INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2015

CONTINENTALGOLD
TSX:CNL OTCQX:CGOOF

INDEX

Continental Gold Inc.

Consolidated Statements of Financial Position (unaudited)

As at (in thousands of U.S. Dollars)	Notes	**September 30, 2015**	December 31, 2014 (Note 3)
		$	$
Assets			
Current assets			
Cash and cash equivalents		**33,253**	57,558
Marketable securities	7	**376**	630
Receivables and prepaid expenses	8	**1,550**	4,864
		35,179	63,052
Non-current assets			
Prepaids and advances		**720**	770
Intangible assets		**27**	92
Property, plant and equipment	9	**9,154**	9,275
Exploration and evaluation assets	10	**218,429**	195,309
		228,330	205,446
		263,509	268,498
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	11,18	**3,758**	4,803
Non-current liabilities			
Rehabilitation provision	11	**5,690**	3,083
Deferred tax liability		**26,815**	17,640
		32,505	20,723
		36,263	25,526
Equity			
Share capital	3, 13	**398,419**	24
Contributed surplus	3	**359**	–
Share premium reserve	3, 13	**–**	393,325
Share-based payment reserve		**29,933**	30,655
Deficit		**(201,465)**	(181,032)
		227,246	242,972
		263,509	268,498

Commitments and contingencies	18

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

Continental Gold Inc.

Consolidated Statements of Operations and Comprehensive Loss (unaudited)

(in thousands of U.S. Dollars, except share and per share amounts)	Notes	Three months ended September 30 2015	Three months ended September 30 2014 (Note 3)	Nine months ended September 30 2015	Nine months ended September 30 2014 (Note 3)
		$	$	**$**	$
Operating expenses:					
Corporate administration	16	**(1,519)**	(3,528)	**(6,397)**	(7,056)
Exploration expense		**(6)**	(53)	**(25)**	(231)
Loss on sale or write-down of assets		**(2)**	(32)	**(2)**	(34)
		(1,527)	(3,613)	**(6,424)**	(7,321)
Other income (expense):					
Foreign exchange loss		**(1,368)**	(3,525)	**(4,720)**	(4,601)
Loss on marketable securities		**(388)**	(2,693)	**(255)**	(3,284)
Gain on loss of significant influence	7	**–**	–	**–**	1,600
Share of net loss of investments in associates		**–**	–	**–**	(22)
Other (expense) income		**78**	57	**95**	238
Net loss before finance items and income tax		**(3,205)**	(9,774)	**(11,304)**	(13,390)
Finance income (expense):					
Interest income		**48**	213	**216**	877
Interest and accretion expense		**(4)**	(137)	**(84)**	(147)
Net loss before income tax		**(3,161)**	(9,698)	**(11,172)**	(12,660)
Income tax recovery (expense):					
Current		**(32)**	39	**(86)**	(42)
Deferred		**(7,005)**	(4,514)	**(9,175)**	(3,623)
Total income tax expense		**(7,037)**	(4,475)	**(9,261)**	(3,665)
Net loss and comprehensive loss for the period attributable to the equity holders of Continental Gold Inc.		**(10,198)**	(14,173)	**(20,433)**	(16,325)
Net loss per common share					
Basic and diluted		**(0.08)**	(0.11)	**(0.16)**	(0.13)
Weighted average number of common shares outstanding					
Basic		**129,532,237**	126,976,428	**128,652,645**	126,823,193
Diluted		**129,710,244**	128,712,616	**129,242,235**	128,687,733

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

Continental Gold Inc.

Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(in thousands of U.S. Dollars)	Issued Capital					
	Share Capital (Note 13)	Contributed Surplus	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 14(b))	**–**	**–**	**–**	**1,711**	**–**	**1,711**
Exercise of share-based payments – cash proceeds	**470**	**–**	**2,526**	**–**	**–**	**2,996**
Fair value of share-based payments exercised	**–**	**359**	**2,074**	**(2,433)**	**–**	**–**
Restructuring of capital – scheme of arrangement (Note 3)	**397,925**	**–**	**(397,925)**	**–**	**–**	**–**
Net loss for the period	**–**	**–**	**–**	**–**	**(20,433)**	**(20,433)**
Balance, September 30, 2015	**398,419**	**359**	**–**	**29,933**	**(201,465)**	**227,246**
Balance, December 31, 2013	24	–	391,998	28,094	(141,369)	278,747
Share-based payments (Note 14(b))	–	–	–	2,477	–	2,477
Exercise of share-based payments – cash proceeds	–	–	769	–	–	769
Fair value of share-based payments exercised	–	–	558	(558)	–	–
Net loss for the period	–	–	–	–	(16,325)	(16,325)
Balance, September 30, 2014 (Note 3)	24	–	393,325	30,013	(157,694)	265,668

