



**Colossus Minerals Inc.**

*(A development stage company)*

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in Canadian dollars)*

**First Quarter Report**

**For the Three Months Ended October 31, 2009 and 2008**

*Unaudited*

## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Colossus Minerals Inc. is responsible for the preparation of the accompanying unaudited interim consolidated financial statements. The unaudited interim consolidated financial statement have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. These unaudited financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

"Ari Sussman"

Ari Sussman  
Chief Executive Officer

"Steven Poad"

Steven Poad  
Chief Financial Officer

December 11, 2009

**Colossus Minerals Inc.**  
*(A development stage company)*  
**Consolidated Balance Sheets**  
*(Expressed in Canadian dollars)*

	October 31, 2009 (Unaudited)	July 31, 2009
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	\$90,488,440	\$24,565,503
Accounts receivable and prepaid expenses	417,193	282,175
	90,905,633	24,847,678
<b>Vehicles, furniture and equipment (Note 5)</b>	836,559	555,543
<b>Mining interests (Note 6)</b>	45,452,373	41,567,183
	\$137,194,565	\$66,970,404
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6 (a))	\$ 1,488,982	\$2,023,666
<b>Future income taxes (Note 6 (a))</b>	13,764,216	13,386,770
<b>Non-controlling interest (Note 4)</b>	2,985,751	2,915,023
<b>Shareholders' equity</b>		
Share capital (Note 7(b))	117,672,973	46,818,592
Warrants (Note 8(c))	7,326,618	7,249,372
Contributed surplus (Note 8(d))	3,753,815	2,975,876
Accumulated deficit	(9,797,790)	(8,398,895)
	118,955,616	48,644,945
	\$137,194,565	\$66,970,404

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

Approved by the Board "Ari Sussman" Director

"Douglas Reeson" Director

# Colossus Minerals Inc.

(A development stage company)

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars except per share information)

<i>(Unaudited)</i>	Three months ended October 31, 2009	Three months ended October 31, 2008	Cumulative from the date of inception on February 9, 2006 to October 31, 2009
<b>Expenses</b>			
Administrative and general	\$603,555	\$260,754	\$2,968,736
Wages and salaries	146,060	87,336	737,439
Consulting fees	163,079	134,385	760,132
Professional fees	16,519	10,816	372,016
Directors fees	23,250	35,750	127,250
Accounting and corporate services	8,400	7,500	95,046
Transfer agent fees and expenses	38,319	20,130	131,506
Foreign exchange loss (gain)	(103,306)	(30,479)	284,577
Stock-based compensation (Note 8 (d))	769,936	339,591	2,834,262
Amortization	12,062	2,461	115,303
Write-down of mining interests	-	-	2,599,797
<b>Loss before other items</b>	<b>(1,677,874)</b>	<b>(868,244)</b>	<b>(11,026,064)</b>
Less: Interest income	203,454	59,722	899,481
<b>Loss before non-controlling interest</b>	<b>(1,474,420)</b>	<b>(808,522)</b>	<b>(10,126,583)</b>
Less: Non-controlling interest	75,525	-	328,793
Net loss and comprehensive loss for the period	\$(1,398,895)	\$(808,522)	\$(9,797,790)
<b>Basic and diluted loss per share (Note 7 (c))</b>	<b>\$(0.02)</b>	<b>\$(0.02)</b>	

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

# Colossus Minerals Inc.

(A development stage company)

## Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

<i>(Unaudited)</i>	Three months ended October 31, 2009	Three months ended October 31, 2008	Cumulative from the date of inception on February 9, 2006 to October 31, 2009
<b>Share Capital</b>			
Balance, beginning of period	\$46,818,592	\$23,121,545	\$ -
Issued for services	-	-	75,000
Private placements	-	-	5,437,200
Shares issued through public financings	71,875,000	-	121,325,000
Share issue costs	(4,894,356)	(1,500)	(10,045,541)
Valuation of warrants issued	-	-	(7,631,207)
Shares issued on exercise of warrants	3,681,410	178,200	6,001,710
Shares issued on exercise of stock options and broker units	192,327	-	1,762,346
Shares issued for property acquisition	-	-	665,910
Shares issued for agent commission	-	-	82,555
Balance, end of period	117,672,973	23,298,245	117,672,973
<b>Warrants</b>			
Balance, beginning of period	7,249,372	4,876,936	-
Warrants issued	717,977	-	8,349,184
Warrants exercised	(640,731)	(29,700)	(1,022,566)
Balance, end of period	7,326,618	4,847,236	7,326,618
<b>Contributed Surplus</b>			
Balance, beginning of period	2,975,876	1,588,291	-
Stock-based compensation	830,205	339,591	3,169,297
Stock options and broker units exercised	(52,266)	-	(424,365)
Broker units issued	-	-	1,008,883
Balance, end of period	3,753,815	1,927,882	3,753,815
<b>Deficit</b>			
Balance, beginning of period	(8,398,895)	(2,977,857)	-
Net loss and comprehensive loss for the period	(1,398,895)	(808,522)	(9,797,790)
Balance, end of period	(9,797,790)	(3,786,379)	(9,797,790)
Total shareholders' equity, end of period	\$118,955,616	\$26,286,984	\$118,955,616

