INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended
June 30, 2013 (unaudited)

INDEX

Continental Gold Limited

Consolidated Statements of Financial Position (unaudited)

As at (in thousands of U.S. Dollars)	Notes	June 30, 2013	December 31, 2012
		$	$
Assets			
Current assets			
Cash and cash equivalents	5	**141,483**	169,983
Marketable securities		**623**	1,284
Receivables and prepaid expenses	8(a)	**5,210**	6,590
		147,316	177,857
Non-current assets			
Restricted cash		**–**	66
Long-term portion of receivables	12(d),(f)	**–**	1,091
Prepaids and advances		**2,388**	1,892
Intangible assets		**236**	330
Property, plant and equipment	7	**7,646**	7,186
Exploration and evaluation assets	8	**145,669**	121,154
Investments in associates	9	**611**	1,020
		156,550	132,739
		303,866	310,596
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**4,436**	2,420
Income taxes payable		**292**	193
		4,728	2,613
Non-current liabilities			
Equity tax liability		**140**	293
Rehabilitation provision		**348**	373
Deferred tax liability		**12,749**	10,661
		13,237	11,327
		17,965	13,940
Shareholders' equity			
Share capital	10	**24**	24
Share premium reserve		**391,743**	390,927
Share-based payment reserve		**25,521**	21,765
Deficit		**(131,387)**	(116,060)
		285,901	296,656
		303,866	310,596

Commitments and contingencies	12(g), 15
Subsequent event	9(a)

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

Continental Gold Limited

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

(in thousands of U.S. Dollars, except share and per share amounts)	Notes	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
		$	$	**$**	$
Operating expenses:					
Corporate administration	13	**(3,558)**	(2,878)	**(6,107)**	(5,615)
Exploration expense		**(34)**	–	**(34)**	–
(Loss) gain on sale or write-down of assets	7, 12(e)	**(337)**	(6)	**(337)**	15
		(3,929)	(2,884)	**(6,478)**	(5,600)
Other income (expense):					
Foreign exchange loss		**(4,073)**	(1,364)	**(7,096)**	(139)
Loss on marketable securities		**(231)**	(230)	**(736)**	(215)
Share of net loss of investments in associates	9	**(34)**	(127)	**(92)**	(127)
Gain on Canadian dollar-denominated warrants		**–**	4,824	**–**	4,202
Other income	8(a)	**610**	318	**634**	333
Net (loss) income before finance items and income tax		**(7,657)**	537	**(13,768)**	(1,546)
Finance income (expense):					
Interest income		**437**	171	**930**	394
Interest and accretion expense		**(13)**	(11)	**(21)**	(15)
Net (loss) income before income tax		**(7,233)**	697	**(12,859)**	(1,167)
Income tax (expense) recovery:					
Current		**(202)**	(106)	**(380)**	(213)
Deferred		**(1,062)**	443	**(2,088)**	1,248
Total income tax (expense) recovery		**(1,264)**	337	**(2,468)**	1,035
Net (loss) income and comprehensive (loss) income for the year attributable to the equity holders of Continental Gold Limited		**(8,497)**	1,034	**(15,327)**	(132)
Net loss per common share					
Basic and diluted		**(0.07)**	0.01	**(0.12)**	0.00
Weighted average number of common shares outstanding					
Basic		**126,509,174**	110,144,000	**126,394,497**	109,291,489
Diluted		**126,509,174**	113,430,061	**126,394,497**	113,835,000

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

Continental Gold Limited

Consolidated Statements of Changes in Shareholders' Equity (unaudited)

