

**COLOSSUS MINERALS INC.**  
**(A development stage company)**  
**AMENDED**  
**Management's Discussion and Analysis**  
**October 31, 2008**

February 26, 2009

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The following discussion of the financial condition and results of the operations of Colossus Minerals Inc. ("Colossus" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the 3-month period, ended October 31, 2008, and the comparable period last year. This discussion dated February 26, 2009 should be read in conjunction with the Company's annual audited financial statements and notes thereto for the year ended July 31, 2008 and July 31, 2007, (the "financial statements"), which have all been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts in this document are stated in Canadian dollars unless otherwise noted. These documents along with the related Management Discussion and Analysis documents and other documents published by the Company are available from the office of the Company. Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

**Corporate Highlights**

During the quarter ended October 31, 2008:

- Achieved a major corporate milestone with the purchase of Phoenix's minerals interest in the Serra Pelada project for US\$4.2 million.
- Announced the completion of the Phase I drill program at the Serra Pelada project. Announced that Phase II drilling would commence in December, 2008.
- Appointed Patrick F. N. Anderson to the Board of Directors of the Company, replacing David D'Onofrio, who stepped down to pursue other interests.
- Announced the results of diamond drill holes SPD-003, SPD-005, SPD-006, SPD-007 and SPD-008. The results showed continuity of high grade gold-platinum-palladium mineralisation along 100 metres of strike length, over vertical intervals of more than 70 metres and widths up to 40 metres.

Subsequent to October 31, 2008:

- Announced the appointment of Kevin Rosengren and Associates, and GeoTek Solutions to undertake a geotechnical study of the Serra Pelada deposit, in an effort to clarify open pit and/or underground options for the deposit.
- Elected not to continue with the Sumidouro Property. Costs associated with the property will be written off in quarter ended January 31, 2009.
- Announced a \$21.5 million bought deal financing, with an overallotment option which could increase the total gross financing to \$24.7 million.

## **Corporate Overview**

The Company was formed in February 2006 for the purpose of acquiring, exploring and developing mineral properties in Brazil. The Company does not have any projects that generate revenue at this time. The Company's ability to carry out its business plan rests with its ability to secure equity and other financings. The Company's common shares were listed for trading on the Toronto Stock Exchange on February 13, 2008.

The Company has two material subsidiaries. Colossus Geologia e Participacoes Ltda. ("Colossus Brazil") was incorporated by articles of association filed on June 1, 2006 and holds the Sumidouro, Natividade and Serra Pelada Properties. On November 5, 2007 the Company purchased a 100% interest in Mineracao Fazenda Monte Belo Ltda ("MFMBL") in exchange for 125,000 shares of the Company. The principal asset of MFMBL is the Rio Cristalino property.

## **Overview of performance**

In July 2006, the Company entered into a letter of intent with OPML a Brazilian company, a wholly owned subsidiary of Hidefield Gold Plc ("Hidefield"), to form a joint venture company which would hold the 6,420 hectare Sumidouro Property in Minas Gerais State, Brazil. In January 2007, the Sumidouro Option Agreement was executed. The Sumidouro Option Agreement superseded the July 2006 letter of intent. The Company, through Colossus Brazil, can earn a 51% interest in the joint venture company by expending US\$1,250,000 within three years, subject to minimum expenditure of US\$250,000 in the first year. In addition, the Company paid US\$30,000 to Hidefield on the execution of the letter of intent preceding the Sumidouro Option Agreement and a further US\$30,000 upon completion of its initial public offering. After earning its 51% interest, Colossus Brazil may earn up to 70% in the joint venture company by completing a feasibility study on the Sumidouro Property. OPML may sell its interest or convert it to royalties after Colossus Brazil has earned its 51% interest. On January 6, 2009 the Company announced it was not proceeding with the Sumidouro property. All costs associated with this property will be written off in the quarter ended January 31, 2009. Sumidouro property costs at October 31, 2008 were \$1.6 million.

