financial liabilities, off-balance sheet financing arrangements or material contingent liabilities or contractual obligations, other than the equity tax liability. Excluding the impact of revaluations for financial liabilities and foreign exchange on Canadian-dollar cash balances, the Company expects to continue to incur losses until commercial mining operations from its exploration and evaluation assets have commenced.

DESCRIPTION OF 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 in Colombia totaling approximately 123,986 hectares and has pending concession applications totaling approximately 38,543 hectares. There is no guarantee that the Company will be granted the pending concession applications. Currently, the Company's primary focus is on its Buriticá project.

The Company is governed by the laws of Bermuda and is a reporting issuer in Canada under applicable securities legislation of Ontario, Alberta and British Columbia. It carries on its operations principally through a branch office in Medellín, Colombia and wholly-owned subsidiaries incorporated in Bermuda and Colombia. The Company's issued and outstanding common shares are listed on the TSX and OTCQX under the symbols "CNL" and "CGOOF", respectively.

The Company has a need for equity capital and other financing to fund working capital in the exploration and development of its properties. The Company's ability to continue as a going concern, as an active mineral property explorer and developer, is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or sufficient, or if the Company will attain profitable levels of operation. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern.

EXPLORATION SUMMARY

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

	Three months ended September 30		Nine months ended September 30	
In thousands of U.S. dollars	**2012**	2011	**2012**	2011
	$	$	**$**	$
Buriticá	**9,800**	5,697	**28,869**	19,310
Berlin	**(189)**	(11)	**26**	263
Arenosa and Zaragoza*	**–**	1,068	**–**	1,433
Dominical	**(53)**	88	**222**	312
Santander	**39**	24	**47**	40
Anza	**–**	1	**(5)**	(104)
Lunareja	**–**	11	**–**	11
Dojura	**38**	–	**(147)**	(117)
	9,635	6,878	**29,012**	21,148

* Transferred to Minerales OTU S.A.S. in 2011.

Buriticá Project

The Buriticá project encompasses an aggregate area of 57,641 hectares and is located about 75 kilometres northwest of Medellín in the Antioquia Department of north-western Colombia. The project area is comprised of twenty-five registered concessions covering 12,603 hectares, twenty-seven pending registration concessions totaling 38,998 hectares and one concession application covering 6,040 hectares. The Buriticá project includes the Yaraguá mine that had previously been under small-scale production by the Company and is now utilized for underground exploration development and a bulk sample testing operation. For additional information relating to the Buriticá project, see the technical report prepared in accordance with NI 43-101 entitled "Mineral Resource Estimate of the Buriticá Gold Project, Colombia" dated October 24, 2011, as amended November 23, 2011, authored by Andrew Vigar, FAusIMM, MSEG, and Martin Recklies, MAIG, for Mining Associates Pty Limited, available under the Company's profile on SEDAR at www.sedar.com.

On October 19, 2012 the Company transferred 3,462 hectares of mining concessions and the Company's equity investment in OTU in exchange for 32,193 hectares of mining concessions and pending applications with a company controlled by the Chairman. As a result of this transaction, the Company added 28,731 hectares to the Buriticá project.

Exploration

Drilling activities continued during the three months ended September 30, 2012, completing approximately 14,224 metres of diamond drilling in 30 holes. Definition drilling on a 25 to 50-metre grid continued in the Yaraguá system and on the Veta Sur system, and step-out drilling continued in both areas. In addition, areas defined by soil anomalies to the south were drilled during the quarter and the other areas defined by soil anomalies to the north, south and west of currently-known mineralization were soil sampled and drilled in a reconnaissance fashion.

Drilling continued with up to five drill rigs at the project, including three larger-surface drill rigs capable of testing the system in excess of 1,300-metre depth, and 50,321 metres were completed in the first nine months of fiscal 2012 for an overall project total of over 151,449 metres. The Company expects drilling to continue in the fourth quarter of 2012 with a Phase IV minimum 100,000-metre diamond-drilling program. The Company expects drill productivity to increase to approximately 8,000 metres per month.

Initial drilling and underground channel sampling of old workings in the La Estera and La Mano areas resulted in the discovery of new mineralized vein systems south of the Yaraguá and Veta Sur deposits at the Buriticá project.

Pre-development

In August 2012, the Company received formal approval for the modification of its existing Environmental Impact Assessment from Corantioquia, the autonomous regional corporation responsible for issuing and controlling environmental permits in Antioquia, Colombia. The environmental permit amendment allows the Company to commence underground development and the construction of a six-kilometre switchback road originating from the existing paved road at Buriticá down into the Higabra valley. Upon receipt of the environmental permit amendment, the Company immediately mobilized contractors and expects to begin the construction of the tunnel and the switchback road in the fourth quarter of 2012 and the second quarter of 2013, respectively.

The tunnel will initially be used for underground definition and vertical expansion drilling of the Yaraguá and Veta Sur vein systems and exploration drilling of the La Mano and La Estera vein systems. Diamond drilling is expected to commence from this tunnel in the third quarter of 2013 once 650 metres of development is completed and has crossed west of the Tonusco fault.