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

# Colossus Minerals Inc.

(A development stage company)

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

<i>(Unaudited)</i>	Three months ended October 31, 2009	Three months ended October 31, 2008	Cumulative from the date of inception on February 9, 2006 to October 31, 2009
<b>Operating activities</b>			
Net loss and comprehensive loss for the period	\$(1,398,895)	\$(808,522)	\$(9,797,790)
Non-controlling interest	(75,525)	-	(328,793)
Amortization	12,062	2,461	115,303
Stock-based compensation	769,936	339,591	2,834,262
Write-down of mining assets	-	-	2,599,797
Unrealized foreign exchange	302,096	-	818,970
Changes in non-cash working capital items:			
Accounts receivable and prepaid expenses	(135,018)	249,702	(417,193)
Accounts payable and accrued liabilities	(534,684)	(319,037)	(259,943)
<b>Cash flows (used in) operating activities</b>	<b>(1,060,028)</b>	<b>(535,805)</b>	<b>(4,435,387)</b>
<b>Financing activities</b>			
Shares issued for cash	71,875,000	148,500	122,267,378
Warrants issued for cash	3,184,968	-	10,816,175
Share issuance costs	(4,180,605)	(1,500)	(8,240,352)
<b>Cash flows from financing activities</b>	<b>70,879,363</b>	<b>147,000</b>	<b>124,843,201</b>
<b>Investing activities</b>			
Purchase of vehicles, furniture and equipment	(317,602)	(191,926)	(976,386)
Expenditures on mining interests	(3,578,796)	(5,051,402)	(28,942,988)
<b>Cash flows (used in) investing activities</b>	<b>(3,896,398)</b>	<b>(5,243,328)</b>	<b>(29,919,374)</b>
Change in cash and cash equivalents during the period	65,922,937	(5,632,133)	90,488,440
Cash and cash equivalents, beginning of period	24,565,503	16,702,933	-
<b>Cash and cash equivalents, end of period</b>	<b>\$90,488,440</b>	<b>\$11,070,800</b>	<b>\$90,488,440</b>
<b>Supplemental information</b>			
Shares issued for property acquisition	\$-	\$-	\$665,910
Shares issued for services rendered	-	-	75,000

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

# Colossus Minerals Inc.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

For the three months ended October 31, 2009 and 2008

All amounts are expressed in Canadian dollars unless otherwise stated.

(Unaudited)

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### 1. Nature of operations and basis of presentation

Colossus Minerals Inc. (the "Company") is a Canadian exploration company engaged in acquisition and exploration of mineral properties. Since inception ("February 9, 2006" or "date of incorporation"), the Company has focussed on gold properties in Brazil. To date, the Company has not earned any revenues and is considered to be in the development stage (as defined in Accounting Guideline 11 of the CICA Handbook).

The Company is currently dependent upon new financing such as issuances of common shares to provide the funding necessary to meet its general operating expenses and capital expenditure requirements as they arise. The Company will require additional financing to continue to explore for gold in Brazil. There can be no assurance that such additional financing will be available.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for mining interests are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's ownership in the underlying mineral claims, the acquisition of required permits to mine, and the ability of the Company to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

### 2. Summary of significant accounting policies

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles ("GAAP") and are prepared on a basis consistent with the prior year. The consolidated interim financial statements and the related notes thereto should be read in conjunction with the audited consolidated financial statements and related notes as at July 31, 2009.

#### (a) Basis of consolidation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its 100% owned Brazilian subsidiaries, Colossus Geologia e Participacoes Ltda. ("Colossus Brazil") and Mineracao Fazenda Monte Belo Ltda. ("MFMBL") and Colossus Brazil's 75% owned (51% owned as at July 31, 2009) subsidiary Serra Pelada Companhia de Desenvolvimento Mineral effective August 1, 2009 (formerly Serra Pelada Empresa de Desenvolvimento Mineral Ltda. up to July 31, 2009) (referred to hereafter as "SPC") which holds the title to the Serra Pelada Property. All inter-company transactions and balances have been eliminated on consolidation.