In November 2006, the Company, Colossus Brazil and Terra Goyana, a Brazilian company, entered into the Natividade Option Agreement in respect of the Natividade Property (DNPM Process number 861.274/1986 and exploration licence number 7337/2005) in Natividade, State of Tocantins, Brazil. Colossus Brazil entered into the Natividade Option Agreement with Terra Goyana to form a joint venture company in which Colossus Brazil can earn a 70% interest in the joint venture company by paying an aggregate amount of US\$1,500,000 over a period of three years and by expending US\$2,000,000 within three years, subject to minimum expenditures of US\$150,000 in the first year (expended), minimum expenditures of US\$500,000 in the second year and the remainder payable in the third year. To date, the Company has made option payments of \$192,675 and spent close to US\$0.5 million in exploration expenditures. The property owners have expressed a desire to transfer and hold the 100% title interest to the property into a different corporate entity. The mineral rights have been transferred to a new company named Mineraçao Santa Luzia SA, which shareholders are Terra Goyana and Colossus

Brazil. While the Company's rights have not changed, this transfer has delayed spending and option payments. The Natividade Option Agreement remains in good standing.

On July 16, 2007, the Company and Colossus Brazil entered into an agreement with COOMIGASP, a private Brazilian entity, in which Colossus Brazil can earn an interest in the company which holds the Serra Pelada Property (DNPM Process number 850.425/1990), excluding existing tailings and waste. The Company can earn a 51% share in the company by spending R\$6,000,000 on exploration and development. The Company can increase its ownership share in the company to 75% by spending a further R\$12,000,000. The Company has also agreed to fund R\$200,000 of consulting work for COOMIGASP related to the mining potential of existing surface and flooded tailings at the Serra Pelada Property. COOMIGASP will continue to assume all liabilities for environmental cleanup related to the existing tailings. Colossus Brazil will pay COOMIGASP a series of premium payments based upon the gold reserve accepted and approved by the Departamento Nacional de Produção Mineral ("DNPM") of Brazil. Such premium payment ranges from a minimum of R\$40,800,000 (based on Colossus Brazil's 51% interest in the Serra Pelada Property) for 20 tons of gold reserves to a maximum of R\$817,500,000 (if Colossus Brazil holds a 75% interest in the Serra Pelada Property) for 550 tons or greater of gold reserves. Advance payments against these further payments are to be made as R\$2,000,000 within four months of certain conditions (Paid), R\$1,600,000 within four months of the initial payment being made and R\$3,600,000 within eight months of the second payment being made.

The Company and Phoenix Gems Do Brasil Ltda. ("Phoenix") entered into an agreement with respect to the Company's interest in the Serra Pelada Property where Phoenix can earn a 15% net profit interest in the Company's potential future earnings from Serra Pelada. The Company was required to fund the first US\$1,000,000 of work on the Serra Pelada Property. Thereafter, the companies would each fund their share of work or suffer dilution of their ownership share in the Serra Pelada Property. The Company met this spending requirement. On August 11, 2008 the Company agreed to purchase Phoenix's interest in Serra Pelada for US\$4.2 million.

On November 5, 2007 the Company purchased a 100% interest in Mineracao Fazenda Monte Belo Ltda (MFMBL) in exchange for 125,000 shares on the Company. The principal asset of MFMBL is the Rio Cristalino property, a low-grade molybdenum target.

### **Results of operations for the quarter**

The loss from operations and comprehensive income for the first quarter of 2009 (quarter ended October 31, 2008) was \$808,522 or \$0.02 per share, as compared to \$299,977 or \$0.01 per share for the three-month period ending October 31, 2007.

Much of the increased loss in the first quarter of 2008 was created by the increase in activity at Serra Pelada, funded by the Company's February 2008 IPO, which added increased expenditures related to being a public company.

Non-cash stock-based compensation costs of \$339,591 in the quarter ended October 31, 2008 (quarter ended October 31, 2007- \$156,191) reflected the increased valuation of stock options as

the strike price of options granted increased over the relative periods. General and administrative costs of \$260,754 in the first quarter of 2009 (\$61,688 in the first quarter of 2008) increased significantly due to exploration activity; community relations programs in the areas the Company operates; and due to administrative activities associated with being a public company. Wages and salaries of \$87,336 in the first quarter of 2009 (\$24,198 in the first quarter of 2008) reflected increased administration support as a public company and for exploration projects which was required with increased activity which commenced in 2008. Professional and consulting fees of \$145,201 in the first quarter of 2009 (\$20,968 in the first quarter 2008) reflect the start-up nature of the exploration projects over the year and increased costs of being a public company. Accounting, transfer agent fees and amortization amounted to \$30,091 for the first quarter of 2009 (\$13,759 for the first quarter 2008) as these items, which were previously out-sourced, were completed by the Company. Director fees were initiated at the end of the 2008 year and costs of \$35,750 were expensed in the first quarter of 2009. Foreign exchange in the first quarter of 2009 was a recovery of \$30,479 compared to an expense of \$25,927 in the first quarter of 2008. The foreign exchange in the first quarter of 2009 resulted from increase in strength of the Canadian dollar during the quarter.

