COLOMBIA CREST GOLD CORP.

(Formerly – Eaglecrest Explorations Ltd.)

(A Development Stage Company)

Consolidated Financial Statements

For The Three Months Ended December 31, 2010

COLOMBIA CREST GOLD CORP.

(Formerly – Eaglecrest Explorations Ltd.)

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(TSXV: Symbol "CLB")

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Colombia Crest Gold Corp. discloses that the accompanying unaudited interim consolidated financial statements for the three months ended, December 31, 2010, were prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim consolidated financial statements of Colombia Crest Gold Corp. (the "Company") (formerly - Eaglecrest Explorations Ltd.) are the responsibility of the Company's management. The interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available. The most significant of these accounting principles have been set out in the September 30, 2010 audited financial statements. Only changes in accounting principles have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable. These internal controls provide management sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an Audit Committee, which is comprised of a majority of non-management directors. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Balance Sheets
December 31, 2010 and September 30, 2010
(Expressed in Canadian Dollars)

	December 31 2010 (Unaudited)	September 30 2010 (Audited)
Assets	$	$
Current		
Cash	3,427,992	853,679
Receivables	168,202	32,221
Prepaid expenses and deposits	20,612	27,491
	3,616,806	913,391
Property, plant and equipment - Note 3	31,539	39,427
Other deferred property charges - Note 4	46,417	6,642
Resource properties – Schedule 1, and Notes 5 and 14	62,564,964	62,012,705
	66,259,726	62,972,165
Liabilities		
Current		
Accounts payable and accrued liabilities	681,499	585,674
Future income tax liability - Notes 10 and 14	16,537,000	16,537,000
Asset retirement obligation - Note 2	80,000	80,000
	17,298,499	17,202,674
Shareholders' Equity		
Share capital - Note 7(b)	73,312,601	71,060,057
Warrants – Note 7 (e)	967,313	-
Share subscriptions - Note 7(f)	1,156,000	1,156,000
Contributed surplus - Note 7(i)	4,607,901	4,481,337
Deficit	(31,082,588)	(30,927,903)
	48,961,227	45,769,491
	66,259,726	62,972,165

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 4 and 5
Subsequent Events – Notes 12

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Tom Pladsen" Director   *"Chris McKellar"* Director

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Statements of Operations and Deficit
For the Three Months Ended December 31, 2010 and 2009
(Expressed in Canadian Dollars)
(Unaudited)

	2010	2009
	$	$
Expenses:		
Accounting and audit	11,032	14,352
Administration	30,000	30,000
Amortization	1,128	1,314
Bank charges	552	658
Consulting	51,780	22,146
Corporate development	53,666	86,449
Filing fees	35,864	14,240
Foreign exchange loss	5,222	11,656
Insurance	4,217	5,882
Legal	37,477	20,248
Management fees	45,423	47,533
Office and printing	18,134	25,968
Shareholders information	2,358	3,876
Transfer agent	4,316	7,340
Travel and promotion	30,996	43,137
Total expenses	332,165	334,799
Other items:		
Gain on disposal of equipment	(177,247)	(10,108)
Interest income	(233)	-
Net loss and comprehensive loss for the period	(154,685)	(324,691)
Deficit - beginning of period	(30,927,903)	(26,806,078)
Deficit - end of period	(31,082,588)	(27,130,769)
Loss per common share - Note 2	$0.00	($0.01)
Weighted-average number of common shares outstanding	48,807,152	39,681,478

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Statements of Cash Flows
For the Three Months Ended December 31, 2010 and 2009
(Expressed in Canadian Dollars)
(Unaudited)

	2010	2009
	$	$
Cash provided by (used in):		
Operating activities		
Net loss for the period	(154,685)	(324,691)
Items not affecting cash:		
Amortization	1,128	1,314
Gain on disposition of property plant and equipment	(177,247)	(10,108)
	(330,804)	(333,485)
Net change in non-cash working capital items:		
Receivables	(1,981)	11,946
Prepaid expenses and deposits	6,879	(43,922)
Accounts payable and accrued liabilities	36,805	(128,230)
	(289,101)	(493,691)
Financing activities		
Subscription receivable	-	112,938
Cash received for common shares issued (net)	3,153,070	1,055,430
	3,153,070	1,168,368
Investing activities		
Property, plant and equipment expenditures	-	(18,490)
Sale of property plant and equipment	182,716	18,900
Other deferred property expenditures	(39,775)	(31,681)
Resource property expenditures	(432,597)	(403,826)
	(289,656)	(435,097)
Increase (decrease) in cash	2,574,313	239,580
Cash - beginning of period	853,679	655,721
Cash - end of period	3,427,992	895,301

Supplemental disclosure of non-cash financing and investing activities:

During the period, equipment amortization of $1,291 (2009 - $1,485) was recorded in resources property expenditures.

During the period, 698,093 agent warrants (2009 –50,000) valued at $126,564 (2009 - $11,895) were issued, and in 2009, 105,000 common shares valued at $55,356 were issued for finder’s fees in connection with private placements.