#### (b) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the year. The most significant estimates are related to the recoverability of mining interests, fair value of stock-based compensation, and valuation of future income tax assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

#### (c) Future Accounting Changes

##### Business Combinations - Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011 with concurrent early adoption permitted. Section 1582

# Colossus Minerals Inc.

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## Notes to the Consolidated Financial Statements

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replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

### 3. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and bank guaranteed investments with original maturities of three months or less that are readily convertible into cash. Cash and cash equivalents are comprised as follows:

	October 31, 2009	July 31, 2009
Cash in bank – Canada	\$3,318,504	\$1,736,411
Cash in bank – Brazil	4,498,844	4,159,810
Government of Canada Treasury Bills and Guaranteed Investment Certificates	82,671,092	18,669,282
	<u>\$90,488,440</u>	<u>\$24,565,503</u>

### 4. Non-controlling interest

On July 16, 2007, the Company through its subsidiary Colossus Brazil entered into a partnership agreement with Cooperativa de Mineracao dos Garimpeiros de Serra Pelada ("Coomigasp"), a private Brazilian entity, in which Colossus Brazil could earn up to a 75% interest in SPC. SPC is the company that now holds the title to the Serra Pelada Property that is located in Para State of Brazil.

Colossus Brazil earned an initial 51% share in SPC by spending Brazilian Reais ("R\$") R\$6,000,000 on exploration and development by April 2009. The non-controlling 49% interest at that time was determined to be \$3,168,291. As of the July 31, 2009 fiscal year end, the 49% non-controlling interest in SPC held by Coomigasp was \$2,915,023 after participation in losses of SPC in an amount of \$253,268.

On November 23, 2009, Colossus Brazil completed its earn-in obligation for the full 75% interest in SPC by expending a further R\$12,000,000 pursuant to the terms of the July 16, 2007 partnership agreement. The 75% ownership interest in SPC was accepted by regulatory authorities in Brazil on November 17, 2009 with an effective date of September 24, 2009, being the date when the registration application was filed.

The non-controlling interest in SPC was increased by \$146,253 to reflect the net change in value adjusting for the decrease in the ownership interest from 49% to 25% held by Coomigasp. As of October 31, 2009, the 25% non-controlling interest in SPC held by Coomigasp was \$2,985,751 after participation in losses of SPC in an amount of \$75,525.

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## Notes to the Consolidated Financial Statements

For the three months ended October 31, 2009 and 2008

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(Unaudited)

### 5. Vehicles, furniture and equipment

	October 31, 2009		
	Cost	Accumulated amortization	Net book value
Land	\$23,228	\$-	\$23,228
Vehicles	419,350	49,060	370,290
Furniture and equipment	533,998	90,957	443,041
	<b>\$976,576</b>	<b>\$140,017</b>	<b>\$836,559</b>

	July 31, 2009		
	Cost	Accumulated amortization	Net book Value
Land	\$23,132	\$-	\$23,132
Vehicles	322,196	34,517	287,679
Furniture and equipment	313,646	68,914	244,732
	<b>\$658,974</b>	<b>\$103,431</b>	<b>\$555,543</b>

### 6. Mining interests

	October 31 2009	July 31 2009
<u>Active</u>		
Serra Pelada (a)	\$45,035,436	\$41,150,246
Rio Cristalino (b)	416,937	416,937
<b>Total</b>	<b>\$45,452,373</b>	<b>\$41,567,183</b>

# Colossus Minerals Inc.

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## Notes to the Consolidated Financial Statements

For the three months ended October 31, 2009 and 2008

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(Unaudited)

### Active Properties

#### (a) Serra Pelada project, Brazil

	Three months ended October 31, 2009	Three months ended October 31, 2008	Cumulative from the date of inception on February 9, 2006 to October 31, 2009
Balance, beginning of period	\$41,150,246	\$7,628,079	\$ -
Property evaluation	923,241	37,621	2,689,832
Drilling	1,511,047	473,716	6,456,887
Personnel	493,308	493,405	3,876,856
Consulting	379,657	461,112	2,746,095
Property administration	231,511	751,674	4,158,741
Acquisition of net profits interest	-	2,254,460	5,086,944
Legal services	45,391	68,437	282,303
Option payments	(334,996)	58	5,801,203
Mobilization	474,808	12,002	567,672
Assays	85,876	8,197	423,660
Future tax	75,347	-	12,945,243
Total	\$45,035,436	\$12,188,761	\$45,035,436

On July 16, 2007, the Company through its subsidiary Colossus Brazil entered into a partnership agreement (the "Agreement") with Coomigasp, in which Colossus Brazil could earn up to a 75% interest in SPC. SPC is the company that now holds the title to the Serra Pelada Property. Colossus Brazil earned an initial 51% share in SPC by spending Brazilian Reais R\$6,000,000 on exploration and development by April 2009 and subsequently increased its interest to 75% by spending a further R\$12,000,000. The increase to a 75% ownership interest was accepted by regulatory authorities in Brazil on November 17, 2009 with an effective date of September 24, 2009.

