



**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

For the three months ended
March 31, 2013 (unaudited)

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Continental Gold Limited
Consolidated Statements of Financial Position (unaudited)

As at (in thousands of U.S. Dollars)	Notes	March 31, 2013 \$	December 31, 2012 \$
Assets			
Current assets			
Cash and cash equivalents	5	159,383	169,983
Marketable securities		779	1,284
Receivables and prepaid expenses		3,756	6,590
		163,918	177,857
Non-current assets			
Restricted cash		65	66
Long-term portion of receivables	12(d),(e)	1,148	1,091
Prepays and advances		2,878	1,892
Intangible assets		254	330
Property, plant and equipment	7	7,494	7,186
Exploration and evaluation assets	8	132,420	121,154
Investments in associates	9	962	1,020
		145,221	132,739
		309,139	310,596
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		4,385	2,420
Income taxes payable		344	193
		4,729	2,613
Non-current liabilities			
Equity tax liability		290	293
Rehabilitation provision		357	373
Deferred tax liability		11,687	10,661
		12,334	11,327
		17,063	13,940
Shareholders' equity			
Share capital	10	24	24
Share premium reserve		391,422	390,927
Share-based payment reserve		23,520	21,765
Deficit		(122,890)	(116,060)
		292,076	296,656
		309,139	310,596
Commitments and contingencies	15		

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

Continental Gold Limited

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

For the three months ended (in thousands of U.S. Dollars, except share and per share amounts)	Notes	March 31, 2013	March 31, 2012
		\$	\$
Operating expenses:			
Corporate administration	12(b), 13	(2,549)	(2,737)
Gain on sale or write-down of assets	7, 8	-	21
		(2,549)	(2,716)
Other income (expense):			
Foreign exchange (loss) gain		(3,023)	1,225
Unrealized gain (loss) on marketable securities		(505)	15
Share of net loss of investments in associates	9	(58)	-
Loss on Canadian dollar-denominated warrants		-	(622)
Other income		24	15
Net loss before finance items and income tax		(6,111)	(2,083)
Finance income (expense):			
Interest income		493	223
Interest and accretion expense		(8)	(4)
Net loss before income tax		(5,626)	(1,864)
Income tax (expense) recovery:			
Current		(178)	(107)
Deferred		(1,026)	805
Total income tax (expense) recovery		(1,204)	698
Net loss and comprehensive loss for the year attributable to the equity holders of Continental Gold Limited		(6,830)	(1,166)
Net loss per common share			
Basic and diluted		(0.05)	(0.01)
Weighted average number of common shares outstanding			
Basic and diluted		126,278,545	108,438,981

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

Continental Gold Limited

Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(in thousands of U.S. Dollars)	Issued Capital		Reserves		Deficit	Total
	Share Capital (Note 10)	Share Premium Reserve	Warrants and Broker Warrants Reserve	Share-Based Payment Reserve		
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2012	24	390,927	-	21,765	(116,060)	296,656
Share-based payments	-	-	-	1,947	-	1,947
Exercise of share-based payments – cash proceeds	-	303	-	-	-	303
Fair value of share-based payments exercised	-	192	-	(192)	-	-
Net loss for the period	-	-	-	-	(6,830)	(6,830)
Balance, March 31, 2013	24	391,422	-	23,520	(122,890)	292,076
Balance, December 31, 2011	24	247,281	1,706	14,924	(108,131)	155,804
Exercise of warrants – cash proceeds	-	1,855	-	-	-	1,855
Fair value of warrants exercised	-	916	(916)	-	-	-
Share-based payments	-	-	-	2,364	-	2,364
Exercise of share-based payments – cash proceeds	-	131	-	-	-	131
Fair value of share-based payments exercised	-	262	-	(262)	-	-
Net loss for the period	-	-	-	-	(1,166)	(1,166)
Balance, March 31, 2012	24	250,445	790	17,026	(109,297)	158,988

Continental Gold Limited
Consolidated Statements of Cash Flows (unaudited)