Interest income of \$59,722 in the first quarter of 2009 resulted mostly from the \$24.7 million gross proceeds raised from the Company's IPO in February 2008.

During the first quarter of 2009, the Company spent \$5.1 million on mining assets (\$0.6 million in the first quarter of 2008). Spending of \$107,252 was made to evaluate the Sumidouro project (first quarter of 2008 - \$296,916). Most of the work in the first quarter of 2009 was consulting in nature and continued the work in the prior quarter related to property valuation.

The Company spent \$234,135 on the Natividade project in the first quarter of 2009 (first quarter of 2008 - \$46,412), mostly for property valuation.

The Company spent \$149,333 on the Rio Cristalino project in the quarter, mostly for property taxes.

Spending on Serra Pelada in the first quarter of 2009 was \$4,560,682 (first quarter of 2008 - \$235,677) which represents most of the exploration spending in the quarter. The most significant spending in the quarter was \$2.3 million for payments related to the purchase of the 15% net profits interest from Phoenix Gems. The bulk of the remaining expenditure covered drilling and related activities. To the end of October, the Company completed a Phase One 5129 metre diamond drilling program. Assay results for drill holes SPD-003 through SPD-008 were received, highlighted by drill hole SPD-007 which intersected 26.85 metres at 8.61 grams per tonne gold, 8.85 g/t platinum and 14.43 g/t palladium plus 23.30 metres at 5.11 g/t gold, 1.55 g/t platinum and 2.34 g/t palladium. Logging of historical core as part of the Phase One 2000 metre program continued and samples were dispatched to Genalysis Laboratory Services in Perth, Australia for check assays for gold, platinum and palladium. Additionally, Genalysis are recognized experts at assaying for Platinum Group Elements ("PGE's") and thus are undertaking assays of these materials for other PGEs (rhodium etc.) for which there is limited historical data. Multielement analysis is also being performed on a representative range of samples. The acquisition and training of technical staff plus improvements to the Parauapebas core facility

have enhanced sample throughput. A central professionally managed database with access by secure network is now in effect as part of our QA/QC program. Also, the Company received a favourable preliminary report by the UNDP evaluating the potential environment liability of Mercury Pollution at Serra Pelada remaining from the historical mining during the 1980's.

The Company made considerable efforts in public relations both internationally and locally in Brazil. The CEO marketed the Company in both Geneva and Zurich, Switzerland during the quarter, as well as many presentations to the Canadian investment community. Lastly, substantial effort continues with joint venture partners, community and government relations. This has involved a successful Brazilian media campaign, numerous meetings with COOMIGASP members and relevant government representatives plus assistance to COOMIGASP to organize their affairs. Colossus continued with its support for COOMIGASP's evaluation of historical tailings and waste, environmental studies, and the provision of an ambulance for the Serra Pelada community.

### **Shares issued and outstanding**

As at October 31, 2008, the issued and outstanding common shares of the Company totalled 42,665,188 (July 31, 2008 – 42,395,188 shares issued and outstanding).

On July 7, 2007, the Company closed a private placement of 6,238,000 Units of the Company at a price of \$0.40 per Unit for aggregate gross proceeds of \$2,495,200. Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.55 for a period of two years from the date the Company becomes a public company. Of the 6,238,000 units to be issued, 500,000 units had not yet been issued as at July 31, 2007 pending receipt of payment. During the first quarter of 2008, the payment was received and the shares were issued.

On November 5, 2007, Maple Minerals was issued 125,000 shares in exchange for 100% of MFMBL. The principal asset acquired was the Rio Cristalino property, a low grade copper molybdenum target.

