# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2015

CONTINENTAL GOLD
TSX:CNL OTCQX:CGOOF

# INDEX

## Continental Gold Limited
## Consolidated Statements of Financial Position (unaudited)

| As at<br>(in thousands of U.S. Dollars) | Notes | **March 31, 2015** | December 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **45,610** | 57,558 |
| Marketable securities | 5 | **450** | 630 |
| Receivables and prepaid expenses | 6 | **4,922** | 4,864 |
| | | **50,982** | 63,052 |
| **Non-current assets** | | | |
| Prepaids and advances | | **852** | 770 |
| Intangible assets | | **62** | 92 |
| Property, plant and equipment | 7 | **9,128** | 9,275 |
| Exploration and evaluation assets | 8 | **202,827** | 195,309 |
| | | **212,869** | 205,446 |
| | | **263,851** | 268,498 |
| **Liabilities and Equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 15 | **5,596** | 4,803 |
| **Non-current liabilities** | | | |
| Rehabilitation provision | | **3,050** | 3,083 |
| Deferred tax liability | | **20,959** | 17,640 |
| | | **24,009** | 20,723 |
| | | **29,605** | 25,526 |
| **Equity** | | | |
| Share capital | 10 | **24** | 24 |
| Share premium reserve | | **395,167** | 393,325 |
| Share-based payment reserve | | **30,508** | 30,655 |
| Deficit | | **(191,453)** | (181,032) |
| | | **234,246** | 242,972 |
| | | **263,851** | 268,498 |

Commitments and contingencies 15

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

# Continental Gold Limited
## Consolidated Statements of Operations and Comprehensive Loss (unaudited)

| For the three months ended<br>(in thousands of U.S. Dollars, except share and per share amounts) | Notes | **March 31, 2015** | March 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| **Operating expenses:** | | | |
| Corporate administration | 13 | **(2,875)** | (1,822) |
| Exploration expense | | **(17)** | (86) |
| | | **(2,892)** | (1,908) |
| **Other income (expense):** | | | |
| Foreign exchange loss | | **(4,055)** | (3,989) |
| (Loss) gain on marketable securities | 5 | **(180)** | 1,115 |
| Gain on loss of significant influence | 5 | **–** | 1,600 |
| Other | | **21** | 38 |
| **Net loss before finance items and income tax** | | **(7,106)** | (3,144) |
| **Finance income (expense):** | | | |
| Interest income | | **95** | 362 |
| Interest and accretion expense | | **(67)** | (5) |
| **Net loss before income tax** | | **(7,078)** | (2,787) |
| **Income tax recovery (expense):** | | | |
| Current | | **(24)** | (4) |
| Deferred | | **(3,319)** | (1,046) |
| Total income tax recovery (expense) | | **(3,343)** | (1,050) |
| **Net loss and comprehensive loss for the period attributable to the equity holders of the Continental Gold Limited** | | **(10,421)** | (3,837) |
| **Net loss per common share** | | | |
| Basic and diluted | | **(0.08)** | (0.03) |
| **Weighted average number of common shares outstanding** | | | |
| Basic | | **127,339,423** | 126,692,604 |
| Diluted | | **128,196,599** | 126,692,604 |

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)

| (in thousands of U.S. Dollars) | Issued Capital: Share Capital (Note 10) | Issued Capital: Share Premium Reserve | Share-Based Payment Reserve | Deficit | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance, December 31, 2014** | **24** | **393,325** | **30,655** | **(181,032)** | **242,972** |
| Share-based payments (Note 11(b)) | **–** | **–** | **580** | **–** | **580** |
| Exercise of share-based payments – cash proceeds | **–** | **1,115** | **–** | **–** | **1,115** |
| Fair value of share-based payments exercised | **–** | **727** | **(727)** | **–** | **–** |
| Net loss for the period | **–** | **–** | **–** | **(10,421)** | **(10,421)** |
| **Balance, March 31, 2015** | **24** | **395,167** | **30,508** | **(191,453)** | **234,246** |
| Balance, December 31, 2013 | 24 | 391,998 | 28,094 | (141,369) | 278,747 |
| Share-based payments (Note 11(b)) | – | – | 918 | – | 918 |
| Exercise of share-based payments – cash proceeds | – | 162 | – | – | 162 |
| Fair value of share-based payments exercised | – | 97 | (97) | – | – |
| Net loss for the period | – | – | – | (3,837) | (3,837) |
| Balance, March 31, 2014 | 24 | 392,257 | 28,915 | (145,206) | 275,990 |

