CONTINENTAL GOLD

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL POSITION AND CONSOLIDATED RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2012

March 7, 2013

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the activities, consolidated financial condition and consolidated results of the operations of Continental Gold Limited (the "Company" or "Continental Gold") constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the year ended December 31, 2012. This discussion, dated March 7, 2013, should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2012, together with the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts in this MD&A are in United States ("U.S.") dollars, unless stated otherwise. References to C$ and COP are to Canadian dollars and Colombian pesos, respectively. Information contained herein is presented as of March 7, 2013, unless otherwise indicated.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking statements" within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including, but not limited to: statements with respect to the potential of the Company's properties; the estimation of mineral resources; exploration results; potential mineralization; exploration and mine development plans; timing of the commencement of operations; the future price of gold and other mineral commodities; the realization of mineral resource estimates; success of exploration activities; cost and timing of future exploration and development; exploration and mine development plans; conclusion of economic evaluations; requirements for additional capital; other statements relating to the financial and business prospects of the Company; and other information as to the Company's strategy, plans or future financial or operating performance.

Generally, forward-looking statements are characterized by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "is projected", "anticipates" or "does not anticipate", "believes", "targets", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "should", "would", "might", "will be taken", "occur" or "be achieved".

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

Although management of the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting shareholders in understanding the Company's expected financial and operational performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements contained herein or incorporated by reference herein, except in accordance with applicable securities laws.

Differences in Reporting of Mineral Resource Estimates

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

EXECUTIVE SUMMARY

Continental Gold Limited (TSX:CNL; OTCQX:CGOOF) is an advanced-stage exploration and development company with six gold projects covering over 160,860 hectares in highly-prospective areas with known historical gold production in Colombia.

Formed in April 2007, the Company is committed to increasing its value through the exploration and development of precious metal deposits. The Company's international management team has a successful track record of discovering and developing bulk mining targets and multi-million ounce gold deposits while its technical team boasts more than 40 years of mining and exploration experience in Colombia. Their in-depth knowledge of Colombian mineral properties has guided the Company to acquire properties with substantial exploration and development potential.

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

2012 Highlights

- Advancement of the exploration and development program at the Buriticá project:

    - Received formal approval for the modification of its existing environmental impact assessment ("EIA"). The environmental permit amendment allows the Company to build a six-kilometre switchback road into the Higabra valley and to begin underground development in the Higabra valley by constructing a one-kilometre access tunnel. The road will provide access to future sites for mining and milling operations and the tunnel will initially provide the Company with underground drilling access but will eventually serve as the main access for all underground development.
    - Announced an updated gold, silver and zinc mineral resource estimate, prepared in accordance with NI 43-101, for the Yaraguá and Veta Sur vein systems, with combined measured and indicated mineral resources of 3,740,000 tonnes of mineralized material containing 1,640,000 ounces of gold grading 13.6 g/t gold, 4,600,000 ounces of silver grading 38 g/t silver, and 55,800,000 pounds of zinc grading 0.7% zinc. The combined inferred mineral resource is 13,330,000 tonnes of mineralized material containing 3,760,000 ounces of gold grading 8.8 g/t gold, 14,200,000 ounces of silver grading 33 g/t silver and 156,500,000 pounds of zinc grading 0.5% zinc. Please refer to the Company's technical report entitled "2012 Mineral Resource Estimate of the Buriticá Gold Project, Colombia", with an effective date of October 22, 2012, (the "Technical Report"), available on the Company's website at www.continentalgold.com and under the Company's profile on SEDAR at www.sedar.com.
    - On October 22, 2012, the Company provided an exploration and development update on the Buriticá project, including the commencement of a pre-feasibility study ("PFS"). The Company's decision to commence a PFS is based on the larger than anticipated increase in the measured and indicated resources in the updated mineral resource. The PFS is expected to be completed in 2014.
    - Completed approximately 57,795 metres of diamond drilling during 2012 for an overall project life total of approximately 159,191 metres to the end of 2012. Drilling has confirmed and expanded the Yaraguá and Veta Sur zones and discovered new mineralized systems north and south of the Yaraguá and Veta Sur deposits.

- Expanded strike lengths and vertical extents of the Yaraguá and Veta Sur zones to 900 metres x 1,300 metres and 570 metres x 1,180 metres, both of which are still open laterally and at depth.
- Drill results in the Veta Sur system included: BUSY231, which intersected 5.95 metres of 125.9 g/t gold, 66 g/t silver and 1.6 percent zinc; BUSY257, which intersected 2.9 metres of 38.9 g/t gold and 504 g/t silver; BUSY291, which intersected 6.5 metres of 49.8 g/t gold and 40 g/t silver; BUSY308, which intersected 29.1 metres of 23.7 g/t gold and 185 g/t silver; and BUSY299, which intersected 36.1 metres of 12.6 g/t gold and 33 g/t silver.
- Drill results in the Yaraguá system included: BUSY224, which intersected 25 metres of 13.3 g/t gold and 16 g/t silver; BUSY249, which intersected 6.85 metres of 139.5 g/t gold and 94 g/t silver; BUSY230, which intersected 8 metres of 37.9 g/t gold and 12 g/t silver; BUSY255, which intersected 16.75 metres of 38.8 g/t gold and 43 g/t silver including 3.1 metres of 109.6 g/t gold and 121 g/t silver; and BUSY291, which intersected 65.1 metres of 10.4 g/t gold and 9 g/t silver.
- Initial drilling and underground channel sampling of old workings in the La Estera target resulted in the discovery of a new mineralized vein system.
- Underground channel sampling of old workings in the La Estera area ranged from no significant values to 41 g/t gold and 2,747 g/t silver, and included: 6.2 g/t gold and 362 g/t silver over an average width of 1 metre, including 27.5 g/t gold and 1,581 g/t silver over 0.2 metres, along 22 metres; and 6.8 g/t gold and 454 g/t silver over an average width of 1.2 metres, including 41 g/t gold and 2,747 g/t silver over 0.2 metres, along 10 metres.
- Drill results in the La Estera area ranged from no significant values to 11.3 g/t gold and 2,480 g/t silver, and included: BUSY292, which intersected 3.58 metres of 6.8 g/t gold and 1,061 g/t silver; BUSY282, which intersected 4.4 metres of 8.3 g/t gold and 41 g/t silver; and BUSY325, which intersected 1.1 metres of 3.1 g/t gold, 1,857 g/t silver and 3.2% zinc.
- Commenced underground development of a tunnel in the Higabra valley at an elevation of 1,150 metres above sea-level and a ramp beside the Veta Sur vein system at an elevation of 1,700 metres above sea-level. The Company's initial goal is to provide underground drilling access in order to grow the measured and indicated portion of the mineral resource estimate for both the Yaraguá and Veta Sur vein systems ahead of the PFS.
- Environmental baseline program, hydrological, metallurgical and geo-mechanical testing are underway.

▪ In 2012, the Company received a total of $49.9 million resulting from the exercise of 8,108,062 warrants and 216,000 broker warrants, including the exercise of underlying warrants. All unexercised warrants expired on September 16, 2012 and were delisted on the Toronto Stock Exchange ("TSX").

▪ On April 19, 2012, the Company's common shares began trading on the OTCQX.

▪ On June 5, 2012, the Company announced the appointment of Dr. Kenneth Thomas to its board of directors.

▪ On November 6, 2012, the Company announced the resignation of Mr. James Felton as a director of the Company.

▪ In December 2012, the Company closed a bought deal offering of 9,039,000 common shares at a price of C$9.55 per common share for aggregate gross proceeds of C$86.3 million, including 1,179,000 common shares issued pursuant to the full exercise by the underwriters of the over-allotment option.

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

Subsequent to year end:

- Initial drilling to the north of the Yaraguá vein system resulted in the discovery of a new vein system, San Agustin. Drill results in the San Agustin area ranged from no significant values to 49.7 g/t gold and 647 g/t silver, and included: BUSY329, which intersected 0.4 metres @ 49.7 g/t gold and 163 g/t silver; and BUSY324, which intersected 0.53 metres @ 0.8 g/t gold and 647 g/t silver.