On November 7, 2008 the Company closed a private placement for 1,645,000 units at a price of \$1.00 for total gross proceeds of \$1.6 million. Each unit comprised one share and one-half share purchase warrant, with each warrant exercisable into one share at a price of \$1.50 for two years following the Company's going public date.

On February 13, 2008, the Company completed its initial public offering. A total of 17.2 million units were offered at a price of \$1.25 per unit. Each unit comprised one share and one half-share warrant. Each warrant could be converted to a share at a price of \$2.00 for a period of 36 months from the date of the offering. Effective February 25, 2008, the Company closed the underwriter over allotment option of 2.6 million additional shares and 1.3 million warrants. The gross proceeds raised from the offering and over –allotment option exercise was C\$24.7 million.

The Company had 2,955,000 stock options issued and outstanding at October 31, 2008, of which 290,000 options were issued in the quarter and 25,000 options were cancelled. The grant of 290,000 options in the quarter was made at a strike price of \$2.39. The 2,955,000 options have exercise prices between \$0.25 per share and \$2.39 per share, with expiries between 2011 and 2013. The options issued in the quarter have a Black-Scholes valuation of \$ 473,860, which is being expensed in 2009 and 2010 over the vesting terms of the grants.

The Company had 1,608,850 broker units options issued and outstanding at October 31, 2008. There was no activity related to these units in the quarter. Each broker's unit, exercisable for two years from the date of issue, comprised one common share warrant and one half common share warrant. The units issued in 2007 have a common share warrant at an exercise price of \$0.40 per share and a one half common share warrant at \$0.55. The options issued in 2008 have a common share warrant at an exercise price of \$1.25 per share and a one half common share warrant at \$2.00. The broker units issued in 2007 had a Black-Scholes valuation of \$103,824. The broker units issued in 2008 have a Black-Scholes valuation of \$319,249. The valuation of broker units was charged to contributed surplus in the year the broker units were issued.

The Company had 17,313,893 stock warrants issued and outstanding at October 31, 2008. During the quarter stock warrants were exercised for 270,000 shares. There was no further activity related to stock warrants in the quarter. Most of these warrants were related to the IPO and underwriter over allotment sales. 135,800 warrants were exercised in 2008. The warrants have exercise prices between \$0.40 per share and \$2.00 per share, with expiries between 2010 and 2011. The total warrants issued in 2008 have a valuation of \$3,992,620. This valuation was treated as an increase in the Balance Sheet warrant value and a decrease in the cash raised from the issue of common shares.

As at December 17, 2008 the issued and outstanding common shares of the Company totalled 42,665,188 and the fully diluted shares totalled 64,542,931.

### **Financial condition**

The Company's total assets at October 31, 2008 decreased to \$26,653,344 from \$27,294,312 at July 31, 2008. Cash raised through the IPO in February 2008 was spent mostly on exploration during the quarter. Some expenditures made in the quarter to manage the business were expensed during the period, which reduced cash and did not generate assets. Assets at October 31, 2008 include cash and cash equivalents of \$11,070,800 (July 31, 2007 - \$16,702,933). Cash has been invested in short-term maturity instruments that stress reduced risk and liquidity over return.

The Company's liabilities include trade payables and accrued liabilities of \$366,360 at October 31, 2008, down from \$685,397 at July 31, 2008. The Company has no long-term financial liabilities, off balance sheet financing arrangements or material contingent liabilities or contractual obligations.

The Company has no off balance sheet arrangements.

## **Liquidity and capital resources**

From the date of its incorporation to October 31, 2008, the Company has raised total net proceeds of \$28,311,119 through equity financings of which \$22,826,522 was raised in the third quarter of 2008. This cash related to payments for units sold in the February 2008 IPO financing and over allotment option sales. This net cash raised from the IPO was distributed between shares (\$19,134,777) and warrants (\$3,691,745). During the first quarter of 2009, the Company raised \$147,000 from the exercise of stock warrants.

At October 31, 2008 the Company had working capital of \$11,014,587 compared to \$16,577,385 as at July 31, 2008.

The ability of the Company to successfully acquire additional mineral projects is conditional on its ability to secure financing when required. The Company proposes to meet additional financing requirements through equity financing. In light of the continually changing financial markets, there is no assurance that new funding will be available at the times required or desired by the Company.