For the three months ended (in thousands of U.S. Dollars)	Notes	March 31, 2013	March 31, 2012
		\$	\$
Cash provided by (used in):			
Operating activities:			
Net loss for the year		(6,830)	(1,166)
Items not affecting cash:			
Share-based payments	11(b)	1,010	1,198
Share of net loss in investments in associates	9	58	–
Loss on Canadian dollar-denominated warrants		–	622
Deferred tax expense (recovery)		1,026	(805)
Unrealized loss (gain) on marketable securities		505	(15)
Unrealized foreign exchange loss (gain)		3,023	(1,225)
Other non-cash items	14(a)	132	49
Changes in non-cash operating working capital balances	14(a)	(134)	(1,237)
		(1,210)	(2,579)
Investing activities:			
Investment in associates	9	–	(990)
Property, plant and equipment	7	(552)	(633)
Exploration and evaluation assets	8	(11,944)	(7,495)
Recoveries in property from gold sales	8(b)	1,761	792
Other investing activities	14(b)	(1,010)	(192)
Changes in non-cash investing working capital balances	14(b)	4,903	1,251
		(6,842)	(7,267)
Financing activities:			
Cash proceeds from exercise of stock options		303	131
Cash proceeds from exercise of warrants, and broker warrants		–	1,855
		303	1,986
Net change in cash and cash equivalents during the period		(7,749)	(7,860)
Cash and cash equivalents, beginning of period		169,983	83,404
Foreign exchange effect on cash balances		(2,851)	1,334
Cash and cash equivalents, end of period		159,383	76,878

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

1. NATURE OF OPERATIONS

Nature of Operations

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

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

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

2. STATEMENT OF COMPLIANCE

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

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

These unaudited interim consolidated financial statements were approved and authorized by the Audit Committee, on behalf of the Board of Directors, on May 14, 2013.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

4. OPERATING SEGMENTS

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

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

Supplemental information

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

As at March 31, 2013 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	\$	\$	\$
Cash and cash equivalents	157,381	2,002	159,383
Exploration and evaluation assets	–	132,420	132,420
Total assets	161,953	147,186	309,139
Total liabilities	441	16,622	17,063

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

Period ended March 31, 2013 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	\$	\$	\$
<i>Three months ended:</i>			
Net loss	(5,263)	(1,567)	(6,830)
Capital expenditures	8	10,738	10,746

Period ended March 31, 2012 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	\$	\$	\$
<i>Three months ended:</i>			
Net income (loss)	(1,818)	652	(1,166)
Capital expenditures	–	7,368	7,368

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

(in thousands of U.S. Dollars)	As at March 31, 2013	As at December 31, 2012
	\$	\$
Cash in banks and petty cash	60,953	169,983
Short-term bank deposits	98,430	–
Total	159,383	169,983

6. FINANCIAL INSTRUMENTS

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

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

As at March 31, 2013 (in thousands of U.S. Dollars)	Fair Value through profit and loss	Loans and receivables and held-to- maturity	Other financial assets/ (liabilities)	Total
	\$	\$	\$	\$
Cash and cash equivalents	–	159,383	–	159,383
Marketable securities	779	–	–	779
Restricted cash	65	–	–	65
Receivables	–	4,781	–	4,781
Accounts payable and accrued liabilities and income taxes payable	–	–	(4,419)	(4,419)
Equity tax liability	–	–	(600)	(600)
Total	844	164,164	(5,019)	159,989

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

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

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

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

Fair value hierarchy and liquidity risk disclosure:

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has treasury policies designed to support managing of liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows.

As at March 31, 2013, the Company had cash and cash equivalents of \$159,383,000 (December 31, 2012 – \$169,983,000) to settle current liabilities of \$4,729,000 (December 31, 2012 – \$2,613,000). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has various commitments detailed in Note 15.