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

Continental Gold Inc.
Consolidated Statements of Cash Flows (unaudited)

(in thousands of U.S. Dollars)	Notes	Three months ended September 30 **2015**	Three months ended September 30 2014 (Note 3)	Nine months ended September 30 **2015**	Nine months ended September 30 2014 (Note 3)
		$	$	**$**	$
Cash provided by (used in):					
Operating activities:					
Net loss for the period		**(10,198)**	(14,173)	**(20,433)**	(16,325)
Items not affecting cash:					
Foreign exchange loss		**1,368**	3,525	**4,720**	4,601
Loss on marketable securities		**388**	2,693	**255**	3,284
Gain on loss of significant influence		**–**	–	**–**	(1,600)
Share-based payments		**388**	519	**1,182**	1,508
Deferred tax expense		**7,005**	4,514	**9,175**	3,623
Other non-cash items	17 (a)	**194**	132	**390**	309
Changes in non-cash operating working capital balances	17 (a)	**(920)**	1,920	**(153)**	2,770
		(1,775)	(870)	**(4,864)**	(1,830)
Investing activities:					
Exploration and evaluation assets	17 (b)	**(6,935)**	(15,536)	**(22,997)**	(37,682)
Recoveries in property from gold sales		**–**	1,407	**3,384**	4,038
Receivables related to mineral properties		**89**	(1,668)	**2,433**	(2,210)
Property, plant and equipment		**(333)**	(126)	**(671)**	(1,433)
Other investing activities	17 (b)	**30**	1,503	**(117)**	210
		(7,149)	(14,420)	**(17,968)**	(37,077)
Financing activities:					
Cash proceeds from exercise of stock options		**470**	543	**2,996**	769
		470	543	**2,996**	769
Net change in cash and cash equivalents during the period		**(8,454)**	(14,747)	**(19,836)**	(38,138)
Cash and cash equivalents, beginning of period		**43,121**	93,289	**57,558**	117,526
Foreign exchange effect on cash balances		**(1,414)**	(3,694)	**(4,469)**	(4,540)
Cash and cash equivalents, end of period		**33,253**	74,848	**33,253**	74,848

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 Inc. (the "Company) was incorporated under the Business Corporations Act (Ontario) on April 27, 2015 and is the public holding company of the wholly-owned subsidiary Continental Gold Limited ("Old Continental"), a Bermuda company incorporated under the Companies Act, 1981 (Bermuda) (the "Bermuda Act"). On June 10, 2015, the Company completed an internal corporate reorganization by way of a scheme of arrangement (see Note 3) such that the shareholders of Old Continental ultimately continued to hold their respective interests in the Company through a one-for-one share exchange. As the reorganization occurred between two related parties, there was no change in control. Accordingly, the unaudited interim consolidated financial statements have been prepared on a continuity-of-interest basis. All references to the Company relating to periods prior to the Effective Date of the Scheme relate to those of Old Continental.

The Company principally carries on business through a corporate office in Toronto and a foreign company branch office in Medellín, 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 is 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 155 Wellington Street West, Suite 2920, Toronto, Ontario Canada M5V 3H1.

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 nine months ended September 30, 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 (see Note 3) and have been consistently applied throughout all periods presented as if these policies had always been in effect, except as described in Note 4 herein.

These unaudited interim consolidated financial statements were approved and authorized by the Audit Committee of the Board of Directors of the Company on November 5, 2015.

3. SCHEME OF ARRANGEMENT

Effective June 10, 2015 (the "Effective Date"), a scheme of arrangement (the "Scheme") under Section 99 of the Bermuda Act was completed. The Scheme was approved by former shareholders of Old Continental on June 4, 2015 and sanctioned by the Supreme Court of Bermuda on June 9, 2015, resulting in Old Continental becoming a wholly-owned subsidiary of the Company. The Scheme involved the exchange of the existing securities of Old Continental outstanding as of the Effective Date for equivalent securities of the Company, on a one-for-one basis. As a result of the exchange, former security-holders of Old Continental have become security-holders of the Company as of the Effective Date.