The Company will continue to be reliant on equity financings as it is still in the development stage without any revenue from operations.

## **Related party transactions**

During the quarter ended October 31, 2008, the Company paid an amount of \$45,000 (2007 - \$12,000) to the CEO of the Company. Consulting fees of \$45,000 (2007 - \$73,816) were paid to a company owned by the President and a Director of the Company. Consulting fees of \$37,500 (2007 - \$19,800) were paid to a company whose owner is the Vice President of Exploration of the Company. An amount of \$15,000 (2007 - \$4,500) was paid in consulting fees to the CFO of the company. All balances are in the normal course of operations and were classified as related party transactions because the individuals are not direct employees of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Balances paid approximate arm's length values for work of equal value in startup operations.

## **Subsequent events**

On November 5, 2008 the Company appointed Kevin Rosengren and Associates, and GeoTek Solutions to undertake geotechnical investigations of the Serra Pelada deposit and its surrounds. The objective of these geotechnical studies is to clarify the open pit and/or underground options for the development of Serra Pelada. On advice from these consultants the Company completed geotechnical logging of core from the Serra Pelada Phase 1 drilling program and will drill additional holes for geotechnical investigations during the Phase 2 drilling program. The consultants will also advise on a program of hydrological and baseline environmental studies which will facilitate the potential dewatering of the historical open pit and future mine development.

On December 11, 2008 the Company granted 885,000 incentive stock options to directors, employees and consultants. The options vest at 25% of the grant quarterly, over twelve months and have an exercise price of \$0.48. The options expire on Dec 10, 2013.

On January 6, 2009 the Company announced it was not proceeding with the Sumidouro property. All costs associated with this property will be written off in the quarter ended January 31, 2009. Sumidouro property costs at October 31, 2008 were \$1.6 million.

On January 6, 2009 the Company announced that the remaining payments related to the 15% net profits interest had been renegotiated. At January 6, 2009, the Company had paid US\$2.0 million of US\$4.2 million. The remaining US\$2.2 million was to be paid as US\$1.0 million on January 3, 2009 and US\$1.2 million on July 3, 2009. The Company rescheduled these remaining payments as US\$50,000 and 378,100 Colossus shares immediately, and five semi-annual payments of US\$400,000, commencing June 15, 2009 and ending June 15, 2011.

On February 12, 2009 the Company announced that it has entered into an agreement with a syndicate of underwriters to offer a \$21.5 million bought deal to the public. The offering includes 10,000,000 Units, priced at \$2.15 per unit. Each Unit comprises one Common Share and a one-half Common Share Purchase Warrant. Each full Warrant will entitle the holder to acquire one Common Share at a price of \$2.70 for a period of two years following closing. The Company has the right to accelerate the expiry of the Warrants to 30 days in the event the closing price of the Common Shares on the Toronto Stock Exchange is in excess of \$3.75 for a period of 20 consecutive trading days at any time after the closing of the offering. The underwriters will receive a 6% commission and 600,000 Compensation Options for their fee. The Compensation Options allow the holder to purchase one Unit at a price of \$2.15 for a period of 24 months from the closing.

The Company also granted the Underwriters an over allotment option to purchase up to an additional 1,500,000 Units at a price of \$2.15 per Unit for additional aggregate gross proceeds to Colossus of \$3,225,000, exercisable at any time in whole or in part up to 30 days prior to the Closing Date. If this option is exercised in full, the aggregate gross proceeds to Colossus will be \$24,725,000. The Underwriters can earn up to a further 90,000 Compensation Options, based on 6% of the Units sold through the over allotment option.

The Units will be offered by way of a short form prospectus to be filed in all of the provinces of Canada, except Quebec. The net proceeds are intended to be used to fund expenditures on the Serra Pelada project and other exploration activities and for general working capital and corporate purposes. The offering is expected to close on or about March 9, 2009 and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and stock exchange approvals, including the approval of the Toronto Stock Exchange and the applicable securities regulatory authorities.