For the three months ended March 31, 2013, the Company recorded a net loss of \$6,830,000 (three months ended March 31, 2012 – \$1,166,000), after recognizing a loss in respect of the Canadian dollar-denominated warrants for the three months ended March 31, 2013 of \$nil (three months ended March 31, 2012 – \$622,000), and reported an accumulated deficit as at March 31, 2013 of \$122,890,000 (December 31, 2012 – \$116,060,000).

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

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

Fair value hierarchy

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

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

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

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

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

As at March 31, 2013 (in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	–	159,383	–	159,383
Marketable securities	699	80	–	779
	699	159,463	–	160,162
As at December 31, 2012 (in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	–	169,983	–	169,983
Marketable securities	1,054	230	–	1,284
	1,054	170,213	–	171,267

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

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

(in thousands of U.S. dollars)	Land and Buildings	Vehicles, Mining and Exploration Equipment	Leasehold Improvements, Office and Computer Equipment	Total
	\$	\$	\$	\$
Three months ended March 31, 2013				
Opening net book value	3,102	2,471	1,613	7,186
Additions	91	349	112	552
Disposals	–	(44)	–	(44)
Depreciation	(5)	(84)	(111)	(200)
Closing net book value	3,188	2,692	1,614	7,494
Balance, March 31, 2013				
Cost	3,228	3,495	2,644	9,367
Accumulated depreciation	(40)	(803)	(1,030)	(1,873)
Net book value	3,188	2,692	1,614	7,494

Depreciation for the three months ended March 31, 2013 of \$111,000 (three months ended March 31, 2012 – \$61,000) is included in depreciation and amortization in the consolidated statement of operations and comprehensive income (loss) and depreciation for the three months ended March 31, 2013 of \$89,000 (three months ended March 31, 2012 – \$109,000) is capitalized in exploration and evaluation assets.

Gain on sale or write-down of equipment for the three months ended March 31, 2013 of \$nil (three months ended March 31, 2012 – \$21,000) is included in the consolidated statement of operations and comprehensive income (loss).

8. EXPLORATION AND EVALUATION ASSETS

(in thousands of U.S. dollars)	Balance December 31, 2012	Additions	Gold Sales, Options and Recoveries	Disposals or Write-downs	Balance March 31, 2013
	\$	\$	\$	\$	\$
Anza (a)	–				
Berlin	14,401	8	–	–	14,409
Buriticá(b)	99,908	12,990	(1,761)	–	111,137
Dojura (c)	1,118	–	–	–	1,118
Dominical	5,233	26	–	–	5,259
Santander (d)	494	2	–	–	496
Total	121,154	13,026	(1,761)	–	132,419

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

(a) Anza Property

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

The excess of any option payments received exceeding the net book value of the property on the date of receipt are recognized in other income on the consolidated statement of operations and comprehensive income (loss). Expenditures incurred subsequent to the date of receipt of option payments continue to be capitalized according to the Company's accounting policy for exploration and evaluation assets.

(b) Buriticá Property

The Buriticá project includes the Yaraguá mine that had previously been under small-scale production by the Company and is now utilized for underground exploration development and a bulk sample testing operation.

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

Gold sales from pre-production and bulk sampling revenues for the three months ended March 31, 2013 of \$1,761,000 (three months ended March 31, 2012 – \$792,000) were credited against the capitalized expenditures.

(c) **Dojura Property**

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

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

During the three months ended March 31, 2013, the Company received option payments of \$nil (three months ended March 31, 2012 – \$250,000).

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

(d) **Santander Property**

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

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

9. INVESTMENTS IN ASSOCIATES

Investments in associates consist of the following:

(in thousands of U.S. dollars)	Sabre Metals Inc.	ThunderBolt Resources Inc.	Minerales OTU S.A.S.	Total
	(a)	(b)		
	\$	\$	\$	\$
Balance, December 31, 2011	–	–	2,526	2,526
Initial investment in associate	70	70	–	140
Additional investment	756	349	–	1,105
Share of net loss	(159)	(66)	–	(225)
Disposal	–	–	(2,526)	(2,526)
Balance, December 31, 2012	667	353	–	1,020
Share of net loss	(37)	(21)	–	(58)
Balance, March 31, 2013	630	332	–	962

(a) **Sabre Metals Inc.**

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

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

As at March 31, 2013, \$790,000 (December 31, 2012 – \$458,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of Sabre.