	Issued Capital		Reserves			
(in thousands of U.S. Dollars)	Share Capital (Note 10)	Share Premium Reserve	Warrants and Broker Warrants Reserve	Share-Based Payment Reserve	Deficit	Total
	$	$	$	$	$	$
Balance, December 31, 2012	**24**	**390,927**	**–**	**21,765**	**(116,060)**	**296,656**
Share-based payments (Note 11(b))	**–**	**–**	**–**	**4,073**	**–**	**4,073**
Exercise of share-based payments – cash proceeds	**–**	**499**	**–**	**–**	**–**	**499**
Fair value of share-based payments exercised	**–**	**317**	**–**	**(317)**	**–**	**–**
Net loss for the period	**–**	**–**	**–**	**–**	**(15,327)**	**(15,327)**
Balance, June 30, 2013	**24**	**391,743**	**–**	**25,521**	**(131,387)**	**285,901**
Balance, December 31, 2011	24	247,281	1,706	14,924	(108,131)	155,804
Fair value of warrants issued	–	(70)	–	–	–	(70)
Exercise of warrants – cash proceeds	–	2,378	–	–	–	2,378
Fair value of warrants exercised	–	986	(916)	–	–	70
Share-based payments (Note 11(b))	–	–	–	5,045	–	5,045
Exercise of broker warrants – cash proceeds	–	795	–	–	–	795
Fair value of broker warrants exercised	–	527	(527)	–	–	–
Exercise of share-based payments – cash proceeds	–	131	–	–	–	131
Fair value of share-based payments exercised	–	260	–	(260)	–	–
Net loss for the period	–	–	–	–	(132)	(132)
Balance, June 30, 2012	24	252,288	263	19,709	(108,263)	164,021

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

Continental Gold Limited

Consolidated Statements of Cash Flows (unaudited)

(in thousands of U.S. Dollars)	Notes	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
		$	$	**$**	$
Cash provided by (used in):					
Operating activities:					
Net (loss) income for the year		**(8,497)**	1,034	**(15,327)**	(132)
Items not affecting cash:					
Foreign exchange loss		**4,073**	1,364	**7,096**	139
Share-based payments	11(b)	**1,273**	1,495	**2,283**	2,693
Deferred tax expense (recovery)		**1,062**	(443)	**2,088**	(1,248)
Loss on marketable securities		**231**	230	**736**	215
Share of net loss in investments in associates	9	**34**	127	**92**	127
Gain on Canadian dollar-denominated warrants		**–**	(4,824)	**–**	(4,202)
Other non-cash items	14(a)	**1,360**	71	**1,492**	120
Changes in non-cash operating working capital balances	14(a)	**49**	352	**(85)**	(885)
		(415)	(594)	**(1,625)**	(3,173)
Investing activities:					
Investment in associates	9	**–**	–	**–**	(990)
Property, plant and equipment	7	**(394)**	(860)	**(946)**	(1,493)
Exploration and evaluation assets	14(b)	**(13,649)**	(10,176)	**(23,484)**	(16,420)
Recoveries in property from gold sales	8(b)	**1,833**	885	**3,594**	1,677
Receivables related to mineral properties		**(1,443)**	–	**1,351**	–
Other investing activities	14(b)	**(235)**	(578)	**(1,245)**	(770)
		(13,888)	(10,729)	**(20,730)**	(17,996)
Financing activities:					
Cash proceeds from exercise of stock options		**196**	–	**499**	131
Cash proceeds from exercise of warrants, and broker warrants		**–**	1,318	**–**	3,173
		196	1,318	**499**	3,304
Net change in cash and cash equivalents during the period		**(14,107)**	(10,005)	**(21,856)**	(17,865)
Cash and cash equivalents, beginning of period		**159,383**	76,878	**169,983**	83,404
Foreign exchange effect on cash balances		**(3,793)**	(1,487)	**(6,644)**	(153)
Cash and cash equivalents, end of period		**141,483**	65,386	**141,483**	65,386

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

1. NATURE OF OPERATIONS

Nature of Operations

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

The Company engages principally in the acquisition, exploration and development of its mineral properties in Colombia. The Company's activities include a bulk-sample testing operation related to exploration work and considered by the Company to be in the pre-production stage. Substantially all of the Company's efforts are devoted to exploring, financing and developing these properties.

The Company's shares are listed on the Toronto Stock Exchange ("TSX") and also trade in the United States on the OTCQX® International, the highest tier of the U.S. Over-the-Counter market. The registered address and corporate records of the Company are located at Cumberland House, 9th Floor, 1 Victoria Street, Hamilton HM 11, Bermuda.

2. STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and outstanding as of June 30, 2013, as issued by the International Accounting Standards Board ("IASB"), applicable to preparation of unaudited interim consolidated financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34"). These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

The accounting policies followed in these unaudited interim consolidated financial statements are those applied in Notes 2, 3 and 4 of the Company's audited annual consolidated financial statements for the year ended December 31, 2012 and have been consistently applied throughout all periods presented, as if these policies had always been in effect, except as described in Note 3 herein.