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Schedule of Resource Property Costs
(Expressed in Canadian Dollars)

	(Audited) September 30, 2009 (Restated - Note 14)	Additions During the Year	(Audited) September 30, 2010	Additions During the Period	(Un-audited) December 31, 2010
Bolivia:	$	$	$	$	$
San Simon Zone					
Acquisition costs	4,393,600	71,245	4,464,845	11,565	4,476,410
Admin and office	623,542	69,430	692,972	21,749	714,721
Assays	852,159	115,931	968,090	1,934	970,024
Camp costs	1,972,911	148,449	2,121,360	22,021	2,143,381
Consulting fees	4,509,410	269,254	4,778,664	31,506	4,810,170
Drilling	2,454,918	-	2,454,918	-	2,454,918
Mapping	122,400	1,487	123,887	-	123,887
Equipment rental	1,215,250	46,070	1,261,320	6,609	1,267,929
Environmental	21,630	10,009	31,639	4,059	35,698
Field costs	738,319	770	739,089	431	739,520
Geophysical & surveys	193,526	2,776	196,302	-	196,302
Professional fees	217,391	-	217,391	-	217,391
Sampling and analysis	132,529	-	132,529	-	132,529
Wages	1,030,041	383,809	1,413,850	65,265	1,479,115
Travel/transportation	581,562	67,578	649,140	6,393	655,533
Underground development	3,958,198	-	3,958,198	-	3,958,198
Vehicle maintenance	393,251	-	393,251	-	393,251
Write-off mineral property costs	-	(1,809,585)	(1,809,585)	-	(1,809,585)
	23,410,637	(622,777)	22,787,860	171,532	22,959,392
Dona Amelia Zone					
Acquisition costs	311,458	83,985	395,443	-	395,443
Admin and office	1,898,042	66,408	1,964,450	24,684	1,989,134
Amortization	1,009,645	5,941	1,015,586	1,291	1,016,877
Assays	1,610,561	2,422	1,612,983	-	1,612,983
Camp costs	1,437,930	71,398	1,509,328	23,898	1,533,226
Consulting fees	4,665,043	177,713	4,842,756	40,477	4,883,233
Drilling	14,361,102	-	14,361,102	-	14,361,102
Environmental	325,551	10,009	335,560	4,059	339,619
Mapping	66,560	1,737	68,297	-	68,297
Equipment rental	1,221,089	22,512	1,243,601	522	1,244,123
Field costs	2,176,362	770	2,177,132	431	2,177,563
Geophysical & surveys	82,153	2,776	84,929	-	84,929
Supplies	159,349	-	159,349	-	159,349
Travel/transportation	825,943	25,200	851,143	6,390	857,533
Underground development	5,934,895	-	5,934,895	-	5,934,895
Wages	2,794,976	67,925	2,862,901	101,972	2,964,873
Write-off mineral property costs	-	(60,072)	(60,072)	-	(60,072)
Recovery - gold concentrates	(1,003,812)	-	(1,003,812)	-	(1,003,812)
	37,876,847	478,724	38,355,571	203,724	38,559,295

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COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Schedule of Resource Property Costs
(Expressed in Canadian Dollars)

	(Audited) September 30, 2009 (Restated - Note 14)	Additions During the Year	(Audited) September 30, 2010	Additions During the Period	(Un-audited) December 31, 2010
Bolivia:	$	$	$	$	$
Marco Maria Zone					
Acquisition costs	356,517	29,329	385,846	-	385,846
Admin and office	24,796	4,258	29,054	-	29,054
Camp costs	15,981	5,590	21,571	-	21,571
Consulting	23,051	5,733	28,784	-	28,784
Equipment rental	9,122	-	9,122	-	9,122
Mapping	-	125	125	-	125
Professional fees	10,701	-	10,701	-	10,701
Field costs	1,897	-	1,897	-	1,897
Travel/transportation	4,100	2,008	6,108	-	6,108
Wages	27,769	22,330	50,099	-	50,099
Write-off mineral property costs	-	(543,307)	(543,307)	-	(543,307)
	473,934	(473,934)	-	-	-
Dona Angela (Campo Nuevo) Zone					
Acquisition costs	270,025	61,601	331,626	-	331,626
Admin and office	48,494	3,805	52,299	-	52,299
Assays	19,871	-	19,871	-	19,871
Camp costs	73,807	5,670	79,477	-	79,477
Consulting	61,704	6,855	68,559	-	68,559
Equipment rental	52,217	127	52,344	-	52,344
Environmental	632	-	632	-	632
Field costs	28,240	-	28,240	-	28,240
Mapping	2,777	125	2,902	-	2,902
Professional fees	3,147	-	3,147	-	3,147
Travel/transportation	24,118	2,349	26,467	-	26,467
Wages	95,419	25,595	121,014	-	121,014
Write-off mineral property costs	-	(786,578)	(786,578)	-	(786,578)
	680,451	(680,451)	-	-	-

…/cont'd

Schedule 1
Continued

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Schedule of Resource Property Costs
(Expressed in Canadian Dollars)

	(Audited) September 30, 2009 (Restated - Note 14) $	Additions During the Year $	(Audited) September 30, 2010 $	Additions During the Period $	(Un-audited) December 31, 2010 $
Colombia:					
Fredonia					
Acquisition costs	-	711,722	711,722	151,528	863,250
Admin and office	-	22,778	22,778	1,124	23,902
Camp costs	-	-	-	203	203
Consulting	-	52,610	52,610	16,945	69,555
Equipment rental	-	-	-	166	166
Field costs	-	54,065	54,065	4,278	58,343
Geophysical & surveys	-	-	-	849	849
Supplies	-	9,920	9,920	-	9,920
Travel/transportation	-	18,179	18,179	843	19,022
Wages	-	-	-	1,067	1,067
	-	869,274	869,274	177,003	1,046,277
Total Bolivia	62,441,869	(1,298,438)	61,143,431	375,256	61,518,687
Total Colombia	-	869,274	869,274	177,003	1,046,277
All Total	62,441,869	(429,164)	62,012,705	552,259	62,564,964

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations and Ability to Continue as a Going Concern

The Company was incorporated under the laws of the Province of British Columbia on January 20, 1981 and its common shares are listed for trading on the TSX Venture Exchange ("TSXV").