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

Continental Gold Limited

## Consolidated Statements of Cash Flows (unaudited)

| For the three months ended (in thousands of U.S. Dollars) | Notes | **March 31, 2015** | March 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| **Cash provided by (used in):** | | | |
| **Operating activities:** | | | |
| Net loss for the period | | **(10,421)** | (3,837) |
| Items not affecting cash: | | | |
| Foreign exchange loss | | **4,055** | 3,989 |
| Loss (gain) on marketable securities | | **180** | (1,115) |
| Gain on loss of significant influence | 5 | **–** | (1,600) |
| Share-based payments | 11(b) | **352** | 629 |
| Deferred tax expense | | **3,319** | 1,046 |
| Other non-cash items | 14(a) | **97** | 73 |
| Changes in non-cash operating working capital balances | 14(a) | **(51)** | 18 |
| | | **(2,469)** | (797) |
| **Investing activities:** | | | |
| Exploration and evaluation assets | 14(b) | **(7,906)** | (8,896) |
| Recoveries in property from gold sales | 8(a) | **2,075** | 1,453 |
| Receivables related to mineral properties | | **(626)** | (219) |
| Property, plant and equipment | 7 | **(84)** | (1,005) |
| Other investing activities | 14(b) | **(175)** | (1,355) |
| | | **(6,716)** | (10,022) |
| **Financing activities:** | | | |
| Cash proceeds from exercise of stock options | | **1,115** | 162 |
| | | **1,115** | 162 |
| Net change in cash and cash equivalents during the period | | **(8,070)** | (10,657) |
| Cash and cash equivalents, beginning of period | | **57,558** | 117,526 |
| Foreign exchange effect on cash balances | | **(3,878)** | (3,867) |
| **Cash and cash equivalents, end of period** | | **45,610** | 103,002 |

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

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

## 1. NATURE OF OPERATIONS

Continental Gold Limited, a Bermuda-based, privately-owned company, was incorporated under the Companies Act, 1981 (Bermuda) by articles of incorporation dated April 26, 2007. Continental Gold Limited and Cronus Resources Ltd., 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 public 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 "Continental Gold Limited Sucursal 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 small-scale mining operation related to exploration work and considered by the Company to be in the pre-production stage. Substantially all of the Company's efforts are devoted to exploring, financing and developing these properties.

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 effective for the three months ended March 31, 2015, as issued by the International Accounting Standards Board ("IASB"), applicable to the 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, 2014, which have been prepared in accordance with IFRS.

The accounting policies and the significant judgements, estimates and assumptions used in the application of the accounting policies used in the preparation of these unaudited interim consolidated financial statements are those applied in Notes 2, 3 and 5 of the Company's audited annual consolidated financial statements for the year ended December 31, 2014 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 on May 7, 2015.

## 3. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

### (a) New Accounting Standards and Interpretations

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2016, with early adoption permitted, and have not been applied in preparing these unaudited interim consolidated financial statements. Management has not yet considered the potential impact of their adoption and does not plan to adopt these standards early.