These unaudited interim consolidated financial statements were approved and authorized by the Audit Committee of the Company, on behalf of the Board of Directors, on August 7, 2013.

3. CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions:

(i) IFRS 10, *Consolidated Financial Statements* ("IFRS 10") replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") and *SIC-12, Consolidation—Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation for the Company have remained largely consistent with IAS 27.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

(ii) IFRS 13, *Fair Value Measurement* ("IFRS 13") provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

(iii) IAS 1, *Presentation of Financial Statements* ("IAS 1") has adopted amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income (loss) or comprehensive income (loss) on January 1, 2013.

4. OPERATING SEGMENTS

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

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Colombia.

Supplemental information

The Company has provided information regarding unallocated assets, liabilities and net loss as supplemental information:

As at June 30, 2013 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Cash and cash equivalents	**140,125**	**1,358**	**141,483**
Exploration and evaluation assets	**–**	**145,669**	**145,669**
Total assets	**143,399**	**160,467**	**303,866**
Total liabilities	**430**	**17,535**	**17,965**

As at December 31, 2012 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Cash and cash equivalents	169,632	351	169,983
Exploration and evaluation assets	–	121,154	121,154
Total assets	174,079	136,517	310,596
Total liabilities	633	13,307	13,940

Period ended June 30, 2013 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Three months ended:			
Net loss	**(5,383)**	**(3,114)**	**(8,497)**
Capital expenditures	**–**	**12,598**	**12,598**
Six months ended:			
Net loss	**(10,646)**	**(4,681)**	**(15,327)**
Capital expenditures	**8**	**23,336**	**23,344**

Period ended June 30, 2012 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Three months ended:			
Net income (loss)	955	79	1,034
Capital expenditures	92	10,880	10,972
Six months ended:			
Net income (loss)	(863)	731	(132)
Capital expenditures	92	18,248	18,340

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

(in thousands of U.S. Dollars)	**As at June 30, 2013**	As at December 31, 2012
	$	$
Cash in banks and petty cash	**93,943**	169,983
Short-term bank deposits	**47,540**	–
Total	**141,483**	169,983

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in the Company's audited annual consolidated financial statements for the year ended December 31, 2012, Note 4.

Financial assets and financial liabilities as at June 30, 2013 and December 31, 2012 were as follows:

As at June 30, 2013 (in thousands of U.S. Dollars)	**Fair Value through profit and loss**	**Loans and receivables and held-to-maturity**	**Other financial assets/ (liabilities)**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	**–**	**141,483**	**–**	**141,483**
Marketable securities	**623**	**–**	**–**	**623**
Receivables	**–**	**5,018**	**–**	**5,018**
Accounts payable and accrued liabilities and income taxes payable	**–**	**–**	**(4,434)**	**(4,434)**
Equity tax liability	**–**	**–**	**(434)**	**(434)**
Total	**623**	**146,501**	**(4,868)**	**142,256**

As at December 31, 2012 (in thousands of U.S. Dollars)	Fair Value through profit and loss	Loans and receivables and held-to-maturity	Other financial assets/ (liabilities)	Total
	$	$	$	$
Cash and cash equivalents	–	169,983	–	169,983
Marketable securities	1,284	–	–	1,284
Restricted cash	66	–	–	66
Receivables	–	7,578	–	7,578
Accounts payable and accrued liabilities and income taxes payable	–	–	(2,293)	(2,293)
Equity tax liability	–	–	(613)	(613)
Total	1,350	177,561	(2,906)	176,005

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities and income taxes payable approximate fair value because of the limited term of these instruments.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and price risk).

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

Fair value hierarchy and liquidity risk disclosure:

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 June 30, 2013, the Company had cash and cash equivalents of $141,483,000 (December 31, 2012 – $169,983,000) to settle current liabilities of $4,728,000 (December 31, 2012 – $2,613,000). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has various commitments detailed in Note 15.

For the three and six months ended June 30, 2013, the Company recorded a net loss of $8,497,000 and $15,327,000, respectively (three months and six months ended June 30, 2012 – net income of $1,034,000 and net loss of $132,000, respectively), after recognizing a valuation gain in respect of the Canadian dollar-denominated warrants for the three and six months ended June 30, 2013 of $nil (three and six months ended June 30, 2012 – $4,824,000 and $4,202,000, respectively), and reported an accumulated deficit as at June 30, 2013 of $131,387,000 (December 31, 2012 – $116,060,000).