The Company is in the development stage and is in the process of exploring and developing its resource properties in Bolivia and Columbia and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and 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. At December 31, 2010, the Company had not yet achieved profitable operations, has accumulated losses of $31,082,588 (2009: $27,130,769) since its inception, has working capital of $2,935,307 (2009: $637,219) and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with GAAP in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

Principles of Consolidation

These consolidated financial statements have, in management's opinion, been properly prepared within the framework of its significant accounting policies and include the accounts of Columbia Crest Gold Corp. and its wholly owned subsidiary Eaglecrest Exploration Bolivia SA, a company incorporated in Bolivia. All significant inter-company transactions and balances have been eliminated.

Resource Properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Resources Properties – (cont'd)

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

These costs are depleted over the useful lives of the properties upon the commencement of commercial production, or written off if the properties are abandoned or the claims are allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Management's estimates of mineral prices, recoverable proven and probable reserves and operating capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has taken every precaution to ensure that legal title to its properties is properly recorded in the name of the company, there can be no assurance that such title will ultimately be secured.

Administrative costs, along with costs related to the determination of the feasibility of a project, are expensed as incurred.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost and amortized over their estimated useful economic lives using the declining balance method at annual rates of 30% for office equipment, automotive and field equipment and 20% for office furniture.

Property, plant and equipment acquired in a fiscal year are amortized at one-half of the annual rate.

Foreign Currency Translation

The Company's foreign operations are considered integrated with those of the Company's domestic operations.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Foreign Currency Translation – (cont'd)

The Company translates its accounts denominated in foreign currencies as follows: monetary assets and liabilities at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities at their applicable historical rates. Revenues and expenses are translated at rates prevailing at the date of the transaction except for amortization which is translated at historical rates.

Exchange gains and losses from the translation of foreign currencies are recognized in the period in which they occur.

Share Issue Costs

Costs incurred for the issue of common shares are deducted from share capital or the balance of share subscriptions prior to the issuance of the common shares. common shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the common shares was reached.

Stock-based Compensation

The Company records a compensation cost attributable to all share options granted at fair value at the grant date using the Black-Scholes valuation model and the cost is expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the periods ended December 31, 2010 and 2009, potentially dilutive common shares (relating to options and warrants outstanding were not included in the computation of loss per share because their effect was anti-dilutive.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Future Income Taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance applies fully to all potential income tax assets of the Company.

Asset Retirement Obligations

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations ("ARO") associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included in depreciation, depletion and amortization.

As at December 31, 2010, the Company has recorded $80,000 (2009: $80,000) as an estimated asset retirement obligation.

Impairment of Long-Lived Assets

Long-lived assets and intangibles to be held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at December 31, 2010 and 2009.

Environmental Expenditures

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. The Company's policy is to meet or, if possible, surpass environmental standards set by relevant legislation by the application of technically proven and economically feasible measures.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Environmental Expenditures – (cont'd)

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

Comprehensive Income

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the financial statements.

Financial Instruments Recognition & Measurement

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

Adoption of New Accounting Standards

General Accounting

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements have been adopted effective for annual and interim financial statements from October 1, 2009. The adoption of this standard did not have a material impact on these financial statements.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Adoption of New Accounting Standards – (cont'd)

Cash Distributions

CICA Handbook Section 1540, Cash Flow Statements, has been amended to require additional disclosures where cash distributions are made in accordance with a contractual obligation for cash distributions. The adoption of this section has not resulted in any changes on the disclosure within the financial statements.

Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company has adopted the new standards for its fiscal year beginning October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this new section had no impact on the Company's financial statements.

Assessing Going Concern

The Canadian Accountability Standards Board ("AcSB") AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this Section did not result in any changes on the disclosure within the financial statements.

Financial Instruments

CICA Handbook Section 3862, "Financial Instruments – Disclosures" was amended in June 2009. It establishes revised standards for the disclosure of financial instruments. The new standard established a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Note 2 Summary of Significant Accounting Policies – (cont'd)

Adoption of New Accounting Standards – (cont'd)

Financial Instruments – (cont'd)

- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. During the three months ended December 31, 2010, there were no significant transfers between level 1 and 2. The Company has classified its financial instruments as follows:

- Cash is classified as held-for-trading.
- Receivables are classified as loans and receivables.
- Accounts payable and accrued liabilities are classified as other liabilities.

The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Future Accounting Pronouncements

Business Combination, Non-controlling Interest and Consolidation

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replaces CICA handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning October 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

International Financial Reporting Standards ("IFRS")

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Note 3 Property, Plant and Equipment

	December 31, 2010			September 30/10
	Cost $	Accumulated Amortization $	Net Book Value $	Net Book Value $
Office Equipment	104,699	85,374	19,325	21,462
Field Equipment	40,964	39,975	989	1,070
Automotive	68,988	57,763	11,225	16,895
	214,651	183,112	31,539	39,427

Note 4 Other Deferred Property Charges

On September 30, 2010, the Company signed a Letter Of Intent ("LOI") to acquire up to a 75% interest in the mineral title of the Venecia Project, located in Antioquia, Colombia. Management is in the process of performing its due diligence and working on finalizing a definitive agreement (the "Definitive Agreement") which must be signed by March 31, 2011. All preliminary expenditures relating to the Venecia have been deferred. In the event the transaction is not completed, all expenditures deferred will be expensed at that time.