(b) **ThunderBolt Resources Inc.**

As at March 31, 2013, the Company invested a total of C\$414,000 (December 31, 2012 – C\$414,000) in the form of a convertible promissory note and common shares in ThunderBolt Resources Inc. ("ThunderBolt") (formerly Nighthawk Resources Inc.), a private company incorporated in the Province of Ontario, Canada and indirectly controlled by the Chairman. The convertible promissory note provides the Company the right to convert the receivable, at its option, into common shares of ThunderBolt. As of March 31, 2013, the convertible promissory note receivable was C\$98,000 (December 31, 2012 – C\$98,000). Additionally, the Company received shares of ThunderBolt in consideration for the waiver of the Company's option on certain properties transferred to ThunderBolt by a company controlled by the Chairman. As at March 31, 2013, the Company owns approximately 18% of ThunderBolt.

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

As at March 31, 2013, \$358,000 (December 31, 2012 – \$458,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of ThunderBolt.

10. SHARE CAPITAL

(a) Authorized

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

(b) Issued

As of March 31, 2013, the issued share capital was 126,444,280. The change in issued share capital for the three months ended March 31, 2013 and 2012 were as follows:

	Number of Shares	
	2013	2012
Balance, January 1	126,191,155	108,145,007
Exercise of stock options (Note 11)	253,125	80,211
Exercise of warrants	–	1,890,298
Balance, March 31	126,444,280	110,115,516

11. SHARE-BASED PAYMENTS

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

Movements in stock options during the period were as follows:

	2013		2012	
	Number of Stock Options	Weighted Average Exercise Price C\$	Number of Stock Options	Weighted Average Exercise Price C\$
Balance, January 1	8,612,112	5.18	6,868,285	4.10
Granted ⁽¹⁾ (a)	2,065,000	8.45	2,381,288	7.80
Exercised	(253,125)	1.21	(80,211)	1.66
Expired/Forfeited	(153,125)	8.02	(93,750)	9.82
Balance, March 31	10,270,862	5.89	9,075,612	5.03

⁽¹⁾ The weighted average grant date fair value of stock option grants during the three months ended March 31, 2013 and 2012 was \$8.49 and \$7.84, respectively.

The following table shows the stock options outstanding at March 31, 2013:

Range of Price C\$	Stock Options Outstanding			Stock Options Exercisable		
	Number of Stock Options Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C\$	Number of Stock Options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price C\$
\$0.41 – \$2.00	2,846,549	2.48	1.39	2,846,549	2.48	1.39
\$2.01 – \$4.00	553,000	2.11	2.35	553,000	2.11	2.35
\$4.01 – \$6.00	425,000	4.19	5.86	125,000	2.42	5.80
\$6.01 – \$8.00	3,961,313	3.60	7.67	2,661,294	3.43	7.66
\$8.01 – \$10.24	2,485,000	4.36	9.02	615,000	3.12	9.45
	10,270,862	3.42	5.89	6,800,843	2.88	4.73

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

For the three months ended	March 31, 2013	March 31, 2012
Number of stock options granted	2,065,000	2,381,288
Weighted average exercise price (C\$)	8.45	7.80
Weighted average market price (\$)	8.49	7.84
Expected dividend yield	nil	nil
Expected volatility	55.64%	58.43%
Weighted average risk-free interest rate	1.22%	1.16%
Forfeiture rate	8.62%	5.02%
Weighted expected life (years)	3.12	3.12
Weighted average grant date fair value (\$)	3.30	3.17