- On March 6, 2013, the Company announced the appointment of Mr. Gary Barket to its board of directors.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As at or Year ended In thousands of U.S. dollars	**December 31 2012**	December 31 2011
	$	$
Consolidated Financial Position		
Cash	**169,983**	83,404
Exploration and development assets	**121,154**	83,521
Total assets	**310,596**	177,588
Shareholders' equity	**296,656**	155,804
Consolidated Operating Results		
Net income (loss)	**(7,929)**	18,204
Adjusted net loss *	**(8,580)**	(15,795)
Consolidated Cash Flow		
Acquisition of and investment in exploration and evaluation assets, net of gold sales	**33,103**	25,992
Cash flows from financing activities	**134,304**	21,273
Net cash (out) inflow	**86,314**	(12,527)

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

The Company's total assets at December 31, 2012 were $310.6 million compared to $177.6 million as at December 31, 2011. The change is mainly due to the completion of a bought deal financing and the exercise of share purchase warrants, broker warrants and stock options.

Cash and cash equivalents at December 31, 2012 was $170.0 million compared to $83.4 million at December 31, 2011. The change is a result of cash generated from the completion of a bought deal financing, the exercise of share purchase warrants, broker warrants and stock options and foreign exchange gains relating to the revaluation of Canadian dollar cash balances, net of investments in exploration and evaluation of assets.

Net loss for the year ended December 31, 2012 was $7.9 million, including a gain of $0.7 million related to the revaluation of Canadian dollar-denominated warrants, compared to a net income of $18.2 million, including a gain of $34.0 million related to the revaluation of Canadian dollar-denominated warrants for the year ended December 31, 2011. In 2012, all Canadian dollar-denominated warrants represented warrants that were listed on the TSX. As a result, changes in the fair values of Canadian dollar-denominated warrants in 2012 were determined using the warrants' quoted market prices and reflect the change in the warrants' quoted market price to C$1.01 on September 14, 2012 (the last trading date prior to expiry) from C$1.10 on December 31, 2011. During 2011, Canadian dollar-denominated warrants represented both privately-held warrants as well as warrants traded on the TSX. As a result, fair values for Canadian dollar-denominated warrants in 2011 were determined using the Black-Scholes model or the warrants' quoted market price, as applicable. Therefore, changes in fair values in 2011 reflect the decrease in the Company's share price to C$7.52 on December 31, 2011 from C$10.00 on December 31, 2010 and certain warrants' quoted market price on December 31, 2011 of C$1.01.

Adjusted net loss (a non-GAAP measure, representing net income (loss) before gain on Canadian dollar-denominated warrants) for the year ended December 31, 2012 was $8.6 million compared to $15.8 million for the year ended December 31, 2011. The change is primarily due to a loss on disposal of exploration assets and a one-time equity tax incurred in 2011, as well as unrealized foreign exchange gains on monetary balances and a decrease in share-based payments expense.

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

DESCRIPTION OF BUSINESS

The Company is an advanced-stage exploration and development entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties in Colombia. The Company currently holds the rights to explore and develop six properties in Colombia totaling approximately 122,317 hectares and has pending concession applications totaling approximately 38,543 hectares. There is no guarantee that the Company will be granted the pending concession applications. See "Risks and Uncertainties". Currently, the Company's primary focus is on its Buriticá project.

The Company is governed by the laws of Bermuda and is a reporting issuer in Canada under applicable securities legislation in Ontario, Alberta, British Columbia and New Brunswick. It carries on its operations through a corporate office in Toronto, Canada and a foreign company branch office in Medellín, Colombia. The Company's issued and outstanding common shares trade on the TSX and OTCQX under the symbols "CNL" and "CGOOF", respectively.

The Company has a need for equity capital and other financing to fund working capital in the exploration and development of its properties. The Company's ability to continue as 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.

EXPLORATION SUMMARY

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

Year ended December 31 In thousands of U.S. dollars	**2012**	2011
	$	$
Buriticá	**34,859**	27,928
Dominical	**284**	543
Berlin	**287**	390
Arenosa and Zaragoza[1]	**–**	327
Santander	**47**	59
Anza	**(5)**	(100)
Dojura	**(147)**	(108)
Lunareja	**–**	5
	35,325	29,044

(1) Transferred to Minerales OTU S.A.S. in 2011.

Buriticá Project

The Buriticá project encompasses an aggregate area of 57,588 hectares and is located about 75 kilometres northwest of Medellín in the Antioquia Department of north-western Colombia. The project area is comprised of 25 registered concessions covering 12,603 hectares, 27 pending registration concessions totaling 38,945 hectares and two concession applications covering 6,040 hectares. As in the case of all the Company's properties, concession applications in process give the Company priority on the properties in question during the application process; however, there is no guarantee that the Company will be granted the pending concession applications. 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.

Drilling continues with seven drill rigs at the project, including four larger surface drill rigs capable of testing the system in excess of 1,300-metre depth. In 2012, the Company completed approximately 57,795 metres of diamond drilling in 114 holes for an overall project total of over 159,191 metres. Definition drilling on a 25 to 50-metre grid continued in the Yaraguá and Veta Sur vein systems, and step-out drilling continued in both areas. Drilling activities to the north and south of the Yaraguá and Veta Sur vein systems produced two new discoveries, La Estera and San Agustin. Other areas, defined by soil anomalies to the north, south, east and west of currently known mineralization, were also drilled in a reconnaissance fashion.

The 2013 drill plan includes 100,000 metres of drilling with approximately half of the planned metres allocated for infill and step out drilling in the Yaraguá and Veta Sur vein systems, and the remaining metres allocated to new exploration targets, including the La Estera and San Agustin areas.

Pre-development

On October 1, 2012, the Company announced an updated gold, silver and zinc mineral resource estimate for the Yaraguá and Veta Sur vein systems. The mineral resource estimate is based on 112,600 metres of drilling and 2,332 metres of underground sampling (as at June 30, 2012).

Drill results from the 2012 drill campaign and the Company's updated mineral resource estimate were disclosed in various Company news releases and the Technical Report, which are available under the Company's profile on SEDAR at www.sedar.com.

Many of the pre-development activities at the Buriticá project continued throughout 2012, including environmental baseline program, hydrological, metallurgical and geo-mechanical testing. The Company also announced a revised development plan for the Buriticá project, including the commencement of a PFS. The Company's decision to commence a PFS is based primarily on the larger than anticipated increase in the measured and indicated resources in the updated mineral resource estimate. The PFS is expected to be completed in 2014.

Development

On August 30, 2012, the Company received formal approval for the modification of its existing EIA. The environmental permit amendment allows the Company to build a six-kilometre switchback road into the Higabra valley and to begin underground development in the Higabra valley by constructing a one-kilometre access tunnel. Contractors were selected and underground development commenced late in 2012 for the simultaneous construction of a tunnel in the Higabra valley at 1,150 metres above sea-level and a ramp beside the Veta Sur vein system at an elevation of 1,700 metres above sea-level. Bid packages for the construction of the switchback road from the existing road to the Higabra valley were also prepared and sent out in early 2013. Construction is expected to commence in the second half of 2013 once a contractor is selected.

Sustainability and Corporate Social Responsibility

The Company is committed to conducting its operations in a safe, environmentally and socially responsible manner, while ensuring respect and transparency in any community in which we operate.

The Company's Corporate Social Responsibility ("CSR") model is aligned with international performance standards, aiming to protect the environment, deliver effective and sustainable community development, and improve the quality of life for its employees and contractors, their families, and the immediate community.