The Company can acquire a 75% interest in the Venecia Project as follows:

Date	Expenditures (US$)	Common Shares or Warrants Issuance	Cash (US$)	Interest Earned (%)
Upon signature of the LOI	$ -	-	$ 30,000(i)	-
During six months after TSXV's acceptance of the LOI	50,000	-	-	-
Upon signature of Definitive Agreement * (the "Signature Date")	-	250,000 shares and 250,000 warrants**	-	12.5%
At the end of 12 months after the Signature Date	950,000	125,000 shares and 125,000 warrants***	80,000	25.0%
During 24 months after the Signature Date	1,000,000	125,000 shares and 125,000 warrants***	75,000	37.5%
During 36 months after the Signature Date	1,000,000	125,000 shares and 125,000 warrants***	350,000	75.0%
Total	$ 3,000,000		$ 535,000	75.0%

Note 4 Other Deferred Property Charges – (cont'd)

* The Definitive Agreement must be signed by March 31, 2011.

** Each warrant will have an exercise price equal to the market price on the last trading day preceding the date of issue of a news release regarding the Definitive Agreement (the "Minimum Exercise Price") plus a 25% premium. The warrants will have an expiry date of 2 years.

*** Each warrant will have an exercise price equal to the greater of the closing price of the Company's common shares at the date of execution plus a 25% premium or the Minimum Exercise Price plus a 25% premium. The warrants will have an expiry date of 2 years.

(i) By agreement with both parties, time for payment was extended to December 20, 2010 (paid).

In the event that any of the above-noted expenditures are not made within the timeframe specified above, the Company will be required to pay the portion of expenditures unspent directly to the optionor in cash.

Upon acquisition of a 75% interest in the Venecia Project, the parties intend to form a 75/25 joint venture and funding of further exploration and development of the project will be based on the parties' percentage interest. Or, the optionor can choose to sell its interest in the project at its fair market value or have the Company fund the optionor's share of expenses, in which event, the Company will receive 100% of proceeds from production until it has been repaid such funds plus interest at the U.S. prime rate plus 5%.

The Option Agreement is subject to acceptance by the TSXV.

Note 5 Resource Properties

The Company's resource properties are located in Bolivia, South America and its interest in these resource properties is maintained pursuant to agreements with the titleholders. The Company is satisfied that evidence of title to each of its resource properties is adequate and acceptable by prevailing Bolivian standards with respect to the current stage of exploration on these properties, however, recoverability of amounts shown for resource properties are subject to confirmation of the Company's interest in the underlying resource properties.

San Simon and Dona Amelia Zones

Pursuant to an agreement (the San Simon Agreement) executed in fiscal 1999 and subsequently amended, the Company owns the right to acquire 100% of all production from 11 mineral concessions. Total consideration paid to acquire this right was US$600,000.

These 11 mineral concessions are subject to a 3% net smelter returns royalty, of which the Company can purchase 1% for US$500,000 and a second 1% for US$750,000.

In April, 2003 San Simon Resources Ltd. ("SSR") and the Company entered into an agreement by which the Company acquired from SSR an 80% interest in production from 7 non-core mineral concessions and the right to acquire one additional mineral concession (known as the California concession) by incurring US$500,000 in mineral exploration expenditures over two years (incurred) and reimbursing SSR certain costs aggregating US$10,000 (paid).

Note 5 Resource Properties – (cont'd)

Bolivia: – (cont'd)

San Simon and Dona Amelia Zones – (cont'd)

The Company also entered into a separate agreement in June, 2003 with the underlying owner of the California concession whereby it paid US$48,000 and issued 200,000 common shares to obtain a 100% interest in this concession.

These concessions are subject to a 3% net smelter returns royalty, of which the Company can purchase 1% for US$500,000 and a second 1% for US$1,000,000. The Company advanced US$250,000 during the year ended September 30, 2007 as security for payment of exploration services to be provided. This amount was fully expensed during the year ended September 30, 2008.

By an agreement in November, 2007, the Company had a 50 year option to acquire an additional mineral concession in the San Simon zone in Bolivia, South America for US$25,000 (paid) and US$25,000 within six months of delivery of samples by the optionor. The option was terminated by the Company during the year ended September 30, 2008 without payment of the second US$25,000. The initial US $25,000 paid was recorded as a part of general exploration costs.

During the year ended September 30, 2010, certain concessions on San Simon and Dona Amelia Zones have been abandoned and $1,809,585 (2009: $nil) and $60,072 (2009: $nil) in related deferred costs have been written off, respectively.

Marco Maria Zone

Pursuant to an agreement (the Marco Maria Agreement) signed during fiscal 1999, the Company acquired the right to 100% of all production from 8 mineral concessions located contiguous to the existing San Simon mineral concessions. Total consideration paid to acquire this right was US$50,000 plus the issuances of 650,000 common shares.

These concessions are subject to a 3% net smelter royalty of which the Company can purchase 1% for US$500,000 and a second 1% for US$1,000,000.

During the year ended September 30, 2010, the Marco Maria concessions have been abandoned and $543,307 (2009: $nil) in related deferred costs have been written off.

Dona Angela (Campo Nuevo) Zone

Pursuant to an agreement signed in March, 2001, the Company has acquired the right to 100% of all production from 13 concessions located to the north, east and west of the Company's existing holdings at the San Simon property. The Company had originally agreed to pay US$95,000 (US$20,000 paid) to the optionor prior to July 31, 2003.

Note 5 Resource Properties – (cont'd)

Bolivia: – (cont'd)

Dona Angela (Campo Nuevo) Zone – (cont'd)

Pursuant to an amending agreement signed in August, 2003, the Company has agreed to pay the optionor the remaining US$75,000 (US$37,500 paid) and incur annual exploration expenditures until production of US$100,000. The optionor agreed to accept 375,000 common shares issued by the Company at a price of US$0.10 for the remaining US$37,500. The agreement also calls for annual payments until production of US$20,000, commencing in fiscal 2005, to the optionor. In 2007, the payment was renegotiated down to US$10,000 per annum. Payments totaling US$80,000 have been paid to date and the next payment of US$10,000 is due October, 2011, (payments in future and will be recorded under Dona Amelia).