At the open of markets on Friday, June 12, 2015, the common shares of the Company were listed and posted for trading on the TSX under the existing trading symbol of Old Continental, "CNL", in substitution for the previously-listed common shares of Old Continental. Pursuant to the Scheme, the individuals who are the directors and officers of Old Continental have become the directors and officers of the Company as of the Effective Date.

4. 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, 2018, 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.

5. SUBSIDIARIES

The following is a list of subsidiaries of the Company at September 30, 2015:

Name	Country of incorporation	Nature of business	Proportion of shares held directly by Company (%)	Proportion of shares held by consolidated group (%)
Continental Gold Limited	Bermuda	Exploration and development	100	–
CGL International Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Berlin Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Dominical Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Management Services Limited (formerly CGL Santander Holdings Limited)	Bermuda	Intermediate holding company	–	100
CGL Greater Buritica Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Dojura Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Berlin S.A.S.	Colombia	Exploration	–	100
CGL Dominical S.A.S.	Colombia	Exploration	–	100
CGL Santander S.A.S.	Colombia	Exploration	–	100
CGL Gran Buritica S.A.S.	Colombia	Exploration	–	100
CGL Dojura S.A.S.	Colombia	Exploration	–	100

The Company finances the operations of all of its subsidiaries and, thus, these companies will have unsecured borrowings from the Company that are interest-free and on demand. The ability for these controlled entities to repay debts due to the Company (and other parties) will be dependent on the commercialization of the exploration and evaluation assets owned by the subsidiaries.

6. 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 September 30, 2015 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Cash and cash equivalents	32,611	642	33,253
Exploration and evaluation assets	–	218,429	218,429
Total assets	33,602	229,907	263,509
Total liabilities	735	35,528	36,263

As at December 31, 2014 (Note 3) (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 September 30, 2015 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Three months ended:			
Net income (loss)	**(3,031)**	**(7,167)**	**(10,198)**
Capital expenditures	**20**	**7,236**	**7,256**
Nine months ended:			
Net income (loss)	**(9,134)**	**(11,299)**	**(20,433)**
Capital expenditures	**26**	**19,481**	**19,507**

Period ended September 30, 2014 (Note 3) (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Three months ended:			
Net income (loss)	(8,320)	(5,853)	(14,173)
Capital expenditures	–	14,079	14,079
Nine months ended:			
Net income (loss)	(9,876)	(6,449)	(16,325)
Capital expenditures	9	35,769	35,778

7. MARKETABLE SECURITIES

Marketable securities consisted of the following:

As at	**September 30, 2015**		December 31, 2014 (Note 3)	
(in thousands of U.S. Dollars)	**Cost**	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Equity securities (a)	**4,283**	**371**	4,283	591
Warrant securities (b)	**440**	**5**	440	39
	4,723	**376**	4,723	630

(a) **Equity securities**

Equity securities are classified as FVTPL and are recorded at fair value using the bid price as at September 30, 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 prior to the Cordoba transaction.

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 fair value through profit and loss ("FVTPL") investments due to the 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.

8. RECEIVABLES AND PREPAID EXPENSES

As at (in thousands of U.S. dollars)	**September 30, 2015**	December 31, 2014 (Note 3)
	$	$
Accounts receivable (a)	**1,423**	4,771
Prepaid expenses	**127**	93
	1,550	4,864

(a) **Accounts receivable**

Accounts receivable as at September 30, 2015 includes a total of $1,309,000 (December 31, 2014 - $4,103,000) of refundable sales taxes made up of $1,226,000 (December 31, 2014 - $3,916,000) of Colombia value-added-tax refund receivable and $83,000 (December 31, 2014 - $187,000) of Canadian harmonized sales tax refund receivable.