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 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.

The Company has begun to examine it options to secure additional sources of funds including public issuances and private placements.

Fair value hierarchy

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy. The levels in the hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

As at June 30, 2013 (in thousands of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	**–**	**141,483**	**–**	**141,483**
Marketable securities	**561**	**62**	**–**	**623**
	561	**141,545**	**–**	**142,106**

As at December 31, 2012 (in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	–	169,983	–	169,983
Marketable securities	1,054	230	–	1,284
	1,054	170,213	–	171,267

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

(in thousands of U.S. dollars)	**Land and Buildings**	**Vehicles, Mining and Exploration Equipment**	**Leasehold Improvements, Office and Computer Equipment**	**Total**
	$	**$**	**$**	**$**
Balance, January 1, 2012				
Cost	1,658	3,025	2,104	6,787
Accumulated depreciation	(12)	(475)	(489)	(976)
Net book value	1,646	2,550	1,615	5,811
Year ended December 31, 2012				
Opening net book value	1,646	2,550	1,615	5,811
Additions	1,494	266	467	2,227
Disposals and write-downs	(15)	(30)	(18)	(63)
Depreciation	(23)	(315)	(451)	(789)
Closing net book value	3,102	2,471	1,613	7,186
Balance, December 31, 2012				
Cost	3,137	3,199	2,532	8,868
Accumulated depreciation	(35)	(728)	(919)	(1,682)
Net book value	3,102	2,471	1,613	7,186

(in thousands of U.S. dollars)	**Land and Buildings**	**Vehicles, Mining and Exploration Equipment**	**Leasehold Improvements, Office and Computer Equipment**	**Total**
	$	**$**	**$**	**$**
Six months ended June 30, 2013				
Opening net book value	**3,102**	**2,471**	**1,613**	**7,186**
Additions	**287**	**431**	**228**	**946**
Disposals	**–**	**(106)**	**–**	**(106)**
Depreciation	**(10)**	**(152)**	**(218)**	**(380)**
Closing net book value	**3,379**	**2,644**	**1,623**	**7,646**
Balance, June 30, 2013				
Cost	**3,424**	**3,505**	**2,760**	**9,689**
Accumulated depreciation	**(45)**	**(861)**	**(1,137)**	**(2,043)**
Net book value	**3,379**	**2,644**	**1,623**	**7,646**

Depreciation for the three and six months ended June 30, 2013 of $80,000 and $190,000, respectively (three and six months ended June 30, 2012 – $109,000 and $170,000, respectively) is included in depreciation and amortization in the consolidated statement of operations and comprehensive income (loss) and depreciation for the three and six months ended June 30, 2013 of $100,000 and $190,000 (three and six months ended June 30, 2012 – $100,000 and $209,000, respectively) is capitalized in exploration and evaluation assets.

Loss on sale or write-down of equipment for the three and six months ended June 30, 2013 of $20,000 and $20,000, respectively (three and six months ended June 30, 2012 – $6,000 loss and 15,000 gain, respectively) is included in the consolidated statement of operations and comprehensive income (loss).

8. EXPLORATION AND EVALUATION ASSETS

(in thousands of U.S. dollars)	**Balance December 31, 2012**	**Additions**	**Gold Sales, Options and Recoveries**	**Disposals or Write-downs**	**Balance June 30, 2013**
	$	**$**	**$**	**$**	**$**
Anza (a)	**–**	**–**	**–**	**–**	**–**
Berlin	**14,401**	**22**	**–**	**–**	**14,423**
Buriticá(b)	**99,908**	**27,764**	**(3,594)**	**–**	**124,078**
Dojura (c)	**1,118**	**186**	**–**	**–**	**1,304**
Dominical	**5,233**	**122**	**–**	**–**	**5,355**
Santander (d)	**494**	**15**	**–**	**–**	**509**
Total	**121,154**	**28,109**	**(3,594)**	**–**	**145,669**