## Summary of Quarterly Results

<b><u>Year ended July 31, 2009</u></b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss and comprehensive loss for the period	808,522	-	-	-	808,522
Net loss per share (1)	\$ 0.02	\$ -	\$ -	\$ -	\$ 0.02
Total assets	26,653,344	-	-	-	26,653,344
Shareholders' equity	26,286,984	-	-	-	26,286,984

<b><u>Year ended July 31, 2008</u></b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss and comprehensive loss for the period	299,977	440,955	602,189	975,384	2,318,505
Net loss per share (1)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.07
Total assets	3,173,886	4,831,650	27,402,632	27,294,312	27,294,312
Shareholders' equity	2,953,663	4,461,220	27,060,090	26,608,915	26,608,915

<b><u>Year ended July 31, 2007</u></b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss and comprehensive loss for the period	37,470	142,476	158,726	307,077	645,749
Net loss per share (1)	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.05
Total assets	854,506	1,354,307	1,222,748	3,302,101	3,302,101
Shareholders' equity	788,927	1,224,052	1,128,874	3,097,449	3,097,449

(1) Loss per share remains the same on a fully diluted basis.

(2) The Company was formed February 9, 2006. No significant activity until fourth quarter 2006.

## Trends

The Company has determined that the Serra Pelada property is its most significant asset and this property will continue to be the focus of most of the exploration work undertaken in 2009. The Company raised cash via an IPO to support exploration work, especially on Serra Pelada. Other

corporate activities and expenditures relating to the support of Serra Pelada and requirements of becoming a public company will continue in 2009.

Recent market turmoil has negatively affected stock prices, which would dilute the Company's shareholder base in the event the Company exhausted its cash reserves and was required to raise further funds. As a result, the Company intends to reduce the pace of exploration work to preserve cash until market conditions improve.

### **Disclosure Controls and Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has completed an evaluation of the design effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that as at October 31, 2008, the Company's design internal control over financial reporting was effective. Management has also evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2008. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed or submitted by the company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting during period ended October 31, 2008, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

### **New accounting policies**

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1530 of the CICA Handbook, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3865, "Hedges". These new standards will require the following:

1. Financial assets will be classified as either held-to-maturity, held-for-trading or available-for-sale. Held-to-maturity classification will be restricted to fixed maturity instruments that the Company intends and is able to hold to maturity and will be accounted for at amortized costs. Held-for-trading instruments will be recorded at fair value with realized and unrealized gains and losses reported in net earnings. The remaining financial assets will be classified as available-for-sale and will be recorded at fair value with unrealized

gains and losses reported in a new category of the consolidated statement of financial position under shareholders' equity called other comprehensive income ("OCI").

2. Derivatives will be classified as held-for-trading unless designated as hedging instruments. All derivatives, including embedded derivatives that must be separately accounted for, will be recorded at fair value on the consolidated statement of financial position. For derivatives that hedge the changes in fair value of an asset or liability, changes in the derivatives' fair value will be reported in net earnings and be substantially offset by changes in the fair value if the hedged asset or liability attributable to the risk being hedged. For derivatives that hedge variability in cash flows, the effective portion of the changes in the derivatives' fair value will be initially recognized as OCI and the ineffective portion will be recorded in net earnings. The amounts temporarily recorded in OCI will subsequently be reclassified to net earnings in the periods when net income is affected by the variability in the cash flows of the hedged item.

The above guidance applied for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Earlier adoption was permitted only as of the beginning of a fiscal year.

The Company adopted the following accounting standards as set out in the CICA Handbook, section 1530 Comprehensive Income and section 3855 Financial Instruments. The effect of implementing the new standards on the financial statements was not significant. In November 2005, the Emerging Issues Committee ("EIC") of the CICA issued Abstract Number 159, "Conditional Asset Retirement Obligations", to clarify the accounting treatment for a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Under the EIC, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The guidance is effective for the second quarter of 2006 and is to be applied retroactively, with restatement of prior periods. The implementation of this EIC did not have a material impact on the Company's consolidated financial statements.

In December 2006, the CICA issued Section 1535 of the CICA Handbook, "Capital Disclosures", Section 3862, "Financial Instruments - Disclosures", Section 3863, "Financial Instruments –Presentation". These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new sections 3862 and 3863 replace Handbook sections 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis

on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

## **Future Accounting Changes**

### *International Financial Reporting Standards (“IFRS”)*

In January 2006, the CICA’s Accounting Standards Board (“AcSB”) formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

### *Goodwill and Intangible Assets*

In October 2007, the CICA approved Handbook Section 3064, “Goodwill and Intangible Assets” which replaces the existing Handbook Sections 3062, “Goodwill and Other Intangible Assets” and 3450 “Research and Development Costs”. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its financial statements.