9. 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, January 1, 2015	**4,942**	**2,854**	**1,479**	**9,275**
Additions	**410**	**110**	**151**	**671**
Disposals and write-downs	**–**	**(4)**	**(3)**	**(7)**
Depreciation	**(222)**	**(243)**	**(320)**	**(785)**
Closing net book value September 30, 2015	**5,130**	**2,717**	**1,307**	**9,154**
Balance, September 30, 2015				
Cost	**5,478**	**4,334**	**3,354**	**13,166**
Accumulated depreciation	**(348)**	**(1,617)**	**(2,047)**	**(4,012)**
Net book value	**5,130**	**2,717**	**1,307**	**9,154**
Year ended December 31, 2014 (Note 3)				
Opening net book value, January 1, 2014	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, December 31, 2014	4,942	2,854	1,479	9,275

(in thousands of U.S. dollars)	Land and Buildings	Vehicles, Mining and Exploration Equipment	Leasehold Improvements, Office and Computer Equipment	Total
	$	$	$	$
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 and nine months ended September 30, 2015 of $91,000 and $276,000, respectively (three and nine months ended September 30, 2014 – $95,000 and $219,000, respectively) is included in depreciation and amortization in the unaudited interim consolidated statement of operations and comprehensive loss; depreciation for the three and nine months ended September 30, 2015 of $275,000 and $508,000, respectively (three and nine months ended September 30, 2014 – $135,000 and $385,000, respectively) is capitalized in exploration and evaluation assets.

10. 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 September 30, 2015**
	$	**$**	**$**	**$**	**$**
Buriticá (a)	**195,309**	**26,504**	**(3,384)**	**–**	**218,429**
Total	**195,309**	**26,504**	**(3,384)**	**–**	**218,429**

(Note 3) (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 (b)	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)	**September 30, 2015**	December 31, 2014 (Note 3)
	$	$
Gold doré	**2,266**	70
Stockpile	**361**	544
Supplies	**825**	935
	3,452	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 and nine months ended September 30, 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 and nine months ended September 30, 2015 of $nil and $3,384,000, respectively (three and nine months ended September 30, 2014 – $1,407,000 and $4,038,000, respectively) were credited against the capitalized expenditures.

At September 30, 2015, the Company held 2,218 ounces of gold doré (December 31, 2014 – 86 ounces) having a net realizable value of $2,474,000 based on a closing gold price of $1,115 per ounce (December 31, 2014 - $104,000 based on a closing gold price of $1,206 per ounce).

(b) **Berlin Project**

The Berlin project is located in the Department of Antioquia, Colombia and is adjacent to the Ituongo hydro-electrical project that is to be constructed by a Colombian public entity.

In 2014, management identified indicators of impairment, requiring an assessment of the Company's recorded values for exploration and evaluation assets.

The slow progress towards the improvement of security conditions in the area has prevented the Company from commencing exploration activities at the project. As management does not expect a change in circumstances in the foreseeable future, management determined that the recoverability of the recorded value for the project was uncertain and a write-down of $14,216,000 was recorded for the year ended December 31, 2014 in the consolidated statement of operations and comprehensive loss in respect of the remaining value of the Berlin project.

All subsequent expenditures incurred in respect of the project will be expensed.

11. REHABILITATION PROVISION

The Company's rehabilitation provision is based on management's best estimate of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

(in thousands of U.S. dollars)	**2015**	2014
	$	$
Balance, January 1	**3,083**	1,389
Change in provision	**3,172**	1,674
Accretion expense	**15**	20
Balance, December 31	**6,270**	3,083
Current portion, included in accounts payable and accrued liabilities	**580**	–
Long-term portion	**5,690**	3,083

The Company has estimated its total rehabilitation provision at September 30, 2015 based on an undiscounted future liability of approximately $8,849,000 (December 31, 2014 – $4,470,000), a risk-free rate of 4.74% (December 31, 2014 – 4.50%) and an inflation rate of 4.75% (December 31, 2014 – 3.66%). Reclamation is expected to occur between 2016 and 2035.

12. 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 (see Note 3).

Financial assets and financial liabilities as at September 30, 2015 and December 31, 2014 were as follows:

As at September 30, 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	**–**	**33,253**	**–**	**33,253**
Marketable securities	**376**	**–**	**–**	**376**
Receivables	**–**	**1,423**	**–**	**1,423**
Accounts payable and accrued liabilities	**–**	**–**	**(3,758)**	**(3,758)**
Total	**376**	**34,676**	**(3,758)**	**31,294**

December 31, 2014 (Note 3) (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)
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 18 of the Company's audited annual financial statements for the year ended December 31, 2014 (Note 3). 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 September 30, 2015 (in thousands of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Marketable securities	**371**	**5**	**–**	**376**

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

As at September 30, 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 nine months ended September 30, 2015.