(in thousands of U.S. dollars)	Balance December 31, 2011	Additions	Gold Sales, Options and Recoveries	Disposals or Write-downs	Balance December 31, 2012
	$	$	$	$	$
Anza (a)	5	–	(5)	–	–
Berlin	14,114	287	–	–	14,401
Buriticá(b)	62,598	42,479	(5,169)	–	99,908
Dojura (c)	1,265	39	(186)	–	1,118
Dominical	4,949	284	–	–	5,233
Santander (d)	590	47	–	(143)	494
Total	83,521	43,136	(5,360)	(143)	121,154

(a) Anza Property

The Company and five other parties (the “Optionors”) entered into an option agreement dated May 20, 2010 to option a contiguous group of properties (the “Properties”) including the Company’s Anza property. The Company was entitled to receive 25% of all consideration flowing to the Optionors pursuant to the option agreement and the letter of intent.

During the three and six months ended June 30, 2013, the Company received its share of the final option payments of $500,000 and 500,000 common shares of the option holder, valued at $76,000 and has recognized the option payments in other income. Pursuant to the option agreement, licenses under the option agreement have been transferred from the Optionors to the option holder as of June 30, 2013.

Furthermore, the Company entered into a loan agreement during the quarter with the option holder for $500,000 with a maturity date of March 1, 2014. The Company received a general security agreement over the option holder’s personal property.

(b) **Buriticá Property**

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.

Gold concentrate inventory of $nil as at June 30, 2013 (December 31, 2012 – $26,000) is included in mineral properties and is carried at the lower of cost and net realizable value. Inventory is recorded at cost as the Company capitalizes its pre-production revenues and costs. During the three and six months ended June 30, 2013 and 2012, no amounts have been expensed in the consolidated statement of operations and comprehensive income (loss).

Gold sales from pre-production and bulk sampling revenues for the three and six months ended June 30, 2013 of $1,833,000 and $3,594,000, respectively (three and six months ended June 30, 2012 – $885,000 and $1,677,000, respectively) were credited against the capitalized expenditures.

(c) **Dojura Property**

The Dojura property is subject to an option agreement, dated October 4, 2006, with an unrelated third party (the "option holder").

The option holder is required to incur expenditures and payments from the date the option holder begins exploration in order to earn a 51% interest in the project, in accordance with the option agreement. A company controlled by the Chairman of the Company (the "Chairman") is entitled to 25% of all cash payments received by the Company with regards to the Dojura option agreement.

During the three and six months ended June 30, 2013, the Company received option payments of $nil (three and six months ended June 30, 2012 – $nil and $250,000, respectively).

In 2013, the Company agreed to temporarily postpone the January 15, 2013 option payment of $500,000 while the two parties discuss alternatives to the current agreement. If a mutually acceptable agreement cannot be reached within an agreed timeframe, the Company expects the option holder to make the January 15, 2013 payment forthwith and any other future payments contemplated in the original option agreement to keep the option agreement in good standing.

(d) **Santander Property**

The Santander project was initially acquired in 2007, upon incorporation of the Company, from a company controlled by the Chairman.

In February 2013, the Company voluntarily relinquished 1,001 hectares of its mineral exploration rights located in the Santander region within the newly-declared Parque Natural Regional Páramo de Santurbán (the "Páramo Park"). The Company has retained its remaining 3,471 hectares of mineral exploration rights in the Santander region as they are not impacted by the Páramo Park boundaries and considers the ground prospective for precious metals. For the three and six months ended June 30, 2013, the Company recognized a write-down of $nil (three and six months ended June 30, 2012 - $nil; year ended December 31, 2012 - $143,000) in the consolidated statement of operations and comprehensive income (loss) in respect of the Santander property.

9. INVESTMENTS IN ASSOCIATES

Investments in associates consist of the following:

(in thousands of U.S. dollars)	Sabre Metals Inc. (a)	ThunderBolt Resources Inc. (b)	Minerales OTU S.A.S.	Total
	$	$	$	$
Balance, December 31, 2011	–	–	2,526	2,526
Initial investment in associate	70	70	–	140
Additional investment	756	349	–	1,105
Share of net loss	(159)	(66)	–	(225)
Disposal	–	–	(2,526)	(2,526)
Balance, December 31, 2012	**667**	**353**	**–**	**1,020**
Share of net loss	**(56)**	**(36)**	**–**	**(92)**
Impairment adjustment	**–**	**(317)**	**–**	**(317)**
Balance, June 30, 2013	**611**	**–**	**–**	**611**

(a) **Sabre Metals Inc.**

As at June 30, 2013, the Company invested a total of C$820,000 (December 31, 2012 – C$820,000) and received common shares in Sabre Metals Inc. ("Sabre"), a private company incorporated in the Province of Ontario, Canada and indirectly controlled by the Chairman. The Company received additional shares of Sabre in 2012 in consideration for the waiver of the Company's option on certain properties transferred to Sabre by a company controlled by the Chairman. As at June 30, 2013, the Company owned approximately 16% of Sabre.