In addition, the Company is commencing the construction of an additional three-kilometre tunnel to access the Veta Sur vein deposit, which is expected to commence in December 2012. Infill diamond drilling from underground will commence from the ramp once 150 metres of development is complete. Subsequent drill-chambers are planned at 100-metre intervals as development continues to advance.

On October 1, 2012, the Company announced an updated mineral resource estimate prepared in accordance with NI 43-101, consisting of measured and indicated mineral resources of 3,740,000 tonnes of mineralized material containing 1,640,000 ounces of gold grading 13.6 g/t gold, 4,600,000 ounces of silver grading 38 g/t silver, and 55,800,000 pounds of zinc grading 0.7% zinc. The inferred mineral resource is 13,330,000 tonnes of mineralized material containing 3,760,000 ounces of gold grading 8.8 g/t gold, 14,200,000 ounces of silver grading 33 g/t silver and 156,500,000 pounds of zinc grading 0.5% zinc. For further details, please refer to the press release of the Company entitled "Continental Gold announces an updated mineral resource estimate for the Buriticá Project, Colombia" dated October 1, 2012, available on SEDAR at www.sedar.com. As a result of the larger than anticipated increase in the measured and indicated resources in the updated mineral resource estimate and the recent clarifications by the Canadian Securities Administrators governing expectations for preliminary economic assessments ("PEA"), the Company is proceeding with a PFS. This PFS replaces the previously-announced plan to commence a PEA. The Company believes that, with the planned underground development, it will be able to significantly increase the number of measured and indicated ounces with aggressive underground drilling ahead of the study. The study is anticipated to be completed in the first half of 2014.

Corporate Responsibility

Continental is committed to creating value for shareholders by operating in a safe, socially and environmentally responsible manner, while ensuring respect and transparency in the communities in which the Company operate.

The Company's Corporate Social Responsibility ("CSR") program focuses on the following key areas of socio-economic development in the Buriticá region – social, health and safety, environment, education, productivity and community infrastructure. Tailored to align with international environmental, social and technical standards, the goal is to help deliver more effective and sustainable community development and to improve the quality of life for the Company's employees, their families and the immediate communities.

The Company sees the contribution to development of the Buriticá community as a shared responsibility. In 2012, the Company's CSR program focused on the following:

- Refining educational services and infrastructure
- Improving health care services and hospital infrastructure
- Educating families on food safety and promoting local farming
- Using local skills in the community by creating business opportunities for local suppliers
- Supporting the association for women through food services and weaving programs
- Contributing to urban planning, culture and recreation.

2012 Expenditures

During the three and nine months ended September 30, 2012, the Company incurred $11.7 million and $32.5 million, respectively (three and nine months ended September 30, 2011 – $7.8 million and $23.2 million, respectively), of deferred exploration and development costs including $1.0 million and $3.3 million, respectively (three and nine months ended September 30, 2011 – $0.9 million and $3.4 million, respectively), of capitalized share-based payments. Gold sales resulting from exploration work and drifting in ore at the Buriticá project amounted to $1.9 million and $3.6 million, respectively, for the three and nine months ended September 30, 2012 (three and nine months ended September 30, 2011 – $2.2 million and $3.9 million, respectively) and are treated as a capital credit as they support ongoing exploration of the Buriticá project and, accordingly, are not included as a revenue item in the Company's consolidated statements of operations and comprehensive income (loss). As a result, net project expenditures for the three and nine months ended September 30, 2012 totaled $9.8 million and $28.9 million, respectively (September 30, 2011 – $5.7 million and $19.3 million, respectively).

Berlin Project

The Berlin project covers an aggregate area of 25,059 hectares. The project is comprised of eight registered concessions totaling 18,869 hectares and eleven pending registration concessions totaling 6,190 hectare. As is the case with all the Company's properties, concession applications in process give the Company priority on the properties in question during the application process. The project area is located approximately 90 kilometres north of Medellín in the Antioquia Department.

No work was performed at the Berlin project during the nine months ended September 30, 2012 but the Company plans to initiate a diamond drilling campaign in the future.

For the three and nine months ended September 30, 2012, the Berlin project activity amounted to a recovery $0.2 million and expenditures of $0.03 million, respectively, compared to a recovery of $0.01 million and expenditures of $0.3 million, respectively, for the same periods in 2011, the majority of which related to land payments.

Dominical Project

The Dominical project encompasses an aggregate area of 24,327 hectares and is located in southern Colombia in the Cauca Department. The project area is comprised of four registered concessions totaling 5,590 hectares, four pending registration concessions totaling 3,426 hectares and nine concession applications covering 15,311 hectares.

Exploration activities, including surface mapping and sampling, were performed during the first quarter of 2012; however, no further exploration activities have since been performed on the property. Exploration in the first quarter focused on the La Playa vein zone where a 100 to 300-metre wide structural corridor, containing multiple intermediate sulfidation quartz and quartz-carbonate veins, has been outlined along a 1.8-kilometre trend. The polymetallic veins are characterized by an Au-Ag-Zn-Pb-Cu metal association. Surface exploration to define additional vein and porphyry-style targets was also carried out in the first quarter of 2012.