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

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

For the three months ended (in thousands of U.S. Dollars)	Note	March 31, 2013	March 31, 2012
Share-based payments, included in corporate administration expenses	13	\$ 1,010	1,198
Share-based payments capitalized to exploration and evaluation assets		937	1,166
		1,947	2,364

12. RELATED PARTY TRANSACTIONS

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

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

- (a) During the three months ended March 31, 2013, aggregate gold sales to a refinery company (in which a director of the Company has an equity interest and is an officer) amounted to \$1,761,000 (three months ended March 31, 2012 – \$792,000) and are reported as a reduction to exploration and evaluation assets on the consolidated statement of financial position. As at March 31, 2013, the refinery company owed the Company \$nil (December 31, 2012 – \$203,000) which is included in accounts receivable. This amount is unsecured, non-interest bearing with no fixed terms of repayment.
- (b) The Company has a consulting agreement with a company controlled the Chairman for \$20,000 per month. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes. As at March 31, 2013, \$nil (December 31, 2012 – \$nil) of fees was included in accounts payable.
- (c) For the three months ended March 31, 2013, option payments of \$nil (three months ended March 31, 2012 – \$63,000), representing 25% of option payments received from the third-party joint venture partner in the Dojura project, was paid to a company controlled by the Chairman, pursuant to an option agreement.

- (d) As at March 31, 2013, \$358,000 (December 31, 2012 – \$633,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of ThunderBolt, an associate of the Company. The receivable will be repaid upon the completion of future financing transactions and the completion of an initial public offering by ThunderBolt.
- (e) As at March 31, 2013, \$790,000 (December 31, 2012 – \$458,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of Sabre, an associate of the Company. The receivable will be repaid upon the completion of future financing transactions and the completion of an initial public offering by Sabre.

13. CORPORATE ADMINISTRATION EXPENSES

For the three months ended (in thousands of U.S. Dollars)	Note	March 31, 2013	March 31, 2012
		\$	\$
Share-based payments	11(b)	1,010	1,198
Salaries		516	675
Investor relations		272	109
Professional fees		182	138
General office and administration expense		157	85
Depreciation and amortization	7	124	73
Directors fees and expenses		98	92
Travel expenses		98	292
Regulatory fees		92	75
		2,549	2,737

14. CASH FLOW – OTHER ITEMS

(a) **Other Operating Activities**

For the three months ended (in thousands of U.S. Dollars)	March 31, 2013	March 31, 2012
	\$	\$
Other non-cash items:		
Depreciation and amortization	124	73
Interest and accretion expense	8	5
Gain on sale of assets	–	(21)
Interest income	–	(8)
	132	49
Net changes in non-cash operating working capital balances:		
Receivables and prepaid expenses	40	(101)
Accounts payable and accrued liabilities	(174)	(1,136)
	(134)	(1,237)

(b) **Other Investing Activities**

For the three months ended (in thousands of U.S. Dollars)	Note	March 31, 2013	March 31, 2012
		\$	\$
Other items:			
Long-term receivables	12(d),(e)	(57)	(240)
Restricted cash		-	24
Prepays and advances		(986)	28
Intangible assets		(11)	(32)
Proceeds from sale of assets		44	28
		(1,010)	(192)
Net changes in non-cash investing working capital balances:			
Receivables attributable to exploration and evaluation assets		2,794	-
Accounts payable and accrued liabilities attributable to exploration and evaluation assets		2,109	1,251
		4,903	1,251

15. COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2013, the Company had the following contractual commitments and obligations:

(in thousands of U.S. dollars)	Total	Less than 1 Year	Years 2 - 5	After 5 Years
	\$	\$	\$	\$
Operating leases (a)	954	347	607	-
Capital commitments(b)	15,901	15,901	-	-
	16,855	16,248	607	-

- (a) Non-cancellable operating lease payments in respect of the Company's office facilities in Toronto.
- (b) Capital commitments mainly relate to exploration drilling and the construction of the exploration tunnels. All costs will be capitalized to exploration and evaluation assets when incurred.

Environmental Contingencies

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



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