The Company has accounted for its investment in Sabre as an investment in an associate, as the Company continues to have significant influence over the activities of Sabre through the involvement of the Company's management and staff in the associate's activities and the financing of a portion of the associate's operations.

As at June 30, 2013, $nil (December 31, 2012 – $458,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of Sabre.

On August 1, 2013, Cordoba Minerals Corp. ("Cordoba"), an unrelated public company, announced a binding agreement with respect to the acquisition of Sabre by Cordoba. Upon completion of the proposed transaction, the Company's ownership of Cordoba is expected to be less than 10%, including shares of Cordoba currently owned by the Company. As a result, the investment in Sabre is expected to be reclassified and accounted for as an available-for-sale investment at that time.

(b) **ThunderBolt Resources Inc.**

As at June 30, 2013, the Company invested a total of C$414,000 (December 31, 2012 – C$414,000) in the form of a convertible promissory note and common shares in ThunderBolt Resources Inc. ("ThunderBolt") (formerly Nighthawk Resources Inc.), a private company incorporated in the Province of Ontario, Canada and indirectly controlled by the Chairman. The convertible promissory note provides the Company the right to convert the receivable, at its option, into common shares of ThunderBolt. As of June 30, 2013, the convertible promissory note receivable was C$94,000 (December 31, 2012 – C$94,000). Additionally, the Company received shares of ThunderBolt in consideration for the waiver of the Company's option on certain properties transferred to ThunderBolt by a company controlled by the Chairman. As at June 30, 2013, the Company owns approximately 18% of ThunderBolt.

The Company has accounted for its investment in ThunderBolt as an investment in associate as the Company continues to have significant influence over the activities of ThunderBolt through the involvement of the Company's management and staff in the associate's activities and the financing of a portion of the associate's operations.

During the six months ended June 30, 2013, as a result of management's assessment that ThunderBolt's current properties do not meet the criteria for the potential for an economically viable mine in the current precious metal environment, the Company has recorded an impairment adjustment to its investment in ThunderBolt of $317,000 and recorded a full provision against its receivable from ThunderBolt of $998,000.

10. SHARE CAPITAL

(a) Authorized

The Company has an authorized share capital of $60,000 and may issue up 50,000,000,000 common shares with a par value of $0.000001 per share and up to 100,000,000 preferred shares with a par value of $0.0001, issuable in series. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

(b) Issued

As of June 30, 2013, the issued share capital was 126,562,005. The change in issued share capital for the six months ended June 30, 2013 and 2012 were as follows:

	Number of Shares	
	2013	2012
Balance, January 1	**126,191,155**	108,145,007
Exercise of stock options (Note 11)	**370,850**	80,211
Exercise of warrants and broker warrants	**–**	2,106,298
Balance, June 30	**126,562,005**	110,331,516

11. SHARE-BASED PAYMENTS

Under the Company's stock option plan (the "Plan"), the Company may grant to directors, officers, employees and consultants stock options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding share capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. The aggregate number of common shares reserved for issuance granted to any one individual in a 12-month period may not exceed 5% of the total number of shares outstanding. Stock options granted under the Plan will be for a term not to exceed 10 years.

Movements in stock options during the period were as follows:

	2013		2012	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
		C$		C$
Balance, January 1	**8,612,112**	**5.18**	6,868,285	4.10
Granted [*](a)	**2,365,000**	**7.98**	2,798,788	7.73
Exercised	**(370,850)**	**1.36**	(80,211)	1.66
Expired/Forfeited	**(381,250)**	**8.30**	(280,000)	8.68
Balance, June 30	**10,225,012**	**5.85**	9,306,862	5.08

[*] The weighted average grant date fair value of stock option grants during the three and six months ended June 30, 2013 was $2.92 and $3.25, respectively (three and six months ended June 30, 2012 – $2.90 and $3.13, respectively).