Santander Project

The Santander project covers an aggregate area of 4,472 hectares. The project is comprised of four registered concessions totaling 4,466 hectares and one pending registration concession totaling 6 hectares. It is located 35 kilometres northeast of Bucaramanga in the California Mining District in northeastern Colombia.

No exploration activities have been undertaken on the property during 2012; however, several companies exploring in the area have expressed interest in acquiring the concessions. Concession GLU-133 is directly on trend to the southwest from the gold deposits owned by two prominent mining companies. Concession BA3-093 is immediately south and adjacent to the historical Vetas gold district, which is currently being explored by two Canadian mining companies.

Anza Project

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

Option Agreement

This project is subject to an option agreement, along with five other parties ("Anza Optionors"), with a third party option holder, pursuant to which the option holder is obligated to incur certain exploration expenditures on the properties. The Company is entitled to receive 25% of all consideration flowing to the Anza Optionors from the option holder.

On June 29, 2012, the Company received option payments of $0.25 million in cash and 250,000 shares of the option holder (valued at $0.06 million). Option payments received were in excess of the net book value for the project at the time of receipt, and as a result, the majority of the $0.3 million has been recognized in other income in the consolidated statements of operations and comprehensive income (loss). Expenditures incurred on the property continue to be capitalized.

Dojura Project

The Dojura project covers an aggregate area of 44,105 hectares. The project is comprised of three registered concessions totaling 12,726 hectares, six pending registration concessions totaling 14,187 hectares and four concession applications totaling 17,192 hectares, and is subject to an option agreement dated October 4, 2006 between a third party option holder and a company controlled by the Chairman of the Company. The option agreement was assigned to the Company by way of an assignment agreement dated June 4, 2008.

Pursuant to the option agreement, the Company received a payment of $0.3 million in January 2012 and paid the required 25% portion of $0.1 million to a company controlled by the Chairman. Work has halted on the Dojura project on a partial force majeure basis until such time as security conditions in the area improve. However, the Company has initiated discussions with the third party option holder to determine the suitability for work thereon to resume. Until that time, the third party option holder has paid, and is expected to continue to pay, any payments required to keep the Dojura project in good-standing.

Lunareja Project

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

In 2010, due to changes in the Colombian Mining Code that would prohibit mining operations in the Company's mining concessions for this project, the Company wrote down the carrying value for the Lunareja project to zero. Subsequent expenditures are expensed.

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

Arenosa and Zaragoza Projects

In 2011, the Company's Arenosa and Zaragoza properties were transferred to OTU, a private Colombian company indirectly controlled by the Chairman, in exchange for a 25 percent equity interest in OTU. Prior to the transfer, OTU held mineral properties in the vicinity of the Company's Arenosa and Zaragoza properties.

On October 19, 2012 the Company transferred to a company controlled by the Chairman 3,462 hectares of mining concessions and the Company's equity investment in OTU in exchange for 32,193 hectares of mining concessions and pending applications. No gain or loss was recognized by the Company upon completion of the transaction.

CONSOLIDATED OPERATING RESULTS

The following is a summary of the Company's consolidated operating highlights for the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30		**Nine months ended September 30**	
In thousands of U.S. dollars, except per share amounts	**2012**	2011	**2012**	2011
	$			$
Net income (loss)	**(4,457)**	(4,011)	**(4,589)**	22,052
Income (loss) per share, basic	**(0.04)**	(0.04)	**(0.04)**	0.21
Income (loss) per share, fully diluted	**(0.04)**	(0.04)	**(0.04)**	0.19
Adjusted net loss *	**(906)**	(8,923)	**(5,240)**	(12,439)
Adjusted net loss per share, basic and fully diluted	**(0.01)**	(0.08)	**(0.05)**	(0.12)
Operating activities	**(1,365)**	(1,472)	**(4,638)**	(4,414)
Investing activities	**(10,340)**	(6,534)	**(28,236)**	(21,715)
Financing activities	**47,167**	258	**50,471**	20,025
Foreign exchange on cash and cash equivalents	**1,480**	(5,438)	**1,327**	(3,056)
Net (decrease) increase in cash and cash equivalents	**36,942**	(13,186)	**18,924**	(9,160)

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

The Company's net loss for the three and nine months ended September 30, 2012 amounted to net income of $4.5 million ($0.04 per share) and $4.6 million ($0.04 per share), respectively, compared with a net loss of $4.0 million ($0.04 per share) and net income of $22.1 million ($0.21 per share) for the same respective periods in 2011, and included a loss on Canadian dollar-denominated warrants for the three months ended September 30, 2012 of $3.6 million and a gain of $0.7 million for the nine months ended September 30, 2012 (three and nine months ended September 30, 2011 – gain of $4.9 million and $34.5 million, respectively). The changes are attributable to the revaluation of the Canadian dollar-denominated warrants from previous values recorded. The valuation of the Canadian dollar-denominated warrants is subjective and can impact net (loss) income significantly.