13. SHARE CAPITAL

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares ("Common Shares") without par value. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

Upon completion of the Scheme (see Note 3), the balance of the share premium reserve was transferred to the authorized share capital.

(b) Issued

As of September 30, 2015, the issued share capital was 129,549,628. The change in issued share capital for the nine months ended September 30, 2015 and 2014 were as follows:

	Number of Shares	
	2015	2014 (Note 3)
Balance, January 1	**127,179,758**	126,635,005
Exercise of stock options (Note 14)	**2,369,870**	544,753
Balance, September 30	**129,549,628**	127,179,758

14. SHARE-BASED PAYMENTS

The Company has a stock option plan (the "Option Plan"), a deferred share unit plan (the "DSU Plan") and a restricted share unit plan (the "RSU 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. The maximum number of Common Shares issuable to any one person, within any one year period, pursuant to the security-based compensation arrangements of the Company is 5% of the total number of Common Shares then outstanding.

The Option 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 maximum number of Common Shares to be reserved for issuance under the DSU Plan and RSU plan is set at 250,000 and 750,000, respectively. The Option Plan and the DSU Plan contain provisions that limits the aggregate number of securities granted, excluding initial securities granted, under all security-based compensation arrangements of the Company to any one non-employee director within any one-year period.

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.

The DSU Plan provides that employees and directors of the Company may elect to receive up to 100% of their annual compensation in deferred share units ("DSUs"). In addition, the Board, or a Committee which administers the DSU Plan, may award such number of DSUs to an employee or director as deemed appropriate. As of September 30, 2015, there were no DSUs outstanding.

The RSU Plan provides that restricted share units ("RSUs") may be granted by the Board, or a Committee which administers the RSU Plan, to employees and consultants of the Company as a discretionary payment in consideration of past or future services to the Company. As of September 30, 2015, there were no RSUs outstanding.

Movements in stock options during the period were as follows:

	2015		2014 (Note 3)	
	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	5.83
Granted (*)(a)	**2,620,000**	**2.39**	2,025,000	3.70
Exercised	**(2,369,870)**	**1.59**	(544,753)	1.53
Expired or Forfeited	**(1,580,625)**	**6.60**	(705,846)	7.10
Balance, September 30	**8,967,168**	**5.43**	10,705,163	5.56

(*) The weighted average grant date fair value of stock option grants during the three and nine months ended September 30, 2015 were $1.15 per share and $0.88 per share, respectively (three and nine months ended September 30, 2014 – $1.62 and $1.54, respectively).

The following table shows the stock options outstanding and exercisable at September 30, 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$)
$1.31 - $2.00	652,105	3.99	1.55	352,105	3.64	1.00
$2.01 – $4.00	3,695,000	4.14	2.99	980,000	3.84	3.42
$4.01 - $6.00	300,000	2.59	4.76	300,000	2.59	4.76
$6.01 - $8.00	2,750,063	1.07	7.64	2,750,063	1.07	7.64
$8.01 – $9.66	1,570,000	1.89	9.04	1,570,000	1.89	9.04
	8,967,168	2.74	5.43	5,952,168	1.97	6.78

(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 nine months ended September 30	**2015**	2014 (Note 3)
Number of options granted	**2,620,000**	2,025,000
Weighted average exercise price (C$)	**2.39**	3.70
Weighted average market price ($)	**1.89**	3.39
Expected dividend yield	**Nil**	Nil
Expected volatility (%)	**70%**	67%
Weighted average risk-free interest rate (%)	**0.52%**	1.13%
Forfeiture rate (%)	**10.69%**	9.45%
Weighted expected life (years)	**3.10**	3.13
Weighted average grant date fair value per share ($)	**0.88**	1.54

The stock options granted have vesting terms of 25% every six months from the date of grant and have a five-year term. There were 350,000 stock options granted during the three months ended September 30, 2015 with a weighted average grant date fair value of $1.15 per share.