These concessions are subject to a 3% net smelter royalty of which the Company can purchase 1% for US$1,000,000 and a second 1% for US$2,000,000.

During the year ended September 30, 2010, the Dona Angela concessions have been abandoned and $786,578 (2009: $nil) in related deferred costs have been written off.

Colombia:
Fredonia

Pursuant to an agreement signed in August, 2010, the Company has an option to acquire up to a 75% interest in the mineral title of the 15,000 hectare Fredonia Area located in Antioquia, Colombia.

The Company can acquire a 75% interest in the Fredonia Property as follows:

Date	Expenditures (US$)	Common Shares or Warrants Issued	Cash (US$)	Interest Earned (%)
Upon signature of the agreement	$ 52,500	-	$ 10,000	-
By September 28, 2010	-	1,000,000 shares and 1,000,000 warrants*	-	-
By October 28, 2010	97,500 (paid via issuance of 319,922 shares) 32,500(i)	319,922 shares	-	-
By March 28, 2011	47,500	-	50,000	12.5%
By September 28, 2011	902,500	-	27,500	25.0%
By September 28, 2012	1,100,000	-	-	50.0%
By September 28, 2013	600,000	-	-	50.0%
Total	$ 2,832,500		$ 87,500	50.0%
By September 28, 2018, upon completion of a positive feasibility study				75.0%

Note 5 Resource Properties – (cont'd)

Colombia: – (cont'd)

Fredonia – (cont'd)

* Each warrant exercisable to purchase an additional common share at $0.40 per share expiring September 28, 2012.

(i) By agreement with both parties, time for payment was extended to January, 2011 (paid).

In the event that any of the above-noted expenditures are not made within the timeframe specified above, the Company will be required to pay the portion of expenditures unspent directly to the optionor in cash.

By December 27, 2013 the Company must deliver to the optionor written notice (the "Study Notification") of the Company's intention to fund the preparation of a feasibility study, which must be completed by December 27, 2018. In order to maintain its 75% interest, the optionor must incur a minimum in exploration expenses of US$250,000 during each one year period after the Study Notification until the earlier of: (i) completion of the Feasibility Study; or (ii) the end of such five year period.

In the event the Company does not meet this expenditure requirement in any such one year period, the Company may maintain its 75% interest by issuing common shares to the Optioner with a value equivalent to the difference between the amount spent during that year and the US$250,000 minimum, provided that such common shares shall be valued at the closing price on the TSXV on the last trading day before the applicable anniversary of the Study Notification date.

After completion of a detailed feasibility study (National Instrument 43-101 compliant), each party will be required to fund its pro-rata share of development costs. During the duration of the agreement, the Company will be responsible for all expenditures related to concession maintenance, including canon payments and insurance policies.

Upon acquisition of a 75% interest in the Fredonia Property, the parties will form a 75/25 joint venture and funding of further exploration and development of the project will be based on the parties' percentage interest. If the optionor chooses not to contribute to funding such work its interest will be diluted based on an industry standard dilution formulae to a minimum 2.5% net smelter royalty.

Note 6 Related Party Transactions

All transactions with related parties have occurred 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 transacting parties. The unpaid balances referred to below are non-interest bearing, payable on demand and have arisen from the provision of services described.

During the three months ended December 31, 2010:

Note 6 Related Party Transactions - (cont'd)

- A director of the Company was paid or accrued $12,000 (2009: $30,000) for corporate development fees and one officer of the Company was paid or accrued $30,000 (2009: $30,000) for accounting and administration services. At December 31, 2010, the related parties were owed $24,340 (2009: $69,025) for the unpaid portions of these amounts and reimbursement of expenditures made on behalf of the Company, which is included in accounts payable.
- A private company owned by a director of the Company was paid or accrued $45,423 (2009: $47,534) in management fees. At December 31, 2010, the related party was owed $nil (2009: $nil) for the unpaid portions of these amounts and reimbursement of expenditures made on behalf of the Company.
- An officer of the Company and a private company controlled by a former director of the Company were paid or accrued $32,626 (2009: $6,358) for geological consulting services. At December 31, 2010, the related parties were owed $3,000 (2009: $nil) for the unpaid portion of the amount, which is included in accounts payable.

As at December 31, 2010, accounts payable are inclusive of $27,340 (2009: $69,669) due to related parties.

Note 7 Share Capital

a) Authorized:

The Company's authorized share capital consists of an unlimited number of common shares without par values.

b) Issued:

	December 31, 2010			September 30, 2010			
	Number of Shares	$		Number of Shares		$	
Issued - beginning of period	51,031,190	71,060,057		433,812,034		67,689,035	
Shares consolidation 10:1	-	-		(390,430,800)	*	-	
Issued:							
Private placements	11,478,258	2,369,501		6,798,956		3,429,908	
Shares issued for finder's fees	-	-		105,000		55,356	
Shares issued for option on property	319,922	118,371		1,000,000		400,000	
Returned to treasury/cancelled				(254,000)	(2)	(213,240)	
Issue costs	-	(235,328)	(1)	-		(301,002)	(3)
Issued - End of end period	62,829,370	73,312,601		51,031,190		71,060,057	

Note 7 Share Capital – (cont'd)

b) Issued: – (cont'd)

* On December 10, 2009, the Company consolidated its issued common shares on a 10:1 basis.

(1) $215,427 in cash was paid or accrued and 698,093 agent warrants valued at $126,564 were issued as finders' fees. $235,328 of the total issue costs have been allocated to share capital and $106,663 have been allocated to warrants issued pursuant to the private placement.