Pursuant to the terms of the prior Agreement, Colossus Brazil was previously obligated to pay Coomigasp a series of premium payments based upon a gold reserve accepted and approved by the Departamento Nacional de Produção Mineral ("DNPM") of Brazil. Such premium payments ranged from a minimum of R\$40,800,000 (based on Colossus Brazil's 51% interest in SPC) for 20 tons of gold reserves to a maximum of R\$817,500,000 (if Colossus Brazil holds a 75% interest) for 550 tons or greater of gold reserves. Advance payments were required to be made under the terms of the Agreement. As of October 31, 2009 advance payments in an amount of R\$6,200,000 have been paid to Coomigasp under the terms of the Agreement.

On November 8, 2009, the membership of Coomigasp approved an amendment (the third amendment) to the Agreement (the "Amended Agreement"). The effective date of the Amended Agreement is September 4, 2009. Pursuant to the terms of the Amended Agreement, Colossus Brazil is now required to make a monthly payment to Coomigasp of R\$350,000 until production begins and will finance Coomigasp's portion of development costs. Reimbursement of funds advanced to Coomigasp under the terms of the Agreement and the Amended Agreement or paid on behalf of Coomigasp for development of the project by Colossus Brazil will commence in the second year of production and will be payable in equal quarterly instalments over a two year period.

An amount of R\$500,000 has been paid during October and scheduled payments in November and December of R\$691,500 and R\$400,000 respectively have been included in accrued liabilities. The October payment and scheduled payments are in lieu of the monthly R\$350,000 payments under the Amended Agreement for the balance of the calendar year 2009.

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## Notes to the Consolidated Financial Statements

For the three months ended October 31, 2009 and 2008

All amounts are expressed in Canadian dollars unless otherwise stated.

(Unaudited)

In addition to the above payments, Colossus Brazil will make a life-of-mine premium payment to Coomigasp per kilogram of precious metal sold from mine production in Brazilian Reais as follows:

Range of production (millions of ounces of metal)		Premium per kilogram of precious metal produced*	Premium per ounce of metal produced
From	To		
---	2.03	R \$1,445 (US \$850)**	R \$41.99 (US \$26.44)**
2.03	4.79	R \$975 (US \$573)	R \$28.30 (US \$17.82)
4.79	10.26	R \$900 (US \$529)	R \$26.12 (US \$16.45)
10.26	17.65	R \$900 (US \$529)	R \$26.12 (US \$16.45)
17.56	---	R \$900 (US \$529)	R \$26.12 (US \$16.45)

\* Precious metal is defined as any one of gold, platinum, palladium, rhodium, osmium, ruthenium or iridium

\*\*R\$ 1 = US \$0.5880 (November 9, 2009)

### (b) Rio Cristalino project, Brazil

	Three months ended October 31, 2009	Three months ended October 31, 2008	Cumulative from the date of inception on February 9, 2006 to October 31, 2009
Balance, beginning of period	\$416,937	\$239,542	\$-
Consulting	-	1,893	144,497
Property taxes	-	147,440	147,440
Acquisition	-	-	125,000
<b>Total</b>	<b>\$416,937</b>	<b>\$388,875</b>	<b>\$416,937</b>

### Abandoned Properties

#### (c) Natividade project, Brazil

	Three months Ended October 31, 2009	Three months ended October 31, 2008	Cumulative from the date of inception on February 9, 2006 to October 31, 2009
Balance, beginning of period	\$-	\$461,571	\$-
Property evaluation	-	89,052	312,614
Consulting	-	145,083	214,358
Option payments	-	-	192,675
Legal services	-	-	33,922
Sub-total	-	695,706	753,569
Write-down of mining interest	-	-	(753,569)
<b>Total</b>	<b>\$-</b>	<b>\$695,706</b>	<b>\$-</b>

The Company recently terminated its option agreement relating to the Natividade Property due to the suspension of exploration works on the property. Exploration works were suspended due to a force majeure situation whereby environmental and archaeological authorities in Brazil applied penalties and embargoes in respect of the work being carried

# Colossus Minerals Inc.

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## Notes to the Consolidated Financial Statements

For the three months ended October 31, 2009 and 2008

All amounts are expressed in Canadian dollars unless otherwise stated.

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out on the property. The Company has argued against the jurisdiction of such authorities to levy penalties and embargoes (the amount of which, in the aggregate is not considered by the Company to be material). All costs associated with this property were written off in the year ended July 31, 2009.