The Company's responsibility to the sustainable development of the Buriticá community is reflected in the implementation of programs aimed at improving health, education, and infrastructure in the Buriticá municipality. During 2012, the Company:

- Awarded scholarships to students, resulting in increased access to higher education for children in the community;
- Improved infrastructure at a local school, resulting in increased attendance;
- Introduced The Child Health Campaign, which focused on visual health for children in the community; in 2013, the campaign will focus on oral health;
- Provided high efficiency stoves to members of the community, aiming to minimize environmental impacts and prevent respiratory illnesses commonly associated with firewood stoves; and
- Established a farming program to maintain health and nutrition throughout the community.

For 2013, the Company plans to advance its CSR program with focus on, among other things, overall health and support of the community's activities, support of local businesses, refining infrastructure and urban planning.

2012 Expenditures

During the three months and year ended December 31, 2012, the Company incurred $7.6 million and $40.1 million of deferred exploration and development costs, respectively (2011 - $10.5 million and $33.9 million, respectively), including $0.8 million and $4.1 million of capitalized share-based payments, respectively (2011 – $0.9 million and $4.3 million, respectively). Gold sales resulting from exploration work and drifting in ore at the Buriticá project amounted to $1.6 million and $5.2 million for the three months and year ended December 31, 2012, respectively (2011 – $2.1 million and $6.0 million, respectively) and are treated as a capital credit as they support ongoing exploration of the Buriticá project and, accordingly, are not included as a revenue item in the Company's consolidated statement of operations and comprehensive income (loss). As a result, net project expenditures for the three months and year ended December 31, 2012 totaled $6.0 million and $34.9 million, respectively (2011 - $8.4 million and $27.9 million, respectively).

In addition to exploration expenditures incurred, the Company also completed the following transactions:

- In October 2012, the Company transferred to a company controlled by the Chairman of the Company (the "Chairman") certain mining concessions within the Buriticá property and its 25% equity interest in Minerales OTU S.A.S. ("OTU") in exchange for additional mining concessions that have now been included in the Company's Buriticá portfolio. Fair value of the assets exchanged were determined to be equal to the Company's book value for the assets transferred, resulting in no gain or loss recognized by the Company upon completion of the transaction.

- In October 2011, the Company acquired, for a nominal amount, additional licenses for properties adjacent to the Buriticá project from a company controlled by the Chairman and reimbursed the related party $0.1 million for prepaid license fees.

- In May 2011, the Company acquired mineral concession contracts and rights to mineral applications adjacent to the Buriticá project from the Chairman, of which $4.7 million of the purchase cost was attributed and allocated to Buriticá.

Berlin Project

The Berlin project covers an aggregate area of 25,059 hectares. The project is comprised of eight registered concessions totaling 18,869 hectares and 11 pending registration concessions totaling 6,190 hectares. The project area is located 90 kilometres north of Medellín in the Antioquia Department.

No work was performed at the Berlin project during 2012 but the Company hopes to be able to initiate a diamond drilling campaign in the near future.

For the three months and year ended December 31, 2012, activity for the Berlin project amounted to $0.3 million compared to $0.1 million and $0.4 million for the same respective periods in 2011, the majority of which related to cannon payments.

Dominical Project

The Dominical project encompasses an aggregate area of 24,327 hectares and is located in southern Colombia in the Cauca Department. The project area is comprised of four registered concessions totaling 5,590 hectares, five pending registration concessions totaling 3,426 hectares and 10 concession applications covering 15,311 hectares.

Exploration work prior to 2010 led the Company to believe that there is significant potential on the property for discoveries of gold in vein and porphyry environments. The veins are developed along 400 to 1,500 metres of strike length and are hosted by Tertiary classic sedimentary rocks.

Exploration activities, including surface mapping and sampling, continued on the property during 2012. Exploration focused on the La Playa vein zone where a 100 to 300-metre wide structural corridor, containing multiple intermediate sulfidation quartz and quartz-carbonate veins, has been outlined along a 1.8-kilometre trend. The polymetallic veins are characterized by an Au-Ag-Zn-Pb-Cu metal association. Surface exploration to define additional vein and porphyry-style targets was carried out in 2012.

For the three months and year ended December 31, 2012, activity for the Dominical project amounted to $0.1 million and $0.3 million, respectively, compared to $0.3 million and $0.5 million for the same respective periods in 2011, the majority of which related to cannon payments.

In addition to exploration expenditures, the Company also completed a land acquisition transaction during the second quarter of 2011, including concession contracts adjacent to the Dominical project from the Chairman, of which $1.5 million of the purchase cost was attributed and allocated to the Dominical project.

Santander Project

The Santander project currently covers an aggregate area of 3,471 hectares. The project is comprised of four registered concessions totaling 3,465 hectares and one pending registration concession totaling six hectares. It is located 35 kilometres northeast of Bucaramanga in the California Mining District in northeastern Colombia.

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

On February 6, 2013, the Company announced that it voluntarily initiated the process of relinquishing to the National Mining Agency 1,001 hectares of its mineral exploration rights located in the Santander region within the newly-declared 11,700 hectare-area Parque Natural Regional Páramo de Santurbán (the "Páramo Park"). The Company intends to retain its remaining 3,471 hectares of mineral exploration rights in the Santander region not impacted by the Páramo Park boundaries as it considers the ground prospective for precious metals. The declaration was approved in early 2013 by the Corporación Autónoma Regional para la Defensa de la Meseta de Bucaramanga (Regional Autonomous Corporation for the Bucaramanga Plateau) to protect the environmentally-sensitive region essential for water, climate regulation and carbon sequestration. As a result, the Company recorded a write-down of $0.1 million in respect of the relinquished mineral rights for the project.

Anza Project

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

Option Agreement

A portion of this project is subject to an option agreement, along with five other parties (the "Optionors"), with a third party option holder, pursuant to which the option holder is obligated to incur certain exploration expenditures on the properties. The Company is entitled to receive 25% of all consideration flowing to the Optionors from the option holder. Pursuant to the option agreement, the Optionors are entitled to receive future option payments of $2.0 million and 2,000,000 common shares of the option holder (of which the Company's share is $0.5 million and 500,000 common shares, respectively) on June 29, 2013. The option holder is also responsible for incurring a minimum of $4.0 million of exploration expenditures on the properties pursuant to the option agreement. The Optionors will maintain a 2% net smelter royalty in the properties. Additionally, the option holder will have the option to purchase half of the net smelter royalty from the Optionors at a cost of $1.0 million.

In 2012, the Company received option payments of $0.3 million (2011 - $0.1 million) in cash and 250,000 common shares of the option holder, valued at $0.1 million (2011 – 125,000 common shares, valued at $0.1 million) in accordance with the option agreement. Option payments received in 2012 exceeded book values for the project at that time and as a result $0.3 million (2011 - $0.1 million) was recognized in other income in the consolidated statement of operations and comprehensive income (loss) during the year. Expenditures incurred subsequent to the receipt of the option payment continue to be capitalized.

Dojura Project

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

The Company received payments totalling $0.5 million in 2010 to 2012 from the option holder with regard to the Dojura project. Work was halted on the Dojura project on a partial force majeure basis until such time as security conditions in the area improve. The Company agreed to temporarily postpone the January 15, 2013 payment of $0.5 million 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.

During 2012, the Company received a summary of the results of an airborne geophysical survey performed by the option holder over a portion of the property. The results are consistent with the long-standing recommendation that the property has potential for large-scale copper-gold porphyry style mineralization.

Lunareja Project

No exploration activities were undertaken on the property during 2012.

As a result of clarifications from the Colombian mining authorities which prohibit mining in certain protected zone areas, the Company determined in early 2013 that it no longer desired to retain the Lunareja project, as the vast majority of its registered concessions were within the boundaries of a national park; therefore, the Company is in the process of disposing of the project, which consisted of three registered concessions totaling 616 hectares located approximately 65 kilometres west of Medellín. As the book value for the Lunareja project was previously written-down to zero in 2010, no resulting write-down was required.