The following table shows the stock options outstanding at June 30, 2013:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Price C$	Number of Stock Options Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C$	Number of Stock Options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price C$
$0.41 – $2.00	2,785,824	2.27	1.39	2,788,824	2.27	1.40
$2.01 – $4.00	496,000	1.86	2.35	496,000	1..86	2.35
$4.01 – $6.00	725,000	4.31	5.40	125,000	2.17	5.80
$6.01 – $8.00	3,875,688	3.34	7.67	2,751,294	3.21	7.65
$8.01 – $10.24	2,342,500	4.12	9.02	642,500	2.96	9.39
	10,225,012	3.22	5.85	6,800,618	2.68	4.83

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

For the six months ended	**June 30, 2013**	June 30, 2012
Number of stock options granted	**2,365,000**	2,798,788
Weighted average exercise price (C$)	**8.01**	7.73
Weighted average market price ($)	**8.01**	7.74
Expected dividend yield	**nil**	nil
Expected volatility	**61.05%**	58.48%
Weighted average risk-free interest rate	**1.20%**	1.15%
Forfeiture rate	**8.61%**	7.08%
Weighted expected life (years)	**3.12**	3.12
Weighted average grant date fair value ($)	**3.25**	3.13

Stock options granted in 2013 and 2012 have vesting terms of 1/4 every six months from the date of grant and a five-year term from the date of grant.

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

		Three months ended June 30		Six months ended June 30	
(in thousands of U.S. Dollars)	Note	**2013**	2012	**2013**	2012
				$	$
Share-based payments, included in corporate administration expenses	13	**1,273**	1,495	**2,283**	2,693
Share-based payments capitalized to exploration and evaluation assets		**853**	1,188	**1,790**	2,352
		2,126	2,683	**4,073**	5,045

12. RELATED PARTY TRANSACTIONS

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

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

(a) During the three and six months ended June 30, 2013, aggregate gold sales to a refinery company (in which a director of the Company has an equity interest and is an officer) amounted to $1,833,000 and $3,594,000, respectively (three and six months ended June 30, 2012 – $885,000 and $1,677,000, respectively) and are reported as a reduction to exploration and evaluation assets on the consolidated statement of financial position. As at June 30, 2013, the refinery company owed the Company $99,000 (December 31, 2012 – $203,000) which is included in accounts receivable. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

(b) The Company has a consulting agreement with a company controlled by the Chairman for $20,000 per month. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes. As at June 30, 2013, $nil (December 31, 2012 – $nil) of fees was included in accounts payable.

(c) For the three and six months ended June 30, 2013, option payments of $nil (three and six months ended June 30, 2012 – $nil and $63,000, respectively), representing 25% of option payments received from the third-party joint venture partner in the Dojura project, was paid to a company controlled by the Chairman, pursuant to an option agreement.

(d) As at June 30, 2013, $nil (December 31, 2012 – $633,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of ThunderBolt, an associate of the Company. A provision of $998,000, representing the receivable balance as at June 30, 2013, was recorded in corporate administration.

(e) For the three and six months ended June 30, 2013, the Company recorded an impairment adjustment of $317,000 in respect of its investment in ThunderBolt.

(f) As at June 30, 2013, $nil (December 31, 2012 – $458,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of Sabre, an associate of the Company.

(g) The Company provided letters of support to the Colombian Mining Authority indicating the Company's commitment to financially support the exploration activities for an area, totaling 333,096 hectares, covered in applications submitted on July 2, 2013 by Sabre and ThunderBolt, associates of the Company. The letters of support were required in order for Sabre and ThunderBolt to meet rules governing mineral exploration applications. The letters of support indicate a financial commitment, limited to an approximate cost of $98/hectare, for future exploration expenditures for the three-year period commencing from the date a concession contract is registered in respect of the specified areas in the applications.