The Company's adjusted net loss (a non-GAAP measure, representing net loss before gains on Canadian dollar-denominated warrants) for the three and nine months ended September 30, 2012 amounted to $0.9 million ($0.01 per share) and $5.2 million ($0.05 per share), respectively, compared with an adjusted net loss of $8.9 million ($0.08 per share) and $12.4 million ($0.12 per share), respectively, for the same periods in 2011. The change for the 2012 periods compared to the same periods in 2011 is primarily from the following:

- Corporate administration costs for the three and nine months ended September 30, 2012 were $2.4 million and $8.0 million, respectively (three and nine months ended September 30, 2011 – $3.0 million and $9.6 million, respectively), including share-based payments. The decrease in costs from 2011 is primarily related to decreased share-based payment costs and a one-time charge for Colombian equity tax in 2011.

- Compensation costs related to share-based payments during the three and nine months ended September 30, 2012 was $2.1 million and $7.1 million, respectively (three and nine months ended September 30, 2011 – $2.5 million and $8.2 million, respectively), of which $1.1 million and $3.8 million, respectively (three and nine months ended September 30, 2011 – $1.7 million and $4.8 million, respectively), was expensed and $1.0 million and $3.3 million, respectively (three and nine months ended September 30, 2011 - $0.9 million and $ 3.4 million, respectively) were capitalized to exploration and evaluation assets.

- Changes related to share-based payments relate to the issuance of nil options and 2,798,788 options during the three and nine months ended September 30, 2012, respectively, with average grant date fair values of $nil per share and $3.13 per share, respectively, compared to 40,000 options and 2,237,500 options issued in the same respective periods in 2011 with average grant date fair values of $4.64 per share and $5.20 per share, respectively. The valuation of share-based payments is subjective and can impact net income (loss) significantly.

- Foreign exchange gains for the three and nine months ended September 30, 2012 was $1.5 million and $1.3 million, respectively, compared to foreign exchange losses of $5.2 million and $3.0 million for the same respective periods in 2011. The change is primarily the result of the fluctuation of the Canadian/U.S. dollar exchange rate on Canadian cash balances held, which were greater throughout 2011.

- Unrealized gains on marketable securities during the three and nine months ended September 30, 2012 was $0.2 million and $0.03 million, respectively, compared to unrealized losses of $0.04 million and $ 0.2 million for the same respective periods in 2011, and resulted from the revaluation of securities held and the write-off of expired warrants securities.

- Deferred tax expense for the three months ended September 30, 2012 was $0.2 million and a deferred tax recovery of $1.1 million for the nine months ended September 30, 2012 compared to a deferred tax expense of $0.7 million and a deferred tax recovery of $0.1 million for the same respective periods in 2011. The change is mainly a result of the impact of foreign exchange on foreign-denominated tax balances.

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

Cash Flow Items

Operating Activities

Operating activity expenditures for the three and nine months ended September 30, 2012 of $1.4 million and $4.6 million, respectively (three and nine months ended September 30, 2011 – $1.5 and $4.4 million, respectively) mainly relate to corporate activities.

Investing Activities

Investing activity expenditures for the three and nine months ended September 30, 2012 of $10.3 million and $28.2 million, respectively (three and nine months ended September 30, 2011 – $6.5 million and $21.7 million, respectively) are mainly due to activities relating to exploration and evaluation assets, net of capitalized gold sales revenues relating to such assets, receivables from and investments in Sabre Minerals Inc. ("Sabre") and ThunderBolt Resources Inc. ("ThunderBolt") (formerly Nighthawk Resources Inc.). The change in 2012 compared to 2011 is mainly due to continued advancement and acceleration of the Buriticá exploration and development programs and investments in Sabre and Thunderbolt.

Financing Activities

The Company's primary source of liquidity has been the issuance of equity-based securities for cash. During the three and nine months ended September 30, 2012, the exercise of share purchase warrants, broker warrants and stock options resulted in cash receipts of $47.2 million and $50.5 million, respectively (three and nine months ended September 30, 2011 – $0.2 million and $20.0 million, respectively). The change in 2012 compared to 2011 is mainly due to the issuance of 6,241,870 common shares and 8,428,379 common shares, respectively, during the three and nine months ended September 30, 2012 compared to the issuance of 236,605 common shares and 8,640,405 common shares, respectively, for the same periods in 2011, resulting from the exercise of share purchase warrants, broker warrants and stock options.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

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

(000's of U.S. Dollars, except per share amounts)	**Q3-2012**	**Q2–2012**	**Q1–2012**	**Q4–2011**	**Q3–2011**	**Q2–2011**	**Q1–2011**	**Q4 – 2010**[1]
		$	**$**	$	$	$	$	$
Net income (loss)	**(4,457)**	**1,034**	**(1,166)**	(3,848)	(4,011)	(2,232)	28,295	(41,588)
Basic income (loss) per share	**(0.04)**	**0.01**	**(0.01)**	(0.04)	(0.04)	(0.02)	0.28	(0.46)
Diluted income (loss) per share	**(0.04)**	**0.01**	**(0.01)**	(0.04)	(0.04)	(0.02)	0.25	(0.46)
Adjusted net income (loss)[2]	**(906)**	**(3,790)**	**(544)**	(3,356)	(8,923)	(3,997)	481	(1,351)
Basic adjusted net income (loss) per share	**(0.01)**	**(0.03)**	**(0.01)**	(0.03)	(0.08)	(0.04)	0.01	(0.02)
Diluted adjusted income (loss) per share	**(0.01)**	**(0.03)**	**(0.01)**	(0.03)	(0.08)	(0.04)	-	(0.02)

(1) The financial statements for 2011 have been prepared in accordance with IFRS with comparative information for 2010 restated under IFRS.