Arenosa and Zaragoza Projects

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

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

CONSOLIDATED OPERATING RESULTS

The following is a summary of the Company's consolidated operating highlights for the years ended December 31, 2012 and 2011:

Year Ended December 31 In thousands of U.S. dollars, except per share amounts	**2012**	2011
	$	$
Net income (loss)	**(7,929)**	18,204
Income (loss) per share, basic	**(0.07)**	0.17
Income (loss) per share, fully diluted	**(0.07)**	0.16
Adjusted net loss *	**(8,580)**	(15,795)
Adjusted net loss per share, basic and fully diluted	**(0.08)**	(0.15)

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

The Company's net loss for the three months and year ended December 31, 2012 amounted to $3.3 million ($0.03 per share) and $7.9 million ($0.07 per share), respectively, compared with a net loss of $3.8 million ($0.04 per share) and a net income of $18.2 million ($0.17 per share) for the same respective periods in 2011, and includes a gain on Canadian dollar-denominated warrants of $nil and $0.7 million, respectively (2011 – loss of $0.5 million and gain of $33.9 million, respectively).

The Company's adjusted net loss (a non-GAAP measure, representing net income (loss) before gain on Canadian dollar-denominated warrants) for the three months and year ended December 31, 2012 amounted to $3.3 million ($0.03 per share) and $8.6 million ($0.07 per share), respectively, compared with an adjusted net loss of $3.4 million ($0.03 per share) and $15.8 million ($0.15 per share) for the same respective periods in 2011. The change for the quarter and year compared to the same periods in 2011 were primarily from the following:

- Corporate administration for the three months and year ended December 31, 2012 were $2.1 million and $10.2 million, respectively (2011 – $2.6 million and $12.1 million, respectively), including share-based payments. The decrease in corporate administration costs is primarily related to a one-time equity tax imposed in 2011 by the Colombian Congress of $1.1 million.

- Compensation costs related to share-based payments during the three months and year ended December 31, 2012 were $1.4 million and $8.5 million, respectively (2011 – $2.0 million and $10.2 million, respectively), of which $0.6 million and $4.4 million (2011 - $1.1 million and $5.9 million) were expensed in the respective periods and $0.8 million and $4.1 million (2011 - $0.9 million and $4.3 million) were capitalized to exploration and evaluation assets in the respective periods.

- Changes related to share-based payments relate to the issuance of 80,000 options and 2,878,788 options, respectively, during the three months and year ended December 31, 2012, with average grant date fair values of $3.56 per share and $3.13 per share, respectively, compared to 150,000 options and 2,387,500 options granted in the three months and year ended December 31, 2011 with average grant date fair values of $5.22 per share and $5.20 per share, respectively. The valuation of share-based payments is subjective and can impact net income (loss) significantly.

- Loss on sale or write-down of assets was $0.1 million in 2012 compared to $4.3 million in 2011. The 2012 amount relates to the Santander project. The 2011 amount relates to the disposal of the Arenosa and Zaragoza properties in exchange for a 25% equity interest in an associate.

- Foreign exchange gain (loss) for the three months and year ended December 31, 2012 were a $1.0 million loss and a $0.3 million gain, respectively, compared to a gain of $1.8 million and $1.2 million loss for the same respective periods in 2011. The change is primarily the result of the fluctuation of the Canadian/U.S. dollar exchange rate on Canadian cash balances held, which were greater throughout 2012.

- Unrealized gain on marketable securities during the three months and year ended December 31, 2012 was $0.2 million compared to an unrealized loss of $0.2 million and $0.5 million for the respective periods in 2011, and resulted from the revaluation of securities held.

- Deferred tax expense (recovery) for the three months and year ended December 31, 2012 were a $0.5 million expense and a $0.5 million recovery, respectively, compared to a $1.3 million and $1.4 million recovery for the same respective periods in 2011. The change is mainly a result of the tax impact on the loss on disposal of the Arenosa and Zaragoza properties to OTU in 2011 and foreign exchange on the translation of foreign tax balances.

Excluding the effect of the revaluation of financial instruments and foreign exchange on cash balances, the Company will continue to incur losses until commercial mining operations from its exploration and evaluation assets have commenced.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

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

(000's of U.S. Dollars, except per share amounts)	Q4–2012	Q3–2012	Q2–2012	Q1–2012	Q4 – 2011	Q3 – 2011	Q2 – 2011	Q1 – 2011
	$	$	$	$	$	$	$	$
Net income (loss)	**(3,340)**	**(4,457)**	**1,034**	**(1,166)**	(3,848)	(4,011)	(2,232)	28,295
Basic income (loss) per share	**(0.03)**	**(0.04)**	**0.01**	**(0.01)**	(0.04)	(0.04)	(0.02)	0.28
Diluted income (loss) per share	**(0.03)**	**(0.04)**	**0.01**	**(0.01)**	(0.04)	(0.04)	(0.02)	0.25
Adjusted net income (loss)[(1)]	**(3,340)**	**(906)**	**(3,790)**	**(544)**	(3,357)	(8,923)	(3,997)	481
Basic adjusted net income (loss) per share	**(0.03)**	**(0.01)**	**(0.03)**	**(0.01)**	(0.03)	(0.08)	(0.04)	0.01
Diluted adjusted income (loss) per share	**(0.03)**	**(0.01)**	**(0.03)**	**(0.01)**	(0.03)	(0.08)	(0.04)	–

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

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

SELECTED ANNUAL INFORMATION

The following is a summary of the Company's financial operating results for the years ended December 31, 2012 and 2011:

Year ended December 31	2012	2011
Gold sales and production (ounces)	**2,988**	3,689

Year ended December 31 In thousands of U.S. dollars	2012	2011
	$	$
Realized gold price	**1,699**	1,610
Acquisition of and investment in exploration and evaluation assets, net of gold sales	**33,103**	25,992
Operating activities	**(5,880)**	(4,163)
Investing activities	**(42,110)**	(29,637)
Financing activities	**134,304**	21,273
Foreign exchange on cash and cash equivalents	**265**	(1,277)
Net (decrease) increase in cash and cash equivalents	**86,579**	(13,804)

Production and Development Planning Activities

In 2012, the Company produced 2,988 ounces (2011 – 3,689 ounces) of gold which were sold for an average realized price of $1,699 per ounce (2011 - $1,610 per ounce).

Cash Flow Items

Operating Activities

Operating activity expenditures of $5.9 million in 2012 (2011 – $4.2 million) are consistent in comparison to 2011.

Investing Activities

Investing activity expenditures of $42.1 million in 2012 (2011 - $29.6 million) are mainly due to investments in and purchases of exploration and evaluation assets, net of capitalized gold sales revenues relating to such assets. The higher expenditure in 2012 compared to 2011 is mainly due to continued advancement and acceleration of the Buriticá exploration and development programs and the acquisition of additional exploration and evaluation assets.

Financing Activities

Cash and Cash Equivalents

As at In thousands of U.S. dollars	**December 31** **2012**	December 31 2011
	$	$
Cash and cash equivalents	**169,983**	83,404

As at December 31, 2012, the Company maintained its surplus funds in cash with three major banks in Canada, one in Bermuda and select Colombian banks. Cash balances increased in 2012 as a result of the completion of an equity financing, resulting in gross proceeds totaling C$86.3 million (approximately $86.9 million), and the contribution from exercises of common share options, warrants and broker warrants of $52.3 million in 2012 (2011 – $21.3 million), net of investing activities relating mainly to exploration and evaluation assets.

The Company had working capital of $175.2 million as of December 31, 2012 (2011 – $82.1 million), excluding the current portion of Canadian dollar-denominated warrants. The increase in working capital in 2012 is a result of the completion of an equity financing and the majority of the remaining warrants and broker warrants being exercised during 2012.

From January 1, 2013 to March 6, 2013, the Company received aggregate proceeds of 0.3 million from the exercise of 253,125 stock options. As at December 31, 2012, there were no remaining warrants and broker warrants outstanding.

Total Assets

Total assets as at December 31, 2012 of $310.6 million increased from $177.6 million December 31, 2011 mainly as result of the receipt of $82.0 million (2011 – $nil) from the closing of an equity financing, net of share issue costs, and $52.3 million in 2012 (2011 – $21.3 million) from the exercise of share options, warrants and broker warrants.