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

		Three months ended September 30		**Nine months ended September 30**	
(in thousands of U.S. Dollars)	Note	**2015**	2014 (Note 3)	**2015**	2014 (Note 3)
				$	$
Share-based payments, included in corporate administration expenses	16	**388**	519	**1,182**	1,508
Share-based payments capitalized to exploration and evaluation assets		**221**	359	**529**	969
		609	878	**1,711**	2,477

15. 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) 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 in 2015 (three and nine months ended September 30, 2014 – $nil and $2,631,000, respectively). Gold sales are reported as a reduction to exploration and evaluation assets on the unaudited interim consolidated statement of financial position. The former director resigned from the Company 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 included 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, a former associate of the Company. 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 the letter of support.

16. CORPORATE ADMINISTRATION EXPENSES

		Three months ended September 30		**Nine months ended September 30**	
(in thousands of U.S. Dollars)	Note	**2015**	2014 (Note 3)	**2015**	2014 (Note 3)
		$	$	**$**	$
Salaries		**501**	477	**1,496**	1,411
Wealth tax		**–**	–	**1,345**	–
Share-based payments	14(b)	**388**	519	**1,182**	1,508
Professional fees		**69**	373	**682**	707
General office and administration		**172**	195	**457**	581
Depreciation and amortization	9	**91**	95	**276**	219
Directors fees and expenses		**71**	112	**244**	326
Travel expenses		**69**	55	**236**	200
Investor relations		**45**	195	**224**	407
Regulatory fees		**16**	17	**158**	122
Provision for bad debts		**97**	–	**97**	85
Environmental fee	18	**–**	1,490	**–**	1,490
		1,519	3,528	**6,397**	7,056

17. CASH FLOW – OTHER ITEMS

(a) Other Operating Activities

		Three months ended September 30		**Nine months ended September 30**	
(in thousands of U.S. Dollars)	Note	**2015**	2014 (Note 3)	**2015**	2014 (Note 3)
		$	$	**$**	$
Other non-cash items:					
Depreciation and amortization	9	**91**	95	**276**	219
Bad debt expense		**97**	–	**97**	85
Interest and accretion expense		**4**	5	**15**	15
Loss on sale or write-down of assets		**2**	32	**2**	34
Share of net loss in investments in associates		**–**	–	**–**	22
Non-cash interest and marketable securities received		**–**	–	**–**	(66)
		194	132	**390**	309
Net changes in non-cash operating working capital balances:					
Receivables and prepaid expenses		**12**	1,805	**83**	2,179
Accounts payable and accrued liabilities		**(932)**	115	**(236)**	591
		(920)	1,920	**(153)**	2,770

(b) **Other Investing Activities**

(in thousands of U.S. Dollars)	Note	**Three months ended September 30** **2015**	2014 (Note 3)	**Nine months ended September 30** **2015**	2014 (Note 3)
		$	$	**$**	$
Exploration and evaluation assets:					
Accounts payable and accrued liabilities attributable to exploration and evaluation assets		**(12)**	(253)	**(807)**	624
Exploration expenditures		**(6,923)**	(15,283)	**(22,190)**	(38,306)
		(6,935)	(15,536)	**(22,997)**	(37,682)
Other items:					
Prepaids and advances		**26**	1,219	**(91)**	1,048
Intangible assets		**–**	(77)	**(30)**	(77)
Proceeds from disposal		**4**	–	**4**	–
Investment in marketable securities		**–**	–	**–**	(898)
Investment in associates		**–**	–	**–**	(100)
Other receivables		**–**	500	**–**	523
Equity tax liability		**–**	(139)	**–**	(286)
		30	1,503	**(117)**	210

18. COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 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)	**846**	**270**	**576**	**–**
Capital commitments (b)	**7,257**	**6,720**	**537**	**–**
Wealth tax (c)	**1,407**	**1,005**	**402**	**–**
	9,510	**7,995**	**1,515**	**–**

(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 feasibility study engineering contracts. 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.

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 subject to change and may generally become 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 COP 2,947,500,000 from the autonomous regional authority 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 continues to vigorously defend this matter.

In 2014, the Company and the regional authority reached an agreement in principle. The principal terms of the agreement included the payment to the regional authority of COP 2,947,500,000 plus interest of COP 265,452,000 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 the regional authority, 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 COP 2,947,500,000 and interest to December 31, 2014 of COP 349,145,000 in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2014.

During the nine months ended September 30, 2015, the Company paid $1,318,000 representing the fine of COP 2,947,500,000 plus interest of COP 507,019,239 in order to limit the accumulation interest while the matter is dealt with in the courts.