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

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

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

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

During the three months ended September 30, 2012, the Company received aggregate proceeds of $47.2 million from the exercise of 6,145,764 share purchase warrants, 72,000 broker warrants and 24,106 stock options compared to $0.3 million from the exercise of 169,698 share purchase warrants and 66,907 stock options for the same period in 2011. During the nine months ended September 30, 2012, the Company received aggregate proceeds of $50.5 million from the exercise of 8,108,062 share purchase warrants, 216,000 broker warrants and 104,317 stock options compared to $20.0 million from the exercise of 7,335,182 share purchase warrants, 724,417 broker warrants and 580,806 stock options for the same period in 2011.

The Company's consolidated financial position at September 30, 2012 included $102.3 million in cash and cash equivalents, compared to $83.4 million at December 31, 2011 and $65.4 million at June 30, 2012. As at November 6, 2012, cash and cash equivalents amounted to approximately $97 million.

As at September 30, 2012, all share purchase warrants and broker warrants were exercised or expired.

As at September 30, 2012, the exercise, in full, of the outstanding stock options would raise a total of approximately $47.5 million. Management does not know when and how much will be collected from the exercise of such securities, as this is dependent on the determination of the holder and the market price of the common shares.

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

The Company's liquidity risk with financial instruments is minimal as excess cash is invested in interest-bearing accounts with two major Canadian banks and one international bank. In addition, amounts receivable are comprised mainly of advances to employees for disbursements made on behalf of the Company to be transferred to deferred expenses upon receipt of detailed expense reports.

The Company has a need for equity capital and other financing to fund working capital in the exploration and development of its properties. The Company's ability to continue as a going concern, as an active mineral property explorer and developer, is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or sufficient, or if the Company will attain profitable levels of operation. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern.

The Company's underground exploration development at the Buriticá project includes the results from small-scale gold production. Aggregate gold sales for the three and nine months ended September 30, 2012 of $1.9 million and $3.6 million, respectively (three and nine months ended September 30, 2011 – $2.2 million and $3.9 million, respectively) resulted from exploration work and drifting in ore. Gold sales are viewed as a recovery of expenses and used as another source of funding for the Company's exploration program. As a result, gold sales, net of costs, are treated as a capital credit and netted against deferred expenses that have been incurred to-date on the Buriticá project.

For the three and nine months ended September 30, 2012, the Company capitalized costs related to mineral properties in the amount of $9.6 million and $29.0 million, respectively (three and nine months ended September 30, 2011 - $6.9 million and $21.1 million, respectively). See "Exploration Summary".

MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at September 30, 2012, total shareholders' equity (managed capital) was approximately $214.8 million (December 31, 2011 – $155.8 million; June 30, 2012 – $164.0 million).

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. As at September 30, 2012, the Company had working capital of $100.1 million compared to working capital as at December 31, 2011 and June 30, 2012 of $82.1 million and $62.5 million, respectively. The working capital calculation excludes Canadian dollar-denominated warrants. As a result, the Company believes its current capital resources are sufficient to discharge its liabilities.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2012.

The Company is not subject to any externally imposed capital requirements.

SHARE CAPITAL

The Company had 116,573,386 common shares issued and outstanding as at September 30, 2012 and 116,747,070 common shares issued and outstanding as at November 6, 2012.

Fully Diluted Shares

As at (thousands)	**September 30 2012**	December 31 2011
Shares issued	**116,573**	108,145
Stock options outstanding	**9,231**	6,868
Share purchase warrants outstanding (US$ denominated)	**–**	2,298
Share purchase warrants outstanding (C$ denominated)	**–**	6,144
Broker warrants outstanding	**–**	216
	125,804	123,671

As at September 30, 2012, the exercise, in full, of the outstanding stock options would raise a total of approximately $47.5 million. Management does not know when and how much will be collected from the exercise of such securities as this is dependent on the determination of the holder and the market price of the common shares of the Company.

Warrants

As at September 30, 2012, there were nil Canadian dollar-denominated and U.S. dollar-denominated share purchase warrants outstanding (December 31, 2011 – 6,144,000 and 2,298,112, respectively; June 30, 2012 – 6,144,000 and nil, respectively). Each share purchase warrant was exercisable to acquire one common share of the Company. The Company also has nil broker warrants outstanding as at September 30, 2012 (December 31, 2011 – 216,000; June 30, 2012 – 72,000). Each broker warrant allowed the holder to subscribe for a unit of the Company consisting of one common share and one-half of one share purchase warrant.