(2) Shares returned to treasury and cancelled due to non-payment of common shares subscribed for.

(3) $32,700 in cash was paid, 65,400 agent's warrants valued at $16,447 and 105,000 common shares valued at $55,356 were issued and another 400,000 common shares valued at $200,000 have been accrued as finders' fees.

During the three months ended December 31, 2010, the Company issued common shares pursuant to the following non-brokered private placement: 11,478,258 units at a price of $0.30 per unit for gross proceeds of $3,443,477 ($2,369,501 allocated to share capital and $1,073,976 allocated to warrants issued pursuant to the private placement). Each unit consists of one common share and one share purchase warrant exercisable to purchase one additional common share for $0.45 until December 30, 2012; provided that if after the issuance of the warrants the average closing trading price of the common shares is $0.75 or higher for a period of 20 consecutive trading days, the Company may issue a notice that the warrants must be exercised within 21 days of the date of the notice or they will expire at the end of that 21 day period. Cash of $215,427 has been paid or accrued and 698,093 share purchase warrants have been issued as finders' fees. The finders' fees warrants have the same exercise terms as the private placement warrants. The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.39%; expected dividend yield – Nil; expected stock price volatility 106%; and expected warrant life of 2.0 years.

During the year ended September 30, 2010, the Company issued common shares pursuant to the following non-brokered private placements:

- 11,000,000 pre-consolidation units at a price of US$0.05 per unit for gross proceeds of US$550,000. Each unit consists of one pre-consolidation common share and one pre-consolidation non-transferable share purchase warrant exercisable to purchase one additional common share for US$0.10 until December 4, 2010. Finders' fees of 1,050,000 pre-consolidation common shares have been issued. As a result of the share capital consolidation on December 10, 2009, the private placement units and finder's fee shares issued were reduced to 1,100,000 units and 105,000 common shares respectively. The value of the 105,000 common shares issued as finder's fees was determined by the market value of the common shares issued in the private placement.

Note 7 Share Capital – (cont'd)

b) Issued: – (cont'd)

- 1,160,000 post-consolidation units at a unit price of $0.50 raising a total of $580,000. Each post-consolidation unit consists of one common share and one warrant exercisable to purchase an additional common share at a price of $0.75 expiring December 24, 2011. A finder's fee of $25,000 cash has been paid and 50,000 warrants each exercisable to purchase one common share at $0.50 expiring December 24, 2011 have been issued in connection to the private placement. The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.39%; expected dividend yield – Nil; expected stock price volatility 200%; and expected warrant life of 2.0 years.

- 4,538,956 post-consolidation units at a unit price of $0.50 raising a total of $2,269,478. Each post-consolidation unit consists of one common share and one warrant exercisable to purchase an additional common share at a price of $0.75 expiring May 10, 2012; provided that at any time the common shares have a closing price higher than $1.10 per share for a period of 20 consecutive trading days on the TSXV, the Company shall be entitled to give notice to the holders of warrants that the warrants will expire 21 days after the date of such notice unless exercised before the expiry of that period. A finder's fee of $7,700 cash has been paid, 15,400 agent warrants have been issued and 400,000 common shares will be issued in connection to the private placement. Each agent warrant is exercisable to purchase one common share at $0.50 per share expiring May 10, 2012; provided that at any time the common shares have a closing price higher than $1.10 per share for a period of 20 consecutive trading days on the TSXV, the Company shall be entitled to give notice to the holders of warrants that the warrants will expire 21 days after the date of such notice unless exercised before the expiry of that period. The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.93%; expected dividend yield – Nil; expected stock price volatility 201%; and expected warrant life of 2.0 years.

All of the proceeds from the above fiscal 2010 private placements were allocated to share capital with none allocated to warrants.

c) Escrow Shares:

In accordance with an Escrow Agreement dated September 19, 1999, 187,500 common shares were subject to escrow and may not be transferred, assigned or otherwise dealt with without the consent of the TSXV. These common shares may not be released from escrow unless the escrow agent receives a letter consenting to release from the TSXV. Any common shares not released will expire in ten years from the date of the agreement. As at December 31, 2010, the Company had a balance of 18,750 post-consolidation common shares in escrow. Subsequent to December 31, 2010, 18,750 post-consolidation escrow shares have been cancelled and returned to the Company's treasury.

Note 7 Share Capital – (cont'd)

d) Directors' and Employees' Stock Options Outstanding:

i) The Company has a stock option plan whereby, the maximum number of common shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. Options vest at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

ii) The continuity of stock options outstanding is as follows:

	December 31, 2010	Weighted Average Exercise Price $	September 30, 2010	Weighted Average Exercise Price $
Balance outstanding - beginning of period	2,400,000	1.36	11,150,000	0.20
Activity during year:				
Consolidation 10:1	-	-	(10,035,000)	-
	2,400,000	1.36	1,115,000	1.96
Options granted	-	-	1,735,000	0.93
Options cancelled/expired	-	-	(450,000)	1.21
Balance outstanding - end of period	2,400,000	1.36	2,400,000	1.36

Note 7 Share Capital – (cont'd)

d) Directors' and Employees' Stock Options Outstanding: - (cont'd)

iii) Details of stock options outstanding at December 31 2010:

Number of Shares	Option Price	Expiry Date
30,000	$4.550	September 13, 2011
370,000	$2.70	January 4, 2012
30,000	$2.70	January 9, 2012
100,000	$0.60	January 19, 2012
135,000	$1.80	January 8, 2013
200,000	$1.20	May 29, 2013
100,000	$0.60	January 19, 2015
1,435,000	$1.00	January 19, 2015
2,400,000		