(i) IFRS 9, *Financial Instruments* (“IFRS 9”), replaces IAS 39, *Financial Instruments – Recognition and Measurement* (“IAS 39”) and some of the requirements of IFRS 7, *Financial Instruments: Disclosures* (“IFRS 7”). The objective of IFRS 9 is to establish principles for reporting of financial assets and financial liabilities in respect of the assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(ii) IFRS 15, *Revenue from Contracts with Customers* (‘IFRS 15”), replaces IAS 11, *Construction Contracts* (“IAS 11”), IAS 18, *Revenue* (“IAS 18”) and some revenue-related interpretations. The objective of IFRS 15 is to provide a single comprehensive revenue recognition model that applies to contracts with customers using two approaches to recognizing revenue – at one point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of the revenue recognized.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

(iii) Amendments to IAS 16, *Property, Plant and Equipment* (“IAS 16”) and IAS 38, *Intangible Assets* (“IAS 38”) – Clarification of Acceptable Methods of Depreciation and Amortization.

The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

There are no other IFRS or IFRS Interpretations Committee (“IFRIC”) interpretations that are not yet effective that would be expected to have a material impact on the Company.

## 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 March 31, 2015**<br>(in thousands of U.S. dollars) | **Corporate** | **Colombia** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Cash and cash equivalents | **44,978** | **632** | **45,610** |
| Exploration and evaluation assets | **–** | **202,827** | **202,827** |
| Total assets | **46,057** | **217,794** | **263,851** |
| Total liabilities | **1,080** | **28,525** | **29,605** |

| As at December 31, 2014<br>(in thousands of U.S. dollars) | Corporate | Colombia | Total |
|---|---|---|---|
| | $ | $ | $ |
| Cash and cash equivalents | 56,213 | 1,345 | 57,558 |
| Exploration and evaluation assets | – | 195,309 | 195,309 |
| Total assets | 57,730 | 210,768 | 268,498 |
| Total liabilities | 604 | 24,922 | 25,526 |

| **Period ended March 31, 2015**<br>(in thousands of U.S. dollars) | **Corporate** | **Colombia** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| *Three months ended:* | | | |
| Net loss | **(5,172)** | **(5,249)** | **(10,421)** |
| Capital expenditures | **9** | **7,257** | **7,266** |

| Period ended March 31, 2014<br>(in thousands of U.S. dollars) | Corporate | Colombia | Total |
|---|---|---|---|
| | $ | $ | $ |
| *Three months ended:* | | | |
| Net loss | (2,440) | (1,397) | (3,837) |
| Capital expenditures | 7 | 9,362 | 9,369 |

## 5. MARKETABLE SECURITIES

Marketable securities consisted of the following:

| **As at**<br>(in thousands of U.S. Dollars) | **March 31, 2015** | | December 31, 2014 | |
|---|---|---|---|---|
| | **Cost** | **Fair Value** | Cost | Fair Value |
| | **$** | **$** | $ | $ |
| Equity securities (a) | **4,283** | **431** | 4,283 | 591 |
| Warrant securities (b) | **440** | **19** | 440 | 39 |
| | **4,723** | **450** | 4,723 | 630 |

(a) **Equity securities**

Equity securities are classified as FVTPL and are recorded at fair value using the bid price as at March 31, 2015 and are therefore classified as level 1 within the fair value hierarchy.

(b) **Warrant securities**

Warrant securities are classified as FVTPL and are recorded at fair value using a Black-Scholes option pricing model using observable inputs and are therefore classified as level 2 within the fair value hierarchy.

Included in the Company's investment in equity and warrant securities is an investment in Cordoba Minerals Corp. ("Cordoba"), an unrelated public company.

On March 28, 2014, Cordoba completed the acquisition (the "Cordoba transaction") of Sabre Metals Inc. ("Sabre"), an associate of the Company. Upon completion of the Cordoba transaction, the Company's ownership of Cordoba was approximately 7%, including shares of Cordoba previously owned by the Company and the issuance of the above-noted units, and classified as marketable securities as fair value through profit and loss ("FVTPL") investments.