As of August 7, 2013, the application process is still underway and no mining concession contracts have been registered to Sabre or ThunderBolt in respect of the areas covered in the noted applications. In addition, there is no certainty as to the number of hectares that will be ultimately awarded to Sabre and ThunderBolt; however, the Company does expect that the number of hectares available, for which concession contracts will be granted, will be reduced, resulting in a reduced financial commitment for the Company. Areas not expected to be granted include, but are not limited to, previously-contracted areas and environmentally protected areas. Under current Colombian mining law, exploration obligations commence upon the registration of concession contracts and, under previous interpretation of Colombian mining law, each applicant retains the right to desist from applications made before the Mining Authority at any point during the application phase, with no further liability to Sabre, ThunderBolt or the Company.

(h) On June 19, 2013, the Company transferred ownership of the Lunareja property to a company controlled by the Chairman for no consideration. The book value of the property prior to the transfer was $nil, resulting in no gain or loss.

13. CORPORATE ADMINISTRATION EXPENSES

(in thousands of U.S. Dollars)	Note	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
		$	$	**$**	$
Share-based payments	11(b)	**1,273**	1,495	2,283	2,693
Salaries		**513**	514	1,029	1,189
Provision for bad debts	9(b), 12(d)	**998**	–	998	–
Investor relations		**167**	79	439	188
Professional fees		**212**	164	394	302
General office and administration		**94**	187	251	272
Depreciation and amortization	7	**86**	122	210	195
Directors fees and expenses		**109**	95	207	187
Travel expenses		**70**	144	168	436
Regulatory fees		**36**	78	128	153
		3,558	2,878	6,107	5,615

14. CASH FLOW – OTHER ITEMS

(a) Other Operating Activities

(in thousands of U.S. Dollars)	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
	$	$	**$**	$
Other non-cash items:				
Provision for bad debts	**998**	–	**998**	**–**
Loss (gain) on sale of assets	**337**	6	**337**	(15)
Depreciation and amortization	**86**	122	**210**	195
Interest and accretion expense	**14**	7	**22**	12
Interest income	**–**	(7)	**–**	(15)
Marketable securities	**(75)**	(57)	**(75)**	(57)
	1,360	71	**1,492**	120
Net changes in non-cash operating working capital balances:				
Receivables and prepaid expenses	**8**	(117)	**48**	(218)
Accounts payable and accrued liabilities	**41**	469	**(133)**	(667)
	49	352	**(85)**	(885)

(b) **Other Investing Activities**

		Three months ended June 30		Six months ended June 30	
(in thousands of U.S. Dollars)	Note	**2013**	2012	**2013**	2012
		$	$	**$**	$
Exploration and evaluation assets:					
Accounts payable and accrued liabilities attributable to exploration and evaluation assets		**321**	730	**2,430**	1,981
Exploration expenditures		**(13,970)**	(10,906)	**(25,914)**	(18,401)
		(13,649)	(10,176)	**(23,484)**	(16,420)
Other items:					
Proceeds from sale of assets		**56**	8	**100**	36
Restricted cash		**66**	1	**66**	25
Intangible assets		**(67)**	(91)	**(78)**	(123)
Equity tax liability		**(154)**	(157)	**(154)**	(157)
Receivables	8(a), 12(d),(e)	**(443)**	(388)	**(500)**	(628)
Prepaids and advances		**307**	49	**(679)**	77
		(235)	(578)	**(1,245)**	(770)

15. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2013, the Company had the following contractual commitments and obligations:

(in thousands of U.S. dollars)	Total	Less than 1 Year	Years 2 - 5	After 5 Years
	$	$	$	$
Operating leases (a)	644	336	308	–
Capital commitments(b)	10,571	10,571	–	–
	11,215	10,907	308	–

(a) Non-cancellable operating lease payments in respect of the Company's office and warehouse facilities in Toronto and Colombia.

(b) Capital commitments mainly relate to exploration drilling and the construction of the exploration tunnels. All costs will be capitalized to exploration and evaluation assets when incurred.

Environmental Contingencies

The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

TSX:**CNL** OTCQX:**CGOOF**

Continental Gold Limited
2920 - 155 Wellington Street West
Toronto, Ontario, Canada M5V 3H1
416 5835610 / Fax: 416 5959918
www.continentalgold.com

Bermuda Office
Continental Gold Limited
Cumberland House, 9th floor
1 Victoria Street, Hamilton, HM11 Bermuda

Colombia Branch
Continental Gold
Calle 7 No 39-215, of. 1208 El Poblado
Medellín, Antioquia
(57) 4 3121026