As at December 31, 2010, the contractual weighted average remaining life is 3.13 years (2009 – 2.18 years).

e) Share Purchase Warrants Outstanding:

i) The continuity of share purchase warrants outstanding is as follows:

Warrants with exercise price in US$:

	Number of Warrants	Amount $	Weighted Average Exercise Price US$
Balance - September 30, 2009	81,402,283	-	0.19
Consolidation 10:1	(73,262,055)	-	
Activity during the year:			
Warrants issued	1,100,000	-	1.00
Warrants expired	(3,658,328)	-	3.00
Warrants amended (1)	(1,100,000)	-	1.00
Balance - September 30, 2010 and December 31, 2010	4,481,900	-	1.00

Note 7 Share Capital – (cont'd)

e) Share Purchase Warrants Outstanding: - (cont'd)

Warrants with exercise price in CDN$:

	Number of Warrants	Amount $	Weighted Average Exercise Price
Balance - September 30, 2009	-	-	-
Warrants issued	6,664,356	-	0.70
Warrants amended (1)	1,100,000	-	0.75
Balance - September 30, 2010	7,764,356	-	0.70
Warrants issued (2)	12,176,351	1,073,976	0.45
Issued costs (3)	-	(106,663)	-
Balance - December 31, 2010	19,940,707	967,313	0.55

(1) Warrants originally exercisable at a unit price of US$1.00 expiring December 4, 2010 have been amended to a unit exercise price of $0.75 expiring Dec. 4, 2011.

(2) 11,478,258 units issued pursuant to a non-brokered private placement at a price of $0.30 per unit for gross proceeds of $3,443,477 ($2,369,501 allocated to share capital and $1,073,976 allocated to warrants). The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.39%; expected dividend yield – Nil; expected stock price volatility 106%; and expected warrant life of 2.0 years. The relative fair market value method was then used on a pro-rata basis between share capital and warrants to arrive at the value of $1,073,976 for the warrants.

(3) Allocated portion of issued costs to warrants pursuant to a non-brokered placement. See Note 7 b).

ii) Details of share purchase warrants outstanding at December 31, 2010:

Warrants outstanding with exercise price in US$:

Number of shares	Exercise Price $	Expiry Date	
4,481,900	1.00	August 13, 2012	(a)

(a) Expiry date was extended from August 13, 2010 to August 13, 2012

As at December 31, 2010, the weighted average remaining contractual life of warrants exercisable in US$ is 1.62 years (2009: 0.68 year).

Note 7 Share Capital – (cont'd)

e) Share Purchase Warrants Outstanding: - (cont'd)

Warrants outstanding with exercise price in CDN$:

Number of shares	Exercise Price $	Expiry Date
1,100,000	0.75	December 04, 2011
1,060,000	0.75	December 24, 2011
50,000	0.50	December 24, 2011
4,538,956	0.75	May 10, 2012 *
15,400	0.50	May 10, 2012 *
1,000,000	0.40	September 28, 2012
12,176,351	0.45	December 30, 2012 **
19,940,707	0.55	

* Provided that at any time the Company's common shares have a closing price higher than $1.10 per share for a period of 20 consecutive trading days on the TSXV, the Company may issue a notice that the warrants must be exercised within the 21 days of the date of the notice or they will expire at the end of that 21 day period.

** Provided that at any time the Company's common shares have a closing trading price of $0.75 or higher for a period of 20 consecutive trading days on the TSXV, the Company may issue a notice that the warrants must be exercised within the 21 days of the date of the notice or they will expire at the end of that 21 day period.

As at December 31, 2010, the weighted average remaining contractual life of warrants exercisable in CDN$ is 1.73 years (2009: 1.98 years).

f) Share Subscriptions:

- During the year ended September 30, 2001, the Company proposed to enter into a private placement for the issuance of 2,000,000 units at $0.50 per unit for proceeds of $1,000,000, less a 7.5% finder's fee. Each unit is to consist of a common share and a two year share purchase warrant to purchase an additional common share at $0.50 per share in the first year and at $0.60 per share in the second year. The Company has received subscriptions for 1,983,171 units (proceeds of $925,000, net of related issue costs).

- During the year ended September 30, 2001, the Company entered into an agreement with a purchaser for a private placement of 770,000 units at $0.30 per unit to raise $231,000. Each unit was to be comprised of one common share and one share purchase warrant to purchase one common share at $0.30 per share in the first year and at $0.40 per share in the second year. The Company subsequently amended the terms of that private placement to 1,500,000 units at $0.154 (US$0.10) per unit, with each unit comprised of one common share and one share purchase warrant exercisable for two years to purchase one additional common share for $0.154 (US$0.10). The Company has received subscriptions for 1,500,000 units for proceeds of $231,000.

Note 7 Share Capital – (cont'd)

f) Share Subscriptions: - (cont'd)

- Pursuant to a private placement closed during the year ended September 30, 2010, 400,000 common shares valued at $200,000 payable (not issued) as a finder's fee were accrued in accounts payable and accrued liabilities. The value of this finder's fee was determined by the market value of the common shares issued in the private placement.

g) Stock-based Compensation

The Company recorded $nil stock-based compensation during the three months ended December 31, 2010.