Prior to the Cordoba transaction, the Company accounted for its investment in Sabre as an investment in an associate. Upon closing of the Cordoba transaction, the Company's ownership in Cordoba was approximately 7%, including shares of Cordoba owned by the Company prior to the closing of the Cordoba transaction, resulting in the reclassification of the investment to marketable securities as a result of a loss of significant influence. The fair value of Cordoba shares and warrants received upon the closing of the Cordoba transaction in exchange for Sabre shares was $2,553,000 and, as a result, the Company recognized a gain of $1,600,000 in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2014 for the revaluation and reclassification of the investment in Sabre for the loss of significant influence.

## 6. RECEIVABLES AND PREPAID EXPENSES

| **As at**<br>(in thousands of U.S. dollars) | **March 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Accounts receivable (a) | **4,482** | 4,413 |
| Income tax receivable | **354** | 358 |
| Prepaid expenses | **86** | 93 |
| | **4,922** | 4,864 |

(a) **Accounts receivable**

Accounts receivable as at March 31, 2015 includes a total of $4,231,000 (December 31, 2014 - $4,103,000) of refundable sales taxes made up of $4,211,000 (December 31, 2014 - $3,916,000) of Colombia value-added-tax refund receivable and $20,000 (December 31, 2014 - $187,000) of Canadian harmonized sales tax refund receivable.

## 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| (in thousands of U.S. dollars) | Land and Buildings | Vehicles, Mining and Exploration Equipment | Leasehold Improvements, Office and Computer Equipment | Total |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Opening net book value | **4,942** | **2,854** | **1,479** | **9,275** |
| Additions | **10** | **39** | **35** | **84** |
| Disposals and write-downs | **(23)** | **–** | **–** | **(23)** |
| Depreciation | **(15)** | **(84)** | **(109)** | **(208)** |
| Closing net book value | **4,914** | **2,809** | **1,405** | **9,128** |
| | | | | |
| **Balance, March 31, 2015** | | | | |
| Cost | **5,055** | **4,268** | **3,243** | **12,566** |
| Accumulated depreciation | **(141)** | **(1,459)** | **(1,838)** | **(3,438)** |
| Net book value | **4,914** | **2,809** | **1,405** | **9,128** |
| | | | | |
| **Year ended December 31, 2014** | | | | |
| Opening net book value | 4,163 | 2,656 | 1,520 | 8,339 |
| Additions | 844 | 611 | 338 | 1,793 |
| Disposals | – | (71) | (2) | (73) |
| Depreciation | (65) | (342) | (377) | (784) |
| Closing net book value | 4,942 | 2,854 | 1,479 | 9,275 |
| **Balance, December 31, 2014** | | | | |
| Cost | 5,068 | 4,229 | 3,208 | 12,505 |
| Accumulated depreciation | (126) | (1,375) | (1,729) | (3,230) |
| Net book value | 4,942 | 2,854 | 1,479 | 9,275 |

Depreciation for the three months ended March 31, 2015 of $92,000 (three months ended March 31, 2014 – $27,000) is included in depreciation and amortization in the unaudited interim consolidated statement of operations and comprehensive loss; and depreciation for the three months ended March 31, 2015 of $116,000 (three months ended March 31, 2014 – $111,000) is capitalized in exploration and evaluation assets.

## 8. EXPLORATION AND EVALUATION ASSETS

| (in thousands of U.S. dollars) | Balance December 31, 2014 | Additions | Gold Sales, Options and Recoveries | Disposals or Write-downs | Balance March 31, 2015 |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Buriticá(a) | **195,309** | **9,593** | **(2,075)** | **–** | **202,829** |
| Total | **195,309** | **9,593** | **(2,075)** | **–** | **202,829** |

| (in thousands of U.S. dollars) | Balance December 31, 2013 | Additions | Gold Sales, Options and Recoveries | Disposals or Write-downs | Balance December 31, 2014 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Berlin | 14,198 | 18 | – | (14,216) | – |
| Buriticá (a) | 149,690 | 54,526 | (6,549) | (2,358) | 195,309 |
| Total | 163,888 | 54,544 | (6,549) | (16,574) | 195,309 |

(a) **Buriticá Project**

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.