Commitments

The Company has a lease agreement expiring in 2015 for office facilities in Toronto. The Company's estimated gross annual rent is approximately C$0.2 million, depending upon the actual annual operating costs for the building. The Company also has a sublet arrangement with a Canadian mining company to share a proportionate share of the rent payments, leasehold improvements and furniture and fixture costs.

Contingencies

The Company's exploration and development activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and becoming more restrictive. As of December 31, 2012, the Company did not believe that there were any significant environmental obligations requiring material capital outlays in the near-term and anticipated that such obligations, if any, will only arise when mine development commences.

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

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

Historically, the Company's sole source of funding has been the issuance of equity-based securities for cash. During the year ended December 31, 2012, the Company completed an equity financing consisting of the issue of 9,039,000 shares at a price of C$9.55 per share for gross proceeds of C$86.3 million (or $82.0 million, net of share issue costs).

During the year ended December 31, 2012, the Company also received aggregate proceeds of $52.3 million (2011 – $21.3 million) from the exercise of 8,108,062 share purchase warrants, 216,000 broker warrants and 683,086 stock options (2011 - 7,335,182 share purchase warrants, 724,417 broker warrants and 1,041,412 stock options). As at December 31, 2012, there were no remaining warrants or broker warrants outstanding.

The Company's financial position at December 31, 2012 included $170.0 million in cash and cash equivalents, compared to $83.4 million at December 31, 2011. As at March 6, 2013, cash and cash equivalents amounted to approximately $161.0 million.

As at December 31, 2012, the exercise in full of the outstanding stock options would raise a total of approximately $44.8 million. There are no warrants or broker warrants outstanding as at December 31, 2012. Management does not know when and how much will be collected from the exercise of such securities, as this is dependent on the determination of the holder and the market price of the common shares.

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

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

The Company has no operating revenues, and therefore must utilize its current cash reserves, income from short-term investments, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain its capacity to meet working capital requirements and planned expenditures, or to fund any further development activities.

The Company's underground exploration development at the Buriticá project includes the results from small-scale gold production. Aggregate gold sales for the year ended December 31, 2012 of $5.2 million (2011 – $6.0 million) resulted from exploration work and drifting in ore. Gold sales are viewed as a recovery of expenses and used as another source of funding the Company's exploration program. As a result, gold sales, net of costs, are treated as a capital credit and netted against deferred expenses that have been incurred to-date on the Buriticá project.

As of December 31, 2012, the Company capitalized costs related to mineral properties in the amount of $36.8 million (2011 - $29.0 million). See "Exploration Summary".

MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The board of directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at December 31, 2012, total shareholders' equity (managed capital) was approximately $296.7 million (2011 – $155.8 million).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended December 31, 2012.

The Company is not subject to any externally imposed capital requirements. The Company believes that its current capital resources were sufficient to discharge its liabilities as at December 31, 2012.

SHARE CAPITAL

Fully Diluted Shares

As at (000's)	**December 31** **2012**	December 31 2011
Shares issued	**126,191**	108,145
Stock options outstanding	**8,612**	6,868
Warrants outstanding (US$ denominated)	**–**	2,298
Warrants outstanding (C$ denominated)	**–**	6,144
Broker Warrants outstanding	**–**	216
	134,803	123,671

As at December 31, 2012, the exercise of stock options in full would raise a total of approximately $44.8 million. Management does not know when and how much will be collected from the exercise of such securities as this is dependent on the determination of the holder and the market price of the common shares.

As at March 6, 2013, there were 126,444,280 common shares outstanding.

Warrants

As at December 31, 2012, there were nil Canadian dollar-denominated share purchase warrants (2011 – 6,144,000) and nil warrants (2011 – 2,298,112) outstanding. The Company also had nil broker warrants outstanding as at December 31, 2012 (2011 – 216,000).

Stock Options

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

There were 8,612,112 outstanding stock options to purchase common shares of the Company as at December 31, 2012 (2011 - 6,868,285), of which 6,632,396 were exercisable (2011 - 5,627,035). The stock options outstanding as at December 31, 2012 would raise approximately $44.8 million if exercised in full.

As at March 6, 2013, there were 10,399,612 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, being the price agreed between the parties. The following is a summary of related party transactions for the three months and year ended December 31, 2012:

- Gold sales to a refinery company, in which a director of the Company has an equity interest and is an officer, for the three months and year ended December 31, 2012 amounted to $1.6 million and $5.2 million, respectively, compared to $2.1 million and $6.0 million for the same respective periods in 2011, and are reported as a reduction to exploration and evaluation assets on the consolidated statement of financial position. Included in accounts receivable on December 31, 2012 is a receivable from the refinery company of $0.2 million (2011 - $0.2 million).

- As at December 31, 2012, $1.1 million (2011 – $nil) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of associates of the Company. The receivable will be repaid upon the completion of future financing transactions and the completion of initial public offerings by the associates.

- During the year ended December 31, 2012, $1.0 million (2011 – $nil) was paid by associates to a company controlled by the Chairman for the repayment of canon payments.

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

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

CONTRACTUAL OBLIGATIONS

As at December 31, 2012, the Company had the following payments due on contractual obligations and commitments:

Contractual Obligation In thousands of U.S. dollars	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
	$	**$**	**$**	**$**	**$**
Operating lease obligations [1]	**472**	**177**	**295**	**–**	**–**
Rehabilitation obligations[2]	**413**	**–**	**375**	**38**	**–**
Capital commitments [3]	**9,319**	**7,927**	**1,392**	**–**	**–**
Total	**10,204**	**8,104**	**2,062**	**38**	**–**

[1] In April 2010, the Company entered into a five-year lease agreement for office facilities in Toronto.
[2] Represents undiscounted cash flows

As at December 31, 2012, a rehabilitation provision of $0.4 million (2011 - $0.5 million) was recorded, representing the discounted value of the expected future cash flows. The decrease in the provision is a result of the removal of certain costs not considered necessary based on future rehabilitation plans.

FINANCIAL INSTRUMENTS AND RELATED RISKS

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

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

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

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

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 liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows. As at December 31, 2012, the Company had cash and cash equivalents of $170.0 million (2011 - $83.4 million) to settle current liabilities of $2.6 million (2011 - $2.9 million), excluding the current portion of Canadian dollar-denominated warrants. The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has begun to examine it options to secure additional sources of funds including public issuances, private placements and the exercise of outstanding options.

Market Risk

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

Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the U.S. dollar and major purchases are transacted primarily in U.S. dollars and Colombian pesos. The Company funds certain operations, exploration and administrative expenses in Colombia on a cash-call basis using Colombian pesos converted from its Canadian and/or U.S. dollar bank accounts held in Canada. During 2012, the Company maintained Canadian and U.S. dollar bank accounts in Canada, a U.S. dollar bank account in Bermuda and Colombian pesos bank accounts in Medellín, Colombia. The Company is subject to gains and losses due to fluctuations in the Colombian peso and the Canadian dollar against the Company's U.S. dollar functional currency. Sensitivity to a plus or minus 10% change in all foreign currencies (Colombian pesos and Canadian dollars) against the U.S. dollar, with all other variables held constant as at December 31, 2012, would affect net loss and comprehensive loss by approximately $15.2 million.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from its properties. The Company's cash and cash equivalents are held with banks in Colombia, Bermuda and Canada. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least A or equivalent, or those which have been otherwise approved. Amounts receivable consist of receivables from unrelated parties and long-term receivables from associates. Amounts receivable from unrelated parties are current as of December 31, 2012 and 2011. Management believes that the credit risk concentration with respect to amounts receivable is minimal based on the Company's history with these unrelated parties. Amounts receivable from associates are long-term and are dependent on the associates' abilities to complete future financings.

Fair Value

As at December 31, 2012, the carrying and fair value amounts of the Company's financial instruments were approximately equivalent.