### (d) Sumidouro project, Brazil

	Three months Ended October 31, 2009	Three months ended October 31, 2008	Cumulative from the date of inception on February 9, 2006 to October 31, 2009
Balance, beginning of period	\$-	\$1,502,772	\$-
Property evaluation	-	-	596,280
Option payments	-	-	136,963
Consulting	-	91,511	584,301
Legal services	-	13,239	202,200
Mobilization	-	2,502	151,777
Assays	-	-	66,646
Sub-total	-	1,610,024	1,738,167
Write-down of mining interest	-	-	(1,738,167)
<b>Total</b>	<b>\$-</b>	<b>\$1,610,024</b>	<b>\$-</b>

On January 6, 2009, the Company announced it was not proceeding with the Sumidouro property. All costs associated with this property were written off in the period ended January 31, 2009.

### 7. Share capital

(a) Authorized - Unlimited number of common shares

(b) Common shares issued

	Number of common shares	Stated value
Balance, July 31, 2008	42,395,188	\$23,121,545
Shares issued- Public Offering (i)	11,500,000	24,725,000
Warrants valuation- Public Offering (i)	-	(2,725,487)
Share issuance costs (i)	-	(2,422,001)
Broker units exercised	1,235,005	1,394,644
Warrants exercised	2,158,995	2,142,291
Shares issued for purchase of net profits interest	378,100	540,910
Employee options exercised	55,000	41,690
Balance, July 31, 2009	57,722,288	46,818,592
Shares issued- Public Offering (ii)	12,500,000	71,875,000
Warrants exercised	2,391,525	3,681,410
Employee options exercised	132,250	192,327
Share issuance costs	-	(4,894,356)
Balance, October 31, 2009	72,746,063	\$117,672,973

# Colossus Minerals Inc.

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## Notes to the Consolidated Financial Statements

For the three months ended October 31, 2009 and 2008

All amounts are expressed in Canadian dollars unless otherwise stated.

(Unaudited)

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(i) On March 10, 2009 the Company closed a bought deal private placement of 11.5 million units at an offering price of \$2.15 per unit, for total gross proceeds of \$24.7 million. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share in the capital of the Company at an exercise price of \$2.70 expiring twenty-four months following issuance. The Company has the right to force conversion of the warrants in the event the daily closing share price exceeds \$3.75 for twenty consecutive trading days. On October 26, 2009 the Company provided notice to all registered holders of the warrants of the decision to accelerate the expiry date of the warrants from 4pm Toronto time on March 10, 2011 to 4pm Toronto time on November 27, 2009 in accordance with the terms of the warrants. All of the warrants were subsequently exercised by the accelerated expiry date.

Issue costs of \$2.4 million related to the financing is comprised of a 6% agent cash commission of \$1.5 million and other expenses of \$0.3 million. In addition to the cash commission, the broker received the option to purchase 690,000 broker units on March 10, 2009. These units are exercisable at a price of \$2.15 for a period of two years after the closing date. Each broker unit is comprised of one common share and one half of one broker warrant. Each whole broker warrant is exercisable into one additional share at a price of \$2.70 per share until March 10, 2011.

The Company's management has determined that the warrants had an estimated fair value of \$2,725,487. This value is based on a proportionate share of proceeds received, with the gross warrant value determined using the Black-Scholes option pricing model.

The Company's management has determined that the broker units had an estimated fair value of \$585,810, using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%; expected volatility – 85%; risk-free interest rate – 1.15%; and expected life – 1.5 years. This value was charged to contributed surplus.

(ii) On September 30, 2009 the Company announced a financing with a syndicate of underwriters. The underwriters agreed to purchase, on a bought deal basis, 11,000,000 common shares of the Company at a price of \$5.75 per common share with an over-allotment option to purchase up to an additional 1,500,000 common shares at \$5.75 per common share. The transaction closed on October 22, 2009. The Company issued an aggregate of 12,500,000 common shares for gross proceeds of \$71,875,000. A commission of 5.5% of the gross proceeds, in the amount of \$3,953,125, was paid to the underwriters. The underwriters also received, as additional compensation, 312,500 non-transferable broker warrants to purchase further common shares of the Company. Each broker warrant is exercisable for one common share at a price of \$5.89 for a period of 24 months from the closing date.

The Company's management has determined that the warrants have an estimated fair value of \$713,750 using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%; expected volatility – 85%; risk-free interest rate – 1.15%; and expected life – 2.0 years. This amount has been charged to share issue costs as additional compensation to the underwriters.

Other expenses associated with the financing amounted to \$227,481.

(c) Basic and diluted loss per share

The following table sets forth the computation of basic and diluted loss per share:

# Colossus Minerals Inc.

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## Notes to the Consolidated Financial Statements

For the three months ended October 31, 2009 and 2008

All amounts are expressed in Canadian dollars unless otherwise stated.