## **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the financial statements include the Company’s estimate of recoverable value on its mineral properties as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company’s control.

The Company’s recorded value of its mineral properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership, funding, and currency risk, as well as environmental risk. All of these factors are potentially subject to significant change, out of the Company’s control, however such changes are not determinable. Failure to conduct additional work on its exploration properties may result in their loss. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties.

The factors affecting stock-based compensation and valuation of stock-based securities include the use of a Black-Scholes option pricing model which has its limitations and the use of estimates when stock options might be exercised and stock price volatility. While these factors could have a material impact on stock-based compensation expense and hence the results of

operations, stock-based compensation is a non-cash item and there would be no impact on the Company's financial condition.

## **Risks and Uncertainties**

### *Competitive Conditions*

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, Colossus may be unable to acquire attractive properties in the future on terms it considers acceptable. The Company also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

The ability of the Company to acquire properties depends on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Company may affect the marketability of gold mined or discovered by the Company.

### *Exploration, Development and Operating Risks*

The exploration for, discovery and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of gold and other minerals may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site.

It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

Mining operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of base metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines

and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by the Company towards the search and evaluation of gold and other minerals will result in discoveries of mineral reserves and resources (as defined by applicable securities laws), or any other mineral occurrences.

### *Land Title*

Although the nature and extent of the interests of the Company in the properties in which it holds an interest has been reviewed by or on behalf of the Company, and title opinions have been obtained by the Company with regard to certain of such properties, there may still be undetected title defects affecting such properties. Title insurance generally is not available, and the ability of the Company to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, the Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt.

Accordingly, the properties in which the Company holds an interest may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's operations. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

### *Non-Compliance with Sumidouro Property Option Agreement or Fazenda Option Agreement or COOMIGASP Partnership Contract*

The Company does not currently own the Sumidouro Property, the Natividade Property, or the Serra Pelada Properties, but has an option to acquire an interest in such properties in accordance with the terms of the Sumidouro Property Option Agreement or Fazenda Option Agreement or COOMIGASP Partnership Contract. Any non-compliance with the terms of these agreements by the Company could affect the ability of the Company to exercise the options. These terms include satisfaction of the option payments due to the property vendors under such agreement, and the requirement to undertake minimum exploration spending during certain periods. Failure to meet these requirements could result in a loss by the Company of its interest in the options, which could in turn have a material adverse effect on the Company.

No assurances can be given that title defects to the properties in which the Company has an interest do not exist. The properties may be subject to prior unregistered agreement, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates. There is no guarantee that title to the properties will not be challenged or impugned.

An ongoing lawsuit has been brought by an individual in Brazil seeking the annulment of the general meeting at which the members of the board of directors and officers of COOMIGASP were elected. If this individual is successful with this lawsuit a new election may be required and further actions may be brought to nullify any prior activities or agreements entered into by the current directors and officers, which may include the Serra Pelada Agreement. The Company does not believe that this result is likely due to numerous factors including the merits of the current lawsuit and the fact that the Serra Pelada Agreement was approved not only by management of COOMIGASP but also the members (shareholders) of COOMIGASP at a general meeting. However, if the Serra Pelada Agreement is nullified this would have a material adverse affect on the Company. The Company is not a party to the lawsuit and does not have any information with respect to the developments of the suit, except those that are publicly available. There is no guarantee that the applications for exploration licences currently pending will be granted by the DNPM. The DNPM may refuse any of the applications. Persons may object to the grant of exploration licences and the DNPM will take objections into consideration when making the decision on whether or not to grant the licence.

If exploration licences are granted, they will be subject to various standard conditions including, but not limited to prescribed licence conditions. Any failure to comply with the expenditure conditions or with the other conditions, on which the licences are held, can result in licence forfeiture. Generally, the licences are granted for a term of three years and further renewal of an exploration licence is at the discretion of the DNPM and on such conditions as the DNPM may in its discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the licences comprising the Sumidouro Property, the Natividade Property and the Serra Pelada Property. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

#### *Environmental Risks and Hazards*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

Environmental legislation is 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, if any, will not adversely affect the Company's operations.