MARKET TRENDS

Global Financial Market Conditions

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

Gold Market

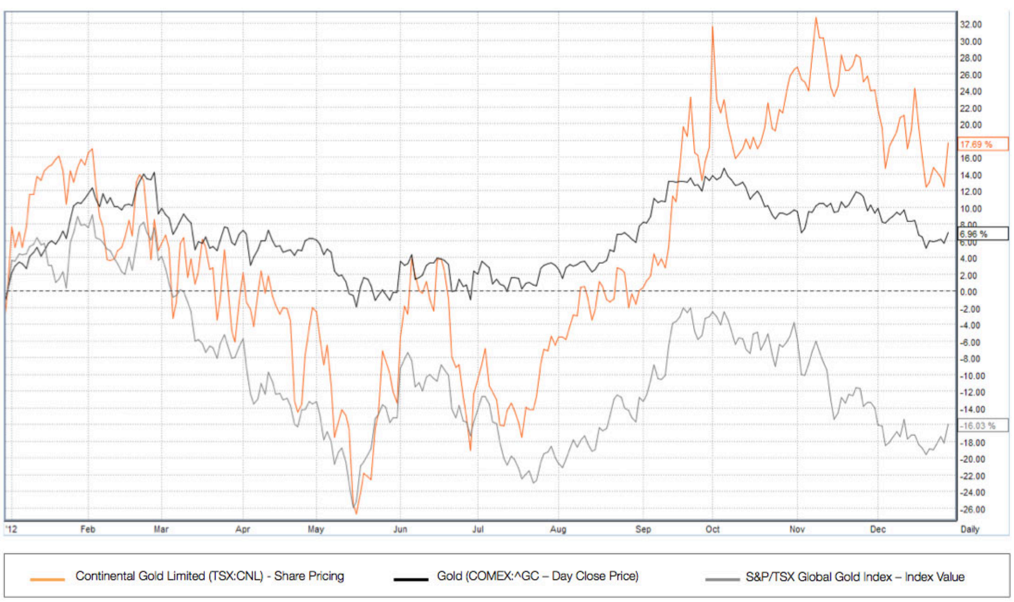
The Company's economic assessment of its gold projects is impacted by the market-driven gold price. The gold market is affected by negative real interest rates over the near-to-medium term, continued sovereign debt risks, elevated geo-political risks, mine production and substantial above-ground reserves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

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

The global financial market crisis affected the volatility of gold and other commodity prices, oil prices, currencies and the availability of credit. The gold price has displayed considerable volatility in the last few years. The spot daily gold price closing in 2012 was between $1,540 and $1,792 per ounce ($1,313 and $1,900 per ounce in 2011) for an average 2012 price of $1,669 (2011: $1,572) per ounce. Continued uncertainties in the major markets, specifically in the U.S. and European countries, and increased investments from Asian countries, namely India and China, were the main driving forces in the rise in demand for gold.

As at December 31 ($/ounce of gold)	**2012**	2011
Average market gold price	**1,669**	1,572
Closing market gold price	**1,658**	1,531

As the following graph depicts, the Company's shareholder value increase in 2012 was partially impacted by the rising gold price, despite a decrease in overall gold equities as a result of continued global uncertainty and widespread development costs overruns from many of the precious metal producers and developers.



Currency

The Company's functional and reporting currency is the U.S. dollar. Movement in the Canadian dollar against the U.S. dollar has a direct impact on the Company's corporate office cost base and cash balances. Movement in the Colombian peso has a direct impact on the Company's exploration activities.

Currencies continued to experience volatility relative to the U.S. dollar in 2012. The key currencies to which the Company is exposed are the Canadian dollar and the Colombian peso.

	Closing Rate December 31 2012	Closing Rate December 31 2011	**Average Rate 2012**	Average Rate 2011
Canadian dollar/U.S.$	**1.0051**	0.9833	**1.001**	1.011
Colombian peso /U.S.$	**0.00057**	0.00052	**0.00053**	0.00055

During 2013, the Company will have a significant U.S. dollar and Colombian peso requirement due to exploration activities, including expenditures to advance the Buriticá project. As at December 31, 2012, the Company held $23.5 million in U.S. dollars, representing approximately 26% of 2013 planned exploration expenditures. As at March 6, 2013, the Company held approximately $28.3 million in U.S. dollars, representing approximately 18% of total cash balances, to protect against currency volatility in 2013.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2013 with early adoption permitted and have not been applied in preparing these consolidated financial statements. Management has not yet considered the potential impact of their adoption and does not plan to adopt these standards early.

IFRS 9 – Financial Instruments

IFRS 9, *Financial Instruments* ("IFRS 9"), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39"), for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment. However, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in OCI.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

IFRS 13 – Fair Value Measurement

IFRS 13, *Fair Value Measurement* ("IFRS 13"), is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

IFRS 10 – Consolidated Financial Statements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IAS 32 – Financial Instruments: Presentation

IAS 32, *Financial Instruments: Presentation* ("IAS 32"), clarify some of the requirements for offsetting financial assets and financial liabilities on the consolidated statement of financial position.

IAS 32 is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.

IAS 27 and IAS 28 – Investments in Associates and Joint Ventures

There have been amendments to existing standards, including IAS 27 and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

There were no significant changes in the Company's internal controls, or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation as of December 31, 2012, nor were there any significant deficiencies or material weaknesses in the Company's internal controls identified requiring corrective actions.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of fiscal 2012, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

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

QUALIFIED PERSON

Mark Moseley-Williams, President and Chief Operating Officer of the Company, is a qualified person within the meaning of NI 43-101 – *Standards of Disclosure for Mineral Projects* and has reviewed and approved the scientific and technical information contained in this MD&A.

For additional information on the Buriticá project, please refer to the Technical Report, available on the Company's website at www.continentalgold.com and under the Company's profile on SEDAR at www.sedar.com.

RISKS AND UNCERTAINTIES

The business of the Company is subject to a variety of risks and uncertainties, including those described below. The Company's common shares should be considered highly speculative due to the nature of its business and the present stage of exploration, development and the location of its properties in Colombia. The reader should carefully consider the information below as well as the risks disclosed in the Company's audited annual consolidated financial statements, annual information form and in other publicly-filed documentation regarding the Company available under the Company's profile on SEDAR at www.sedar.com. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations, and any of these risk elements could have a material adverse effect on the business of the Company.

Nature of Mineral Exploration

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

Foreign Country Risk

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

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

It is not possible for the Company to accurately predict such development or changes in laws or policy or to the extent to which any such developments or changes may have a material adverse effect on the Company's operations. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the properties, business, operations or financial condition of the Company.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada.

Foreign Operations

The Company's key asset, the Buriticá project, and operations are located in Colombia. Colombia's legal and regulatory requirements in connection with companies conducting mineral exploration and mining activities, banking system and controls as well as local business culture and practices are different from those in Canada. The officers and directors of the Company must rely, to a great extent, on the Company's Colombian legal counsel and local consultants retained by the Company in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist the Company with its governmental relations. The Company must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of the Company and may adversely affect its business.

No Assurance of Titles or Boundaries

The Company is not the registered holder of all of the licences or concessions that comprise its Colombia Projects. Some of the licences and concessions that comprise the Company's Colombia projects (the "Colombia Projects") are registered in the names of certain entities controlled by Bullet Holding Corporation ("Bullet"). The Company's interest in the Colombia Projects is derived from the Agreement for Sale of Concession Contracts and Applications for Concession Contracts in Colombia, dated December 20, 2007, between Bullet and the Company (the "Concession Sale Agreement"). Under the Concession Sale Agreement, Bullet has agreed to transfer the licences and concessions that comprise such properties to the Company. There can be no assurance, however, that such transfers will be effected. In addition, in the event of a dispute between the parties to the Concession Sale Agreement, the Company's only recourse against Bullet will be to seek enforcement of the terms of the Concession Sale Agreement. If the Company is required to commence legal proceedings to enforce the terms of the Concession Sale Agreement, there is no assurance that the Company will succeed in such proceedings, and, therefore, may never succeed in obtaining title to such properties.