The following represents inventory included in mineral properties:

| **As at** (in thousands of U.S. dollars) | **March 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Gold concentrate | **138** | 70 |
| Stockpile | **308** | 544 |
| Supplies | **666** | 935 |
| | **1,112** | 1,549 |

Inventory is recorded at cost and included within exploration and evaluation assets as the Company capitalizes its pre-production revenues and costs. During the three months ended March 31, 2015 and 2014, no amounts have been expensed in the unaudited interim consolidated statement of operations and comprehensive loss.

Gold sales from pre-production and bulk sampling revenues for the three months ended March 31, 2015 of $2,075,000 (three months ended March 31, 2014 – $1,453,000) were credited against the capitalized expenditures.

## 9. 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 Note 5 of the Company's audited annual financial statements for the year ended December 31, 2014.

Financial assets and financial liabilities as at March 31, 2015 and December 31, 2014 were as follows:

| **As at March, 2015** (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 | **–** | **45,610** | **–** | **45,610** |
| Marketable securities | **450** | **–** | **–** | **450** |
| Receivables | **–** | **4,836** | **–** | **4,836** |
| Accounts payable and accrued liabilities | **–** | **–** | **(5,596)** | **(5,596)** |
| **Total** | **450** | **50,446** | **(5,596)** | **45,300** |

| December 31, 2014 (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 | – | 57,558 | – | 57,558 |
| Marketable securities | 630 | – | – | 630 |
| Receivables | – | 4,771 | – | 4,771 |
| Accounts payable and accrued liabilities | – | – | (4,803) | (4,803) |
| Equity tax liability | – | – | – | – |
| Total | 630 | 62,329 | (4,803) | 58,156 |

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

**Financial risk factors**

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), as described in Note 17 of the Company's audited annual financial statements for the year ended December 31, 2014. There have been no changes in the risk management department or in any risk management policies since year end.

Liquidity risk:

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**

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, representing all recurring financial assets. 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); and

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

| **As at March 31, 2015** (in thousands of U.S. dollars) | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Marketable securities | **431** | **19** | **–** | **450** |
| | **431** | **19** | **–** | **450** |

| As at December 31, 2014 (in thousands of U.S. dollars) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Marketable securities | 529 | 101 | – | 630 |
| | 529 | 101 | – | 630 |

As at March 31, 2015, there were no non-recurring financial assets or liabilities that were valued at fair value.

There were no transfers between levels 1 and 2 and there were no changes in valuation techniques during the three months ended March 31, 2015.

## 10. SHARE CAPITAL

(a) Authorized

The Company has an authorized share capital of $60,000 as follows: 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 March 31, 2015, the issued share capital was 128,108,720. The change in issued share capital for the three months ended March 31, 2015 and 2014 were as follows:

| | Number of Shares | |
|---|---|---|
| | **2015** | 2014 |
| **Balance, January 1** | **127,179,758** | 126,635,005 |
| Exercise of stock options (Note 11) | **928,962** | 98,000 |
| **Balance, March 31** | **128,108,720** | 126,733,005 |

## 11. SHARE-BASED PAYMENTS

The Company has a stock option plan (the "Option Plan") and a deferred share unit plan (the "DSU Plan") in place. The maximum number of common shares issuable under all share-based compensation arrangements of the Company is equal to 10% of the issued and outstanding common shares of the Company from time to time. These plans are rolling plans as the number of shares reserved for issuance pursuant to the grant of stock options and deferred share units ("DSUs") 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, pursuant to the share-based compensation arrangements of the Company, may not exceed 5% of the total number of common shares outstanding.

The DSU Plan provides that employees and directors of the Company may elect to receive up to 100% of their annual compensation in DSUs. DSUs will be credited to a participant by way of a bookkeeping entry in the books of the Company, the value of which is equivalent to a common share at that time. As of March 31, 2015, there were no DSUs outstanding.

Under the Option Plan, the Company may grant to directors, officers, employees and consultants stock options to purchase common shares of the Company. Stock options granted under the Option Plan will be for a term not to exceed 10 years.