Environmental hazards may exist on the properties on which the Company holds an option, which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Previous mining by garimperos has occurred at the Serra Pelada Property.

Government approvals, approval of aboriginal people and permits are currently and may in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, 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 thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

#### *Environmental Licenses*

In order to be granted a mining concession on any property, the Company will be required to obtain environmental licenses with respect to such properties. The Company has not yet obtained any such environmental licenses in connection with any of its properties. In the event that the Company is unable to obtain such environmental licenses, it may not be able to commence mining activities on its properties, which could have a material adverse effect upon the Company.

#### *Permits*

Although Company currently holds all consents which it requires in order to carry out its current drilling program on the Sumidouro project, the Natividade project and the Serra Pelada project, the Company cannot be certain that it will receive the necessary permits on acceptable terms to conduct further exploration and to develop its properties. The failure to obtain such permits, or delays in obtaining such permits, could increase the Company's costs and delay its activities, and could adversely affect the operations of the Company.

#### *Costs of Land Reclamation*

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which the Company holds an option. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to

fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of the Company.

#### *Reliance on Limited Number of Properties*

At this time the Company has an ownership interest in the Rio Cristalino property. The Company has the option to acquire an interest in the Sumidouro Project, the Natividade Project and the Serra Pelada property. As a result, unless the Company acquires additional property interests, any adverse developments affecting these properties 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.

#### *No History of Mineral Production*

The Company has never had an interest in a mineral producing property. There is no assurance that commercial quantities of minerals will be discovered at any of the properties of the Company or any future properties, nor is there any assurance that the exploration programs of the Company thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where mineral resources (as defined in NI 43-101) can profitably be produced thereon. Factors which may limit the ability of the Company to produce mineral resources from its properties include, but are not limited to, the price of the mineral resources which are currently being explored for, availability of additional capital and financing and the nature of any mineral deposits.

#### *Additional Capital*

The development and exploration of the properties in which the Company currently holds an interest will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all such properties, or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, any future financing may be dilutive to existing shareholders of the Company.

#### *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 operations, financial condition and results of operations of the Company.

### *Political Stability and Government Regulation Risks*

The principal operations of the Company are currently conducted in Brazil and, as such, the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

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 operations or profitability of the Company.

### *Government Regulation*

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Company 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 production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

### *Insurance and Uninsured Risks*

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company may maintain 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 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 generally 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. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### *Hedging*

The Company does not have a hedging policy and has no current intention of adopting such a policy. Accordingly, the Company has no protections from declines in mineral prices.

### *Fluctuations in Metal Prices*

The consolidated financial results and exploration, development and mining activities of the Company may in the future be significantly and adversely affected by declines in the price of gold or other minerals. The price of gold or other minerals fluctuates widely and is affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges.

Future serious price declines in the market value of gold or other minerals could cause continued development of and commercial production from the properties in which the Company has an option to be impracticable. Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future

production from the Company's mining properties is dependent upon the prices of gold and other minerals being adequate to make these properties economic.

In addition to adversely affecting the reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

#### *Exchange Rate Fluctuations*

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Gold and other minerals are generally sold in US dollars and the costs of the Company are incurred principally in Brazilian Reals. The appreciation of non-US dollar currencies against the US dollar can increase the cost of exploration and production in US dollar terms, which could materially and adversely affect the Company's profitability, results of operations and financial condition.

#### *Key Executives*

The Company is dependent upon the services 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 these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

#### *Conflicts of Interest*

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company should be made in accordance with their fiduciary duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the Ontario Business Corporations Act and other applicable laws. The Company has also adopted a formal code of ethics to govern the activities of its directors, officers and employees.

## **Special note regarding forward-looking statements**

This Report contains forward-looking statements that are based on beliefs of its management as well as assumptions made by and information currently available to management of the Company. When used in this Report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", and the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those statements. Such risks and uncertainties include those set forth under "Risks and Uncertainties" above. The statements contained in this Report speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

"Ari Sussman"

Ari Sussman  
President and CEO  
Colossus Minerals Inc.  
February 26, 2009