The Company has obtained a title report from Colombian legal counsel with respect to title to the Colombia Projects held by the Company and Bullet but this should not be construed as a guarantee of title. Other parties may dispute title to any of the Company's mineral properties and any of the Company's properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected encumbrances or defects or governmental actions or errors. A successful challenge to the precise area and location of the Colombia Projects could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties. The Company does not have all of the surface rights at the Colombia Projects and there is no assurance that these surface rights will be granted or they will be on reasonable terms if granted.

Limited Operating History

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

Requirement for Further Financing

The Company has sufficient financial resources to undertake its currently planned exploration and development programs for 2013, but will require additional funds to finance further exploration, future acquisitions and additional development and mine construction programs. The further exploration and development of the various mineral properties in which the Company holds interests and the acquisition of additional properties depend upon the Company's ability to obtain financing through joint ventures of projects, debt financing, equity financing or other means. There can be no assurance that the Company will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to existing shareholders. Failure to obtain additional financing on a timely basis may result in delays or an indefinite postponement of exploration, development, or production on any or all of the Company's properties, and could cause the Company to reduce or terminate its operations or lose its interest in its properties.

Fluctuation in Mineral Prices

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

Insurance and Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, risks relating to the shipment of precious metal concentrates or doré bars, and political and social instability. Such occurrences could result in damage to mineral properties, damage to underground development, damage to production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in the ability to undertake exploration, monetary losses and possible legal liability. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not always available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. The Company does not currently maintain insurance against political risks, underground development risks, production facilities risks, business interruption or loss of profits, theft of doré bars, the economic value to re-create core samples, environmental risks and other risks. Furthermore, insurance limits currently in place may not be sufficient to cover losses arising from insured events. Losses from any of the above events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Construction and Operating Cost Estimates

Estimated construction and operating costs may differ significantly from those actually incurred which could negatively impact the economic return on the Buriticá project or render the Buriticá project uneconomic. It is not unusual for new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, the costs, timing and complexities of mine construction and development are increased by the remote location of some of the Company's mining properties. Accordingly, there are no assurances that the Company will successfully develop and expand mining operations or profitably produce precious metals at its properties, including at the Buriticá project.

Environmental and Other Regulatory Requirements

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

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

The Company cannot give any assurances that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially or adversely affect its financial condition. There is no assurance that any future changes to environmental regulation, if any, will not adversely affect the Company.

Differing Interpretations in Tax Regimes in Foreign Jurisdictions

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

Canadian Tax Resident Status

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

Competition

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

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

Non-Governmental Organization Intervention

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

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of natural resource exploration and development. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the *Companies Act, 1981* (Bermuda) (the "Bermuda Act") and the Company's bye-laws (the "Bye-laws") to disclose his interest.

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

Dependence on Key Management Employees

The Company's development to date has strongly depended, and in the future will continue to depend, on the business and technical expertise of key executives, including the directors of the Company and a small number of highly-skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of any of these individuals or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company does not have key man insurance in place with respect to any of these individuals.

Special Skill and Knowledge

Various aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of permitting, geology, drilling, metallurgy, logistical planning and implementation of exploration programs as well as finance and accounting. The Company has been able to recruit and retain employees and consultants with the necessary skills and knowledge, and believes it will continue to be able to do so; however, no assurance can be made in that regard.

Outside Contractor Risks

It is common for certain aspects of mining operations, such as drilling, blasting and underground development, to be conducted by outside contractors. Exploration drilling and underground development at the Buriticá project is undertaken by contractors and, as a result, the Company is subject to a number of risks, including: reduced control over the aspects of the drilling and underground development that are the responsibility of the contractors; failure of the contractors to perform under its agreement with the Company; inability to replace the contractors if their contracts are terminated; interruption of drilling and/or underground development in the event that the contractors cease operations due to insolvency or other unforeseen events; failure of the contractors to comply with applicable legal and regulatory requirements; and failure of the contractors to properly manage its workforce resulting in labour unrest or other employment issues.

Labour and Employment Matters

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

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

Artisanal Miners/Mineral Extraction by Third Parties without Title

The Company's mining concessions are held in remote areas of Colombia that have historically been mined by artisanal miners. As the Company further explores and advances mining projects towards production, it must evict or negotiate with artisanal miners operating on the Company's mining concessions illegally. There is a risk that such artisanal miners may oppose the Company's operations, which may result in a disruption to the planned development and/or to mining and processing operations. In addition, artisanal miners have historically used chemicals that are harmful to the environment to separate the precious metals from the ore. While the Company has implemented a course of action to minimize its exposure for environmental liabilities caused by artisanal miners, there is no assurance that the Company will not be subject to these environmental liabilities in the future. This could have a material adverse effect on the Company's business, operating results and financial position.

Reliability of Mineral Resource Estimates

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

Fluctuations in gold and base or other precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition. In addition, the grade of minerals ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to uncertainty that may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to measured and indicated resources or proven and probable reserves as a result of continued exploration.

Foreign Subsidiaries

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

Reliance on a Single Property

The only material property interest of the Company is the Buriticá project. Unless the Company acquires additional property interests or advances its other exploration properties, any adverse developments affecting the Buriticá project could have a material adverse effect upon the Company and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Company. While the Company may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that the Company will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to the Company or at all. See "Material Mineral Property".

Joint Ventures

The Dojura project is the subject of joint venture arrangements with another mining company and will be subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the viability of the Company's interests held through joint ventures, which could have a material adverse impact on the Company's results of operations and financial conditions:

- inability to exert influence over certain strategic decisions made in respect of joint venture properties;
- disagreement with joint venture participants on how to develop and operate mines efficiently;
- inability of participants to meet their obligations to the joint venture or third parties; and
- litigation between participants regarding joint venture matters.

Residency of Directors, Officers and Others

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

Minority Interests

The Company holds interests in Sabre Metals Inc. ("Sabre") and Thunderbolt Resources Inc. ("Thunderbolt") with related and third parties. The Company accounts for these investments as an investment in associates. The Company's interest in Sabre and Thunderbolt are subject to the risks normally associated with the control of minority interests. The existence or occurrence of one or more of the following circumstances and events - disagreement with controlling shareholder on how to explore, develop and operate mines efficiently; inability of shareholders to meet their obligations; inability to sell a minority interest to third parties; or litigation arising between shareholders regarding matters - could have a material adverse impact on the Company's profitability or the viability of its interests held through minority interests, which could have a material adverse impact on future cash flows, earnings, results of operations and financial condition.

Property Interests

The ability of the Company to carry out successful mineral exploration and development activities and mining operations will depend on a number of factors. No guarantee can be given that the Company will be in a position to comply with all such conditions and obligations, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licenses may be renewed, extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed. A number of the Company's interests are the subject of pending applications to register assignments, extend the term, and increase the area or to convert licenses to concession contracts and there is no assurance that such applications will be approved as submitted.

There is no assurance that the Company's rights and foreign interests will not be revoked or significantly altered to the detriment of the Company.

Environmentally-Protected Areas/Forest Reserves

Colombia has a number of environmentally-protected areas or forest reserves ("Protected Areas") that can, in certain circumstances, restrict mining activities. There are varying levels of Protected Areas within the country with different levels of restrictions. Some of the Company's exploration properties are within local forest reserves and while the Company does not expect any difficulties in obtaining the necessary permits to conduct mining activities in these areas, there can be no assurances that the laws or boundaries will not change or that permits are not granted which could have a material impact on the Company's operations.