(Unaudited)

	Period ended October 31, 2009	Period ended October 31, 2008
Numerator:		
Net loss and comprehensive loss for the period	\$(1,398,895)	\$(808,522)
Denominator:		
Weighted average number of common shares	59,780,579	42,526,476
Denominator for basic loss per share	59,780,579	42,526,476
Effect of dilutive securities:		
Stock options (i)	-	-
Share purchase warrants (i)	-	-
Denominator for diluted loss per share	59,780,579	42,526,476
Basic and diluted loss per share	\$(0.02)	\$(0.02)

(i) The stock options and share purchase warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

### 8. Stock options, broker units, warrants and contributed surplus

#### Stock option plan

The Company maintains a Stock Option Plan implemented in 2006 under which the Board of Directors may from time to time grant employees, officers, directors of, or consultants to, the Company, options to acquire common shares in such numbers, for such terms and at such prices as may be determined by the Board of Directors.

The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall be equal to 10% of the total issued and outstanding common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee for share options may not exceed 5% of the common shares outstanding at the time of grant.

These options are valid for a maximum of 10 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of each option equals the closing market price on the day of grant.

#### (a) Stock options

The following summarizes the stock options that have been granted, exercised, cancelled, or expired during the three month periods ended October 31, 2009 and 2008:

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	October 31, 2009		October 31, 2008	
	Number of Stock Options	Weighted Average Exercise Price (\$)	Number of Stock Options	Weighted Average Exercise Price (\$)
Opening balance	3,565,000	0.96	2,690,000	0.99
Issued	800,000	4.29	290,000	2.39
Exercised	(115,000)	0.93	-	-
Cancelled	-	-	(25,000)	1.14
Ending balance	4,250,000	1.58	2,955,000	1.12
Options exercisable at period end	3,208,750	1.08	2,022,500	0.74

The weighted average fair value of options granted during the year was \$1.58 (2008 - \$1.12). As of October 31, 2009, there are 3,693,750 options available for grant (October 31, 2008 – 1,311,519).

As of October 31, 2009, the following stock options were outstanding and exercisable:

Expiry date	Options Outstanding			Options Exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
(i) Dec 15, 2011	750,000	2.12	0.25	750,000	0.25
(ii) Jun 29, 2012	425,000	2.66	0.40	425,000	0.40
(iii) Sep 7, 2012	160,000	2.85	1.00	160,000	1.00
(iv) Feb 7, 2013	25,000	3.27	0.40	25,000	0.40
(v) Feb 19, 2013	200,000	3.31	1.56	200,000	1.56
(vi) Feb 25, 2013	405,000	3.32	1.70	405,000	1.70
(vii) Mar 10, 2013	150,000	3.36	1.94	150,000	1.94
(viii) Sep 8, 2013	270,000	3.86	2.39	270,000	2.39
(ix) Dec 10, 2013	865,000	4.11	0.48	648,750	0.48
(x) Apr 2, 2013	200,000	3.42	2.10	50,000	2.10
(xi) Sep 14, 2014	300,000	4.87	3.70	-	3.70
(xii) Sep 24, 2014	500,000	4.90	4.65	125,000	4.65
	4,250,000	3.52	1.58	3,208,750	1.08

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The following summarizes the Black Scholes valuation of each stock option granted:

Expiry Date	Black-Scholes Assumptions						Black Scholes Valuation \$	Q1-2010 \$	Recognized Year 2009 \$	Year 2008 \$	Unrecognized Valuation \$
	Strike Price \$	Vesting Period (months)	Volatility %	Interest Free Rate %	Expected Life/Term (months)						
Jun 2011	\$0.15	12	120	3.91	60/60	12,600	nil	nil	992	nil	
(i) Dec 2011	\$0.25	12	120	3.91	60/60	151,700	nil	nil	20,543	nil	
(ii) Jun 2012	\$0.40	12	135	4.63	60/60	264,750	nil	nil	213,884	nil	
(iii) Sep 2012	\$1.00	12	136	4.20	60/60	76,845	nil	1,386	72,494	nil	
Dec 2012	\$1.00	12	136	4.20	60/60	32,700	nil	2,945	29,755	nil	
(iv) Feb 2013	\$0.40	12	85	3.50	36/60	5,625	nil	1,294	4,331	nil	
(v) Feb 2013	\$1.56	12	85	3.50	36/60	263,100	nil	63,696	192,726	nil	
(vi) Feb 2013	\$1.70	12	85	3.50	36/60	439,300	nil	124,345	313,590	nil	
(vii) Mar 2013	\$1.94	12	85	3.50	36/60	163,500	nil	53,585	109,915	nil	
May 2013	\$2.05	12	85	3.50	36/60	218,000	nil	33,306	75,694	nil	
(viii) Sep 2013	\$2.39	12	85	3.10	60/60	473,860	(1,532)	455,817	nil	nil	
(ix) Dec 2013	\$0.48	12	85	3.00	60/60	290,280	44,348	258,027	nil	5,637	
(x) Apr 2013	\$2.10	18	85	1.15	60/60	263,600	54,917	122,037	nil	86,646	
(xi) Sep 2014	\$3.70	18	85	1.15	48/60	681,300	157,708	nil	nil	523,592	
(xii) Sep 2014	\$4.65	18	85	1.15	48/60	1,427,000	574,764	nil	nil	852,236	