Movements in stock options during the period were as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | Number of Options | Weighted Average Exercise Price |
| | | **C$** | | C$ |
| Balance, January 1 | **10,297,663** | **5.50** | 9,930,762 | 5.82 |
| Granted (*)(a) | **1,370,000** | **2.24** | – | – |
| Exercised | **(928,962)** | **1.50** | (98,000) | 1.79 |
| Expired or Forfeited | **(824,375)** | **7.07** | (173,125) | 7.37 |
| **Balance, March 31** | **9,914,326** | **5.29** | 9,659,637 | 5.84 |

(*) The weighted average grant date fair value of stock option grants during the three months ended March 31, 2015 and 2014 were $0.84 and $nil, respectively.

The following table shows the stock options outstanding and exercisable at March 31, 2015:

| | Options Outstanding | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| Range of Price (C$) | Number of Options Outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price (C$) | Number of options exercisable | Weighted average remaining contractual life (years) | Weighted average exercise price (C$) |
| $1.24 - $2.00 | 1,843,013 | 1.62 | 1.52 | 1,443,013 | 0.71 | 1.52 |
| $2.01 – $4.00 | 3,008,750 | 4.05 | 3.15 | 711,250 | 2.75 | 3.22 |
| $4.01 - $6.00 | 300,000 | 3.09 | 4.76 | 225,000 | 3.09 | 4.76 |
| $6.01 - $8.00 | 3,022,563 | 1.57 | 7.64 | 3,022,563 | 1.57 | 7.64 |
| $8.01 – $9.66 | 1,740,000 | 2.40 | 9.01 | 1,740,000 | 2.40 | 9.01 |
| | 9,914,326 | 2.52 | 5.29 | 7,141,826 | 1.76 | 6.21 |

(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 three months ended March 31** | **2015** |
|---|---|
| Number of options granted | **1,370,000** |
| Weighted average exercise price (C$) | **2.24** |
| Weighted average market price ($) | **1.80** |
| Expected dividend yield | **nil** |
| Expected volatility (%) | **70%** |
| Weighted average risk-free interest rate (%) | **0.50%** |
| Forfeiture rate (%) | **10.2%** |
| Weighted expected life (years) | **3.12** |
| Weighted average grant date fair value ($) | **0.84** |

The stock options granted have vesting terms of 1/4 every six months from the date of grant and have a five-year term. No options were granted during the three months ended March 31, 2014.

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

| **For the three months ended** (in thousands of U.S. Dollars) | Note | **March 31, 2015** | March 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| Share-based payments, included in corporate administration expenses | 13 | **352** | 629 |
| Share-based payments capitalized to exploration and evaluation assets | | **228** | 289 |
| | | **580** | 918 |

## 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 months ended March 31, 2015, aggregate gold sales to a refinery company, in which a former director of the Company has an equity interest and is an officer, amounted to $nil (three months ended March 31, 2014 – $1,453,000) and are reported as a reduction to exploration and evaluation assets on the unaudited interim consolidated statement of financial position. The former director resigned effective June 3, 2014.

(b) Effective November 22, 2011, the Company entered into a consulting agreement with a company controlled by the former Chairman of the Company for $20,000 per month. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes. The agreement terminated on December 31, 2014.

(c) In 2013, the Company issued a letter of support to the Colombian Mining Authority representing a total of 257,690 hectares covered in exploration applications submitted by Sabre, an associate of the Company prior to the completion of the Cordoba transaction on March 28, 2014. The letter of support indicated a financial commitment by the Company to financially support the exploration activities by Sabre that is 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. In December 2014, the Company notified the Colombian Mining Authority of the withdrawal of its support.