Stock Options

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

There were 9,230,881 outstanding stock options to purchase common shares of the Company as at September 30, 2012 (December 31, 2011 - 6,868,285; June 30, 2012 – 9,306,862), of which 6,714,915 were exercisable (December 31, 2011 - 5,627,035; June 30, 2012 – 6,089,949). The stock options outstanding as at September 30, 2012 would raise approximately $47.5 million if exercised in full.

As at November 6, 2012, there were 9,019,072 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, being the price agreed between the parties. The following is a summary of related party transactions during the three and nine months ended September 30, 2012:

- Gold sales to a refinery company, in which a director of the Company has an equity interest and is an officer, for the three and nine months ended September 30, 2012 amounted to $1.9 million and $3.6 million, respectively, compared to $2.2 million and $3.9 million, respectively, for the same periods in 2011, and are reported as a reduction to exploration and evaluation assets on the consolidated statements of financial position. Included in accounts receivable on September 30, 2012 is $nil (December 31, 2011 – $237,000; June 30, 2012 – nil) receivable from the refinery company.

- For the three and nine months ended September 30, 2012, the Company incurred consulting fees, included in corporate administration costs, of $0.1 million and $0.2 million, respectively (three and nine months ended September 30, 2011 – $nil) from a company controlled by the Chairman. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes. As at September 30, 2012, $nil (December 31, 2011 – $0.03 million; June 30, 2012 – $nil) of fees were included in accounts payable.

- For the nine months ended September 30, 2012, the Company invested a total of $1.0 million in Sabre and ThunderBolt, which are indirectly controlled by the Chairman and in which the Company has significant influence. Properties in which the Company had an option to acquire were transferred to Sabre and Thunderbolt, as applicable, by the company controlled by the Chairman in exchange for a controlling interest in Sabre and ThunderBolt. The Company also received common shares in each of Sabre and ThunderBolt in consideration for the waiver of the Company's option on the properties transferred to Sabre and ThunderBolt.

- As at September 30, 2012, $1.0 million (December 31, 2011 – $nil; June 30, 2012 – $1.0 million) was included in long-term receivables relating to exploration and administration expenditures incurred by the Company on behalf of Sabre and ThunderBolt. The receivable will be repaid upon the completion of future financing transactions and the completion of initial public offerings of Sabre and ThunderBolt.

- For the nine months ended September 30, 2012, a total of $0.9 million was paid by Sabre and ThunderBolt to a company controlled by the Chairman for the repayment of canon payments.

- On September 7, 2012, the Company's right of first refusal on approximately four million hectares of potential precious or base metal concessions owned by a company controlled by the Chairman expired. Prior to expiry, the Company performed all due diligence activities required to identify those concessions meeting the Company's strategic objectives and completed any resulting acquisition transactions.

- On October 19, 2012 the Company transferred 3,462 hectares of mining concessions and the Company's equity investment in OTU in exchange for 32,193 hectares of mining concessions and pending applications with a company controlled by the Chairman. No gain or loss was recognized by the Company upon completion of the transaction.

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

CONTRACTUAL OBLIGATIONS

As at September 30, 2012, the Company had the following payments due on contractual obligations and commitments:

Contractual Obligation In thousands of U.S. dollars	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
	$	**$**	**$**	**$**	**$**
Operating lease obligations[(1)]	**538**	**179**	**359**	**–**	**–**
Rehabilitation obligations[(2)]	**590**	**157**	**386**	**47**	**–**
Capital commitments[(3)]	**4,574**	**4,574**	**–**	**–**	**–**
Total	**5,702**	**4,910**	**745**	**47**	**–**

(1) In April 2010, the Company entered into a five-year lease agreement for office facilities in Toronto.
(2) Represents undiscounted cash flows.
(3) Represents signed contracts for the construction of the access road to the Higabra valley and the exploration tunnel.

As at September 30, 2012, a rehabilitation provision of $539,000 (December 31, 2011 – $509,000; June 30, 2012 – $540,000) was recorded, representing the discounted value of the expected future cash flows. The increase in the provision is related to changes in the COP:U.S. dollar exchange rate, discount rate and inflation rate.

FINANCIAL INSTRUMENTS AND RELATED RISKS

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

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

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

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

For the three and nine months ended September 30, 2012, the Company recognized a loss of $3.6 million and a gain of $0.7 million, respectively (three and nine months ended

September 30, 2011 – gains of $4.9 million and $34.5 million, respectively) related to the revaluation of Canadian dollar-denominated warrants.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has treasury policies designed to support managing of liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows. As at September 30, 2012, the Company had cash and cash equivalents of $102.3 million (December 31, 2011 – $83.4 million; June 30, 2012 – $65.4 million) to settle current liabilities of $4.1 million (December 31, 2011 – $2.9 million; June 30, 2012 – $4.2 million), excluding the current portion of Canadian dollar-denominated warrants. The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has begun to examine its options to secure additional sources of funds, including public issuances, private placements and the exercise of outstanding share purchase warrants and options.