Foreign Currency Fluctuations

The Company's current and proposed exploration operations in Colombia render it subject to foreign currency fluctuations, which may materially affect its financial position and results. The Company's reporting currency is the United States dollar, which is exposed to fluctuations against other currencies. In addition, the Company maintains its principal office in Canada, maintains cash accounts in Canadian dollars, United States dollars and Colombian pesos and has monetary assets and liabilities in United States and Canadian dollars, and Colombian pesos; the Company holds Canadian and U.S. dollars and sends funds to Colombia in U.S. dollars and converts these funds into Colombian pesos. The important exchange rates for the Company are currently the rate between the U.S. dollar, Canadian dollar and the Colombian peso. While the Company is funding work in Colombia, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company's common shares trade on the TSX and OTCQX International, a Canadian stock exchange and U.S. Over-the-Counter market, respectively. Prior and future equity financings result in the generation of Canadian dollar proceeds to fund the Company's activities which are principally incurred in U.S. dollars or Colombian pesos. To the extent funds from such financings are maintained in Canadian dollars, the Company's results can be significantly impacted by adverse changes in exchange rates between the Canadian dollar and the U.S. dollar and Colombian peso. The Company has not undertaken to mitigate transactional volatility in the United States dollars, Colombian pesos, or the Canadian dollar at this time. The Company may, however, enter into foreign currency instruments in order to match or partially offset existing currency exposures.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk will be to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known precisely when the Company will require external financing in future periods.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Current Economic Conditions

There are significant uncertainties regarding the price of gold, other precious and base metals and other minerals and the availability of equity financing for the purposes of mineral exploration and development. Currently, prices of certain commodities such as gold have shown volatility, which has had an impact on the Company and the mining industry in general. The Company's future performance is largely tied to the development of the Colombia Projects and the commodity and financial markets. There can be no certainty that commodity prices will increase or maintain the same levels. Current financial markets are likely to continue to be volatile in Canada potentially through 2013 and beyond, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has also led to increased difficulties in financing activities. As a result, the Company may have difficulty raising debt or equity financing for the purposes of mineral exploration and development and, if obtained, on terms favourable to the Company and/or without excessively diluting existing shareholders of the Company. These economic trends may limit the Company's ability to develop and/or further explore its mineral property interests.

Unreliable Historical Data

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

Infrastructure

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

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

Government Regulation

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

Failure to comply with applicable laws, regulations and permitting requirements many result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company's mineral exploration and mining activities in Colombia may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase royalties or the costs related to the Company's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, government-imposed royalties, claim fees, export controls, income taxes, and expropriation of property, environmental legislation and mine safety. The effect of these factors cannot be accurately predicted. Although the Company's exploration and development activities are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtain production or development.

Furthermore, any shift in political attitudes, or amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof are beyond the control of the Company and could have a substantial adverse impact on the Company.

Health and Safety Risk

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

The Company has limited insurance policies in place to cover some accidents and regularly monitors the adequacy of such policies; however, not all risks are covered with insurance policies due to either coverage not being available or not being available at commercially reasonable prices.

Market Price of Common Shares

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

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

Dividend Policy

No dividends on the Shares of the Company have been paid by the Company to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs (see "Dividends"). At this time, the Company has no source of cash flow and anticipates using all available cash resources towards its stated business objectives and retaining all earnings, if any, to finance its business operations.

Future Sales of Common Shares by Existing Shareholders

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

Accounting Policies and Internal Controls

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

Passive Foreign Investment Corporation ("PFIC")

It is likely that, for United States federal income tax purposes, the Company was a "passive foreign investment company ("PFIC") as defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, for its 2012 tax year. A U.S. shareholder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to special U.S. federal income taxation rules, which may have adverse tax consequences to such shareholder. However, a U.S. shareholder may be eligible to make certain elections under two alternative tax regimes to potentially mitigate such adverse tax consequences. A U.S. shareholder should consult its own tax advisor with respect to an investment in the common shares and to ascertain which elections, if any, might be beneficial to the U.S shareholder's own facts and circumstances.

Litigation Risk

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which the Company may become subject could have a material effect on the Company's financial position, results of operations or the Company's property development.

Unknown Liabilities in Connection with Acquisitions

As part of the Company's acquisitions, the Company has assumed liabilities and risks. While the Company conducted due diligence, there may be liabilities or risks that the Company failed, or was unable, to discover in the course of performing the due diligence investigations or for which the Company was not indemnified. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Company's financial position and results of operations.

Acquisitions and Integration

From time to time, it can be expected that the Company will examine opportunities to acquire additional exploration and/or mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends upon its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. If the Company chooses to raise debt capital to finance any such acquisitions, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisitions, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisitions with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Compliance with Anti-Corruption Laws

The Company is subject to various anti-corruption laws and regulations including, but not limited to, the *Canadian Corruption of Foreign Public Officials Act 1999*. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. The Company's primary operations are located in Colombia, and the Company cannot predict the nature, scope or effect of future regulatory requirements to which its operations might be subject or the manner in which existing laws might be administered or interpreted. Failure to comply with the applicable legislation and other similar foreign laws could expose the Company and its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially or adversely affect the Company's business, financial condition and results of operations. Likewise, any investigation of any potential violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on the Company's business, financial conditions and results of operations, as well as on the market price of the common shares. As a consequence of these legal and regulatory requirements, the Company instituted policies with regard to its Code of Business Conduct and Ethics. There can be no assurance or guarantee that such efforts have been and will be completely effective in ensuring the Company's compliance, and the compliance of its employees, consultants, contractors and other agents, with all applicable anti-corruption laws.

Indigenous Peoples

Various international and national laws, codes, resolutions, conventions, guidelines, and other materials relate to the rights of indigenous peoples. The Company holds exploration rights located in some areas presently or previously inhabited or used by indigenous peoples. Many of these materials impose obligations on government to respect the rights of indigenous people. Some mandate that government consult with indigenous people regarding government actions which may affect indigenous people, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. The Company's current or future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development on those projects or operations on which the Company holds an exploration right. Such opposition may be directed through legal or administrative proceedings or protests, roadblocks or other forms of public expression against the Company or the owner/operator's activities. Opposition by indigenous people to such activities may require modification of or preclude operation or development of projects or may require the entering into of agreements with indigenous people. Claims and protests of indigenous people may disrupt or delay activities of the owners/operators of the Company's exploration assets.

Bermuda Legal Matters

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

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

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

Enforcement of Judgments in Bermuda May be Difficult

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

(a) the court which gave the judgment was competent to hear the action in accordance with private international law principles as applied in Bermuda; and

(b) the judgment is not contrary to public policy in Bermuda, has not been obtained by fraud or in proceedings contrary to natural justice, and is not based on an error in Bermuda law.

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

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

The Company May Become Subject to Taxes in Bermuda

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

Exemption from Exchange Controls

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

Limitations on Carrying on Business

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

(a) the acquisition or holding of land in Bermuda (except that required for their business and held by way of lease or tenancy for terms of not more than 50 years) without the express authorization of the Bermuda legislature;

(b) the taking of mortgages on land in Bermuda to secure an amount in excess of BD$50,000 without the consent of the Minister of Finance;

(c) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities; or

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

Compulsory Acquisition Rules

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

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

2013 OUTLOOK

The Company plans to continue to focus on advancing the Buriticá project in fiscal 2013. Major objectives include the following:

- Complete Phase IV, 100,000-metre drill program aimed at expanding and in-filling the Veta Sur and Yaraguá zones, in addition to drill-testing the high-grade anomalies surrounding these zones, including the La Estera and San Agustin areas;

- Develop a tunnel in the Higabra valley at 1,150 metres above sea-level which will initially provide underground drilling access to the Yaraguá vein system at depth and will eventually serve as the main access for all underground development;

- Develop a ramp beside the Veta Sur vein system at an elevation of 1,700 metres above sea-level that will provide underground drilling stations for resource conversion drilling. The Veta Sur ramp will be developed simultaneously with the Higabra tunnel;

- Initiate construction of a six-kilometre switchback road which will provide access to the Higabra valley, the expected future site for mining and milling operations;

- Update the mineral resource estimate;

- Continued pre-developmental efforts including geo-mechanical and metallurgical testing, and baseline environmental programs; and
- Continue working towards a PFS for completion in 2014.

ADDITIONAL INFORMATION

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