All options vest equally at 25% of the grant over the vesting period, except the June 2011 expiry options, which vested equally at 33% in four, eight and twelve months. In all cases the expected dividend yield was \$nil.

### (b) Broker Units

#### October 31, 2009

#### October 31, 2008

	Number of Units	Weighted Average Exercise Price (\$)	Number of Units	Weighted Average Exercise Price (\$)
Opening balance	1,164,720	1.78	1,608,850	1.03
Issued	-	-	-	-
Exercised	(17,250)	2.15	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Closing balance	1,147,470	1.78	1,608,850	1.03

As of October 31, 2009, the following broker units were outstanding and exercisable:

Expiry date	Broker Units Outstanding			Broker Units Exercisable	
	Number of broker units	Weighted average contractual life (years)	Weighted Average Exercise Price (\$)	Number of broker units	Weighted Average Exercise Price (\$)
February 13, 2010	474,720	0.29	1.25	474,720	1.25
March 10, 2011	672,750	1.36	2.15	672,750	2.15
	1,147,470	0.80	1.78	1,147,470	1.78

Each broker unit is comprised of one common share and one half of one common share purchase warrant.

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### (c) Warrants

The following summarizes warrants that have been issued and exercised during the period:

	October 31, 2009		October 31, 2008	
	Number of Warrants	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Exercise Price (\$)
Opening balance	21,792,400	1.78	17,583,893	1.37
Issued	321,125	5.80	-	-
Exercised	(2,391,525)	1.27	(270,000)	0.55
Closing balance	19,722,000	1.90	17,313,893	1.39

	Number of Warrants	Weighted Average Exercise Price (\$)	Value (\$)
Opening balance	21,792,400	1.78	7,249,372
Issued	321,125	5.80	717,977
Exercised	(2,391,525)	1.27	(640,731)
Balance October 31, 2009	19,722,000	1.90	7,326,618

At October 31, 2009 the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Expiry Date	Number of Warrants	Exercise Price (\$)	Value (\$)
February 13, 2010	1,857,750	0.55	208,336
February 13, 2010	237,500	1.50	72,000
February 13, 2011	10,134,650	2.00	3,678,162
December 6, 2011	2,307,500	0.40	350,275
March 10, 2011	4,872,100	2.70	2,304,095
October, 22, 2011	312,500	5.89	713,750
	19,722,000		7,326,618

On November 30, 2009, the Company announced that the remaining unexercised common share purchase warrants issued in connection with Colossus' March 2009 public offering expired at 4:00 pm Toronto time on November 27, 2009. Prior to expiry, the 4,872,100 warrants outstanding as of October 31, 2009 were exercised for proceeds of \$13,154,670.

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(d) Contributed surplus

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Balance July 31, 2007	\$292,553
Stock-based compensation	1,033,924
Stock options exercised	(57,435)
Brokers units	319,249
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Balance July 31, 2008	1,588,291
Stock-based compensation charged to mining interests	274,766
Stock-based compensation expensed	841,673
Stock options and broker units exercised	(314,664)
Broker units	585,810
<hr/>	
Balance July 31, 2009	2,975,876
Stock-based compensation charged to mining interests	60,269
Stock-based compensation expensed	769,936
Stock options and broker units exercised	(52,266)
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Balance October 31, 2009	\$3,753,815

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### 9. Related party transactions

The Company entered into the following transactions with related parties during the period:

(i) The Company paid consulting fees in the amount of \$37,500 (2008 - \$37,500) to a company whose owner is an Officer of the Company. As at October 31, 2009, a balance of \$7,101 (July 31, 2009 - \$32,830) is due to this company and included in accounts payable and accrued liabilities.

(ii) The Company paid consulting fees in the amount of \$45,000 (2008 - \$45,000) to a company owned by an Officer and Director of the Company.

(iii) The Company paid consulting fees in the amount of \$15,000 (2008 - \$15,000) to the former Chief Financial Officer.