Market Risk

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

Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the U.S. dollar and major purchases are transacted primarily in U.S. dollars and Colombian pesos. The Company funds certain operations, exploration and administrative expenses in Colombia on a cash-call basis using Colombian pesos converted from its Canadian and/or U.S. dollar bank accounts held in Canada. During the nine months ended September 30, 2012, the Company maintained Canadian and U.S. dollar bank accounts in Canada, a U.S. dollar bank account in Bermuda and Colombian pesos bank accounts in Medellín. The Company is subject to gains and losses due to fluctuations in the Colombian peso and the Canadian dollar against the Company's U.S. dollar functional currency. Sensitivity to a plus or minus 10% change in all foreign currencies (Colombian pesos and Canadian dollars) against the U.S. dollar, with all other variables held constant as at September 30, 2012, would affect net loss and comprehensive loss by approximately $9 million. See also "Currency" below.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from its properties. The Company's cash and cash equivalents are held with banks in Colombia, Bermuda and Canada. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least A or equivalent, or those which have been otherwise approved by the Company. As at September 30, 2012, $1.0 million (December 31, 2011 – $nil; June 30, 2012 – $1.0 million) of amounts receivable were classified as long-term and were receivable from related parties. All other amounts receivable were current as at September 30, 2012 and December 31, 2011 and consist of receivables from unrelated parties. Management believes that the credit risk concentration with respect to amounts receivable is minimal based on the Company's history with these unrelated parties.

Fair Value

As at September 30, 2012, the carrying and fair value amounts of the Company's financial instruments were approximately equivalent.

MARKET TRENDS

Global Financial Market Conditions

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

Gold Market

The Company's economic assessment of its gold projects is impacted by the market-driven gold price. The gold market is affected by negative real interest rates over the near to medium term, continued sovereign debt risks, elevated geo-political risks, mine production and substantial above-ground reserves that can affect the price should a portion of these reserves be brought to market.

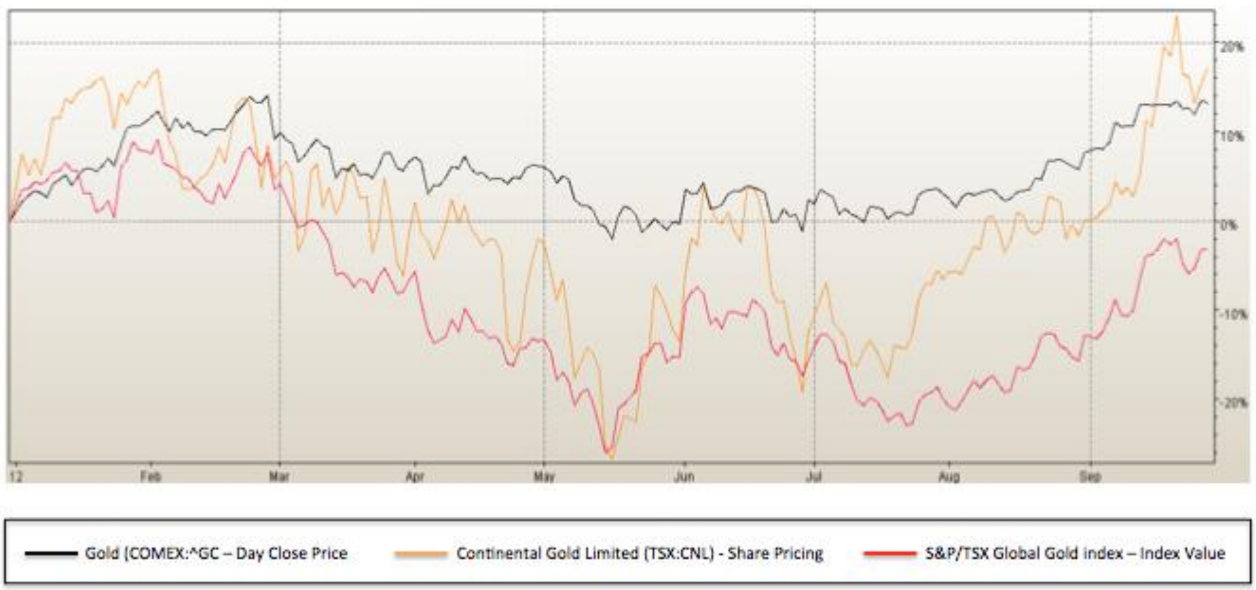
While many factors impact the valuation of gold, traditionally the key factors are actual and expected U.S. dollar value, global inflation rates, oil prices and interest rates.

The global financial market crisis affected the volatility of gold and other commodity prices, oil prices, currencies and the availability of credit. The gold price has displayed considerable volatility in the last few years. The spot daily gold price closing during the nine months ended September 30, 2012 was between $1,540 per ounce and $1,784 per ounce ($1,319 per ounce and $1,895 per ounce during the nine months ended September 30, 2011) for an average closing price for the nine months ended September 30, 2012 of $1,652 per ounce ($1,534 per ounce for the nine months ended September 30, 2011). Continued uncertainties in the major markets, specifically in the U.S. and European countries, and the increased investments from Asian countries, namely India and China, were the main driving forces in the rise in the demand for gold.