## 13. CORPORATE ADMINISTRATION EXPENSES

| **For the three months ended**<br>(in thousands of U.S. Dollars) | Note | **March 31<br>2015** | March 31<br>2014 |
|---|---|---|---|
| | | **$** | $ |
| Wealth tax | 15 | **1,328** | – |
| Salaries | | **444** | 454 |
| Share-based payments | | **352** | 629 |
| Professional fees | | **218** | 132 |
| General office and administration expense | | **144** | 177 |
| Directors fees and expenses | | **116** | 107 |
| Depreciation and amortization | | **92** | 27 |
| Regulatory fees | | **73** | 62 |
| Travel expenses | | **65** | 58 |
| Investor relations | | **43** | 91 |
| Provision for bad debts | | **–** | 85 |
| | | **2,875** | 1,822 |

## 14. CASH FLOW – OTHER ITEMS

### (a) Other Operating Activities

| **For the three months ended** (in thousands of U.S. Dollars) | Note | **March 31, 2015** | March 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| Other non-cash items: | | | |
| Depreciation and amortization | | **92** | 27 |
| Interest and accretion expense | | **5** | 5 |
| Bad debt expense | | **–** | 85 |
| Share of net loss in investments in associates | | **–** | 22 |
| Non-cash interest and warrants received | | **–** | (66) |
| | | **97** | 73 |

| **For the three months ended** (in thousands of U.S. Dollars) | Note | **March 31, 2015** | March 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| Net changes in non-cash operating working capital balances: | | | |
| Receivables and prepaid expenses | | **180** | (148) |
| Accounts payable and accrued liabilities | 15 | **(231)** | 166 |
| | | **(51)** | 18 |

### (b) Other Investing Activities

| **For the three months ended** (in thousands of U.S. Dollars) | Note | **March 31, 2015** | March 31, 2014 |
|---|---|---|---|
| | | **$** | $ |
| Exploration and evaluation assets: | | | |
| Accounts payable and accrued liabilities attributable to exploration and evaluation assets | | **1,328** | 921 |
| Exploration expenditures | | **(9,234)** | (9,817) |
| | | **(7,906)** | (8,896) |

| **For the three months ended** (in thousands of U.S. Dollars) | **March 31, 2015** | March 31, 2014 |
|---|---|---|
| | **$** | $ |
| Investment in marketable securities | **–** | (898) |
| Investment in associates | **–** | (100) |
| Intangible assets | **(23)** | – |
| Prepaids and advances | **(152)** | (357) |
| | **(175)** | (1,355) |

## 15. COMMITMENTS AND CONTINGENCIES

**Commitments**

As at March 31, 2015, 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) | 1,125 | 423 | 638 | 64 |
| Capital commitments (b) | 3,659 | 2,324 | 1,335 | – |
| Wealth tax (c) | 1,747 | – | 1,747 | – |
| | 6,531 | 2,747 | 3,720 | 64 |

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

(c) The Company has estimated the future commitments for the years 2016 – 2018 based on the Company's net equity position in Colombia as at December 31, 2014. Included in accounts payable and accrued liabilities is $1,268,000 relating to the wealth tax liability for 2015.

**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.

In November 2013, the Company was assessed a fine of COP2,947,500,000 from Corantioquia, the autonomous regional corporation responsible for issuing and controlling environmental permits in Antioquia, for alleged environmental infractions dating back to 2007 and 2008. The Company does not believe that the allegations have any merit and intends to vigorously defend this matter.

In 2014, the Company and Corantioquia reached an agreement in principle. The principal terms of the agreement included the payment to Corantioquia of COP2,947,500,000 plus interest of COP265,452,000 to September 2014 over a 12-month period. The agreement was submitted for approval to, and rejected by, the Colombian courts for administrative technicalities. The Company subsequently initiated legal proceedings against Corantioquia, which proceedings are currently in process.

As at December 31, 2014, the Company recognized a liability and a corresponding expense of $1,381,000 representing the fine of COP2,947,500,000 and interest to December 31, 2014 of COP349,145,000 in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2014.

During the three months ended March 31, 2015, the Company paid the fine of COP2,947,500,000 plus interest of COP507,019,239 in order to limit the accumulation interest while the matter is dealt with in the courts.