These transactions are in the normal course of operations and are measured at the exchange value being the amount established and agreed to by the related parties, which approximates the arm's length equivalent value. Amounts due are unsecured and non-interest bearing.

### 10. Geographic information

The Company operates primarily in one reportable operating segment, being the exploration and development of gold properties in Brazil. Assets are distributed on a geographic basis as follows:

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	October 31, 2009	July 31, 2009
Canada	\$89,492,052	\$20,483,416
Brazil	47,702,513	46,486,988
Total assets	\$137,194,565	\$66,970,404

### 11. Capital management

The Company considers its capital structure to consist of share capital, warrants, contributed surplus and accumulated deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of properties for valuable minerals. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As at October 31, 2009, total shareholders' equity (managed capital) was \$118,955,616 (July 31, 2009 - \$48,644,945).

The properties in which the Company currently has an interest are in the exploration stage and as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. In some circumstances, the Company may enter into joint venture agreements whereby, a third party earns an interest in a specific property by incurring an agreed amount of exploration expenditures. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management as at October 31, 2009. The Company is not subject to externally imposed capital requirements.

### 12. Risks factors affecting financial instruments

The Company's active mineral properties are the Serra Pelada and the Rio Cristalino Properties (the "Properties"). Unless the Company acquires or develops additional mineral properties, the Company will be mainly dependent upon its existing Properties. If no additional mineral properties are acquired by the Company, any adverse development affecting the Company's Properties would have a material adverse effect on the Company's financial condition and results of operations.

Other risk factors and the impact on the Company's financial instruments are summarized below:

#### Credit risk

Credit risk is the risk of loss associated with the inability of a counterparty to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash and cash equivalents with reputable financial institutions. Financial instruments included in accounts receivable consist of sales tax receivables from government authorities in Canada and deposits held with suppliers. Management believes that credit risk with respect to financial instruments included in cash and accounts receivable is low.

#### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. The Company had a cash balance of \$90,488,440 as at October 31, 2009 (July 31, 2009 - \$24,565,503) to settle current liabilities of \$1,488,982 (July 31, 2009 - \$2,023,666). Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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### Interest rate risk

The Company has cash balances and does not have any interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments.

### Foreign currency risk

The Company's functional currency is the Canadian dollar and the majority of the Company's cash is held in Canadian dollars. The majority of the Company's transactions are denominated in Brazilian Reais and US dollars. The Company converts Canadian dollars to foreign currencies as needed at market rates.

### Commodity price risk

The Company may be exposed to price risk with respect to commodity prices in the future. Commodity price risk is defined as the potential adverse future impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of gold, platinum, palladium and certain other metals.

### Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. 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 carrying values for accounts receivable and prepaid expenses and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

### Sensitivity analysis

The Company has, for accounting purposes, designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Receivables and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. As at October 31, 2009, the carrying and fair value amounts of the Company's financial instruments are not materially different.

Sensitivity of period earnings to a 10% increase or decrease in interest or foreign exchange rates on cash holdings is as follows:

- (i) The Company holds most of its cash in low risk, secure Canadian dollar investments at Canadian banks including Government of Canada treasury bills. The Company also holds cash in Brazil, in interest bearing bank accounts.

### Interest Rates

<b>Currency of Cash Holding</b>	<b>October 31, 2009 Cash</b>	<b>Quarter Average Interest Rate Oct. 31, 2009</b>	<b>Quarter Effect of 10% Change in Interest Rate</b>
Canadian dollar	\$ 85,989,595	0.05% per annum.	+/- \$1,075
Brazilian real	4,498,845	5.00% per annum.	+/- \$5,624
Cash on Balance Sheet	<u>\$ 90,488,440</u>		

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### Exchange Rates

<u>Foreign Currency of Holding</u>	<u>October 31, 2009 Amount</u>	<u>Foreign Currency per Canadian Dollar Exchange Rate Oct. 31, 2009</u>	<u>Effect of 10% Change in Exchange Rate</u>
Brazilian real	\$4,498,845	1.6257	+/- \$408,856

- (ii) The Company has a foreign currency denominated future income tax liability. A 10% movement in the foreign exchange rate could impact the financial statements by approximately \$1.4 million.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them.

As of October 31, 2009, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

### 13. Comparative amounts

Certain comparative figures have been reclassified to conform to the current period financial statement presentation.

### 14. Commitments

The Company has no financial commitments at this time other than as disclosed in these financial statements.

### 15. Subsequent events

On November 30, 2009, the Company announced that the remaining unexercised common share purchase warrants issued in connection with Colossus' March 2009 public offering expired at 4:00 pm Toronto time on November 27, 2009. Prior to expiry, the 4,872,100 warrants outstanding as of October 31, 2009 were exercised for proceeds of \$13,154,670.