($/ounce of gold)	**2012**	2011
Average market gold price for the nine months ended September 30	**1,652**	1,534
Closing market gold price as at September 30	**1,776**	1,620

The Company's shareholder value increase in the nine months ended September 30, 2012 was partially impacted by the improvement of the gold price and positive developments such as the receipt of the modification of the Environmental Impact Assessment for the Buriticá project, the discovery of new mineralized vein systems south of the Yaraguá and Veta Sur deposits and the announcement of an updated mineral resource estimate.

As the following graph depicts, the Company's share price improved along with the appreciation of the gold price despite a decrease in overall gold equities as a result of continued global uncertainty.



Currency

The Company's functional and reporting currency is the U.S. dollar. Movement in the Canadian dollar against the U.S. dollar has a direct impact on the Company's corporate office cost base and cash balances. Movement in the Colombian peso has a direct impact on the Company's exploration activities. Currencies continued to experience volatility relative to the U.S. dollar during the nine months ended September 30, 2012. The key currencies to which the Company is exposed are the Canadian dollar and the Colombian peso.

As at and for the nine months ended September 30	**Closing Rate 2012**	Closing Rate 2011	**Average Rate 2012**	Average Rate 2011
Canadian dollar/U.S.$	**1.0171**	0.9540	**0.9980**	1.0225
Colombian peso /U.S.$	**0.00056**	0.00053	**0.00056**	0.00054

During 2012, the Company will have a significant U.S. dollar and Colombian peso requirement due to exploration activities, including expenditures to advance the Buriticá project. As at September 30, 2012, the Company held $15.8 million in U.S. dollars, representing greater than 100% of remaining 2012 planned exploration expenditures. As at November 6, 2012, the Company held approximately $10 million in U.S. dollars, representing approximately 10% of total cash balances, to protect against currency volatility in 2012.

CRITICAL ACCOUNTING ESTIMATES

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

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

The Company uses the Black-Scholes model to determine the fair value of options and unlisted Canadian dollar-denominated share purchase warrants. The main factor affecting the estimates of such fair values and stock-based compensation is the stock price volatility used. The Company uses historical price data in the estimate of the stock price volatility.

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

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

CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

IFRS 9 – Financial Instruments

The International Accounting Standards Board ("IASB") has issued IFRS 9, Financial Instruments, which replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Finally, IFRS 9 requires that fair value changes due to credit risk for financial liabilities designated at fair value through profit and loss for liabilities be generally recorded in other comprehensive income.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its consolidated financial statements.

IFRS 13 – Fair Value Measurement

The IASB has issued IFRS 13, Fair Value Measurement, which sets out a framework for measuring fair value and new required disclosures about fair value measurements for use across all IFRS standards in a single IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

The IASB has issued IFRS 10, Consolidated Financial Statements, which requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

The IASB has issued IFRS 12, Disclosure of Interests in Other Entities, which establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its consolidated financial statements.

IAS 1 – Presentation of Financial Statements

The IASB has amended IAS 1, Presentation of Financial Statements, to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures

The IASB has amended IFRS 7, Financial Instruments: Disclosures, to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

The amendment is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is in the process of evaluating the impact of the change in its consolidated financial statements.

IAS 12 – Income Taxes

The IASB has amended IAS 12, Income Taxes, to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner or recovery or settlement. SIC 21*, Income Taxes - Recovery of Revalued Non-Depreciable Assets*, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

The amendment is effective for annual periods beginning on or after January 1, 2012 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

There were no significant changes in the Company's internal controls, or in other factors, that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation of such internal controls as of September 30, 2012, nor were there any significant deficiencies or material weaknesses in the Company's internal controls identified requiring corrective actions.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

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

QUALIFIED PERSON AND TECHNICAL DISCLOSURE

Mark Moseley-Williams, President and Chief Operating Officer of the Company, is a qualified person within the meaning of NI 43-101 and is responsible for preparing and supervising the preparation of the scientific or technical information contained in this MD&A and verifying the technical data disclosed in this MD&A relating to the Company's projects. Mr. Moseley-Williams has consented to the inclusion of this information in the form and context in which it appears in this MD&A.

Potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a mineral resource at the La Estera or La Mano systems, and it is uncertain if further exploration will result in such targets being delineated as mineral resources. For further details of the exploration results at La Estera and La Mano, please refer to the press release of the Company dated September 13, 2012 and entitled "Continental Gold drills a new high-grade gold and silver discovery over 1,200 vertical metres at Buriticá, Colombia" available on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The business of the Company is subject to a variety of risks and uncertainties. The reader should carefully consider the risks disclosed in the Company's unaudited interim consolidated 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 and on OTCQX at www.otcmarkets.com. These risks could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A and as described in the "Caution Regarding Forward-Looking Statements" found on page 1 herein.

For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's annual information form ("AIF") for the year ended December 31, 2011 filed with securities regulatory authorities under the Company's profile on SEDAR at www.sedar.com and on OTCQX at www.otcmarkets.com. In addition, the AIF is available upon request from the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the AIF, is available under the Company's profile on SEDAR at www.sedar.com and on OTCQX at www.otcmarkets.com.