The Company recorded stock-based compensation during the year ended September 30, 2010 of $811,191 (2009: Nil). The fair value of stock options granted was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.89% - 3.44%; expected dividend yield – Nil; expected stock price volatility 142% - 198%; and expected option life of 2.0 – 5.0 years.

h) Subscriptions Receivable:

During the year ended September 30, 2010, the Company received $112,938 (US$104,750) of subscriptions receivable and $163,240 (US$154,000) in subscriptions receivable were nullified which were included in the 2008 private placement of 33,057,700 common shares (10:1 consolidation to 3,305,770 common shares). The corresponding 1,540,000 share certificates (10:1 consolidation to 154,000 common shares) were cancelled and returned to treasury due to non-payment.

i) Contributed Surplus:

Continuity of contributed surplus is as follows:

Balance - September 30, 2009	$	3,352,521
Agent's warrants issued		16,447
Stock-based compensation		811,191
Fair value of warrants for Fredonia acquisition		301,178
Balance - September 30, 2010		4,481,337
Agents' warrants issued		126,564
Balance - December 31, 2010	$	4,607,901

Note 8 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest bearing bank accounts.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the three months ended December 30, 2010.

Note 9 Financial Risk Management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's receivable relates to Goods and Services Tax and Harmonized Sales Tax input tax credits and recovery from gold concentrates.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

Note 9 Financial Risk Management – (cont'd)

b) Liquidity Risk – (cont'd)

The Company anticipates it will have adequate liquidity to fund its financial liabilities through its future equity placements.

As at December 31, 2010, the Company's financial liabilities were comprised of accounts payable and accrued liabilities.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the development stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. Although a portion of the Company's transactions are denominated in US dollars, Bolivian Boliviano and Columbian Pesos, the Company is not significantly exposed to foreign currency exchange risk at this time. As at December 31, 2010, US$51,000 is included in accounts payable; a change in the exchange rate of 10% could expose the Company to a potential loss of $5,100.

ii) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the December 31, 2010, The Company had no interest-bearing investments or debt and was not exposed to interest rate risk at that time. Subsequently, the Company has deposited $4.8 million in a short term deposit paying an annual interest rate of 0.9% per annum. The Company has no interest-bearing debt and any change expected in interest rate is for it to rise, which would result in an increase in interest income for the Company.

Note 10 Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision has not been calculated on a quarterly basis. For the 2010 and 2009 fiscal years they are as follows:

	2010	2009
Basic statuary and provincial income tax rate	28.88%	30.13%
Expected income tax recovery on net loss, before income tax	$ 1,537,000	$ 484,000
Foreign income taxed at other than Canadian rate	275,000	-
Differences due to recognition of items for tax purposes:		
Effect of reduction in statutory rate	(51,000)	(142,000)
Expiry of loss carryforward	(84,000)	(78,000)
Share issue cost	71,000	30,000
Permanent difference	(233,000)	(193,000)
Valuation allowance	(315,000)	(101,000)
Income tax recovery	$ 1,200,000	$ -

The significant components of the Company's future income tax assets and liabilities for the 2010 and 2009 fiscal years are as follows:

	2010	2009
Future income tax assets:		
Non-capital losses carried forward	$ 2,472,000	$ 2,175,000
Capital losses carried forward	104,000	105,000
Undeducted financing cost	113,000	95,000
Exploration and development expenses	(16,436,000)	(17,422,000)
Capital assets	129,000	128,000
Less: valuation allowance	(2,919,000)	(2,604,000)
Net future income tax assets (liabilities)	$ (16,537,000)	$ (17,523,000)

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will be realized during the carry-forward period to utilize all the future tax assets.

Note 10 Income Taxes – (cont'd)

As at September 30, 2010, the Company had accumulated non-capital losses totaling $9,888,000 that are available to offset future years' taxable income. The non-capital losses expire as follows:

2014	$ 1,203,000
2015	1,177,000
2026	1,342,000
2027	1,699,000
2028	1,826,000
2029	1,118,000
2030	1,523,000
	$ 9,888,000

In the ordinary course of business the Company transacts in multiple foreign jurisdictions and is subject to the tax regime of each foreign jurisdiction. The Company records tax contingencies for specific transaction when it determines that the likelihood of an unfavorable outcome is likely and the loss is reasonably estimable. Management currently believes that the Company is not exposed to tax contingencies that could have a material impact on the liquidity results of operations or financial condition of the Company. As at December 31, 2010 and September 30, 2010, the Company has not recorded an accrual for any tax contingencies.

Note 11 Segmented Information

The Company operates in a single reportable operating segment, the exploration and development of mineral properties. Geographic information is as follows:

	December 31	
Assets	2010	2009
Canada	$	$
Assets other than mineral property interests	3,242,291	978,114
Colombia		
Deferred mineral costs	1,046,277	-
Bolivia		
Assets other than mineral property interests	452,471	92,000
Mineral property interests	61,518,687	45,324,180
Total Assets	66,259,726	46,394,294

Note 12 Subsequent Events

In addition to information disclosed elsewhere in these notes, the following occurred during the period subsequent to December 31, 2010:

- The Company effected a name from Eaglecrest Explorations Ltd. to Colombia Crest Gold Corp. with the new trading symbol "CLB". There was no consolidation or splitting of capital or shares.

- Management granted incentive options for the purchase of up to an aggregate of 2,150,000 common shares of the Company. Of the options granted, 1,700,000 are exercisable on or before February 8, 2016 at a price of $0.45 per share. 250,000 options were granted to technical consultants for the Company and are exercisable on or before February 8, 2013 at a price of $0.45 per share. The remaining 200,000 options granted to an investor relations consultant are vested over a one year period with 50,000 becoming exercisable every three months and are exercisable on or before February 8, 2013 at a price of $0.45 per share. The options are subject to acceptance by the TSXV.

- Pursuant to the second tranche of a non-brokered private placement, the Company issued 9,964,336 units at $0.30 per unit for gross proceeds of $2,989,301. Each unit comprises of one common share and one warrant exercisable to purchase one additional common share for $0.45 expiring February 4, 2013; provided that if the average closing trading price of the common shares is $ 0.75 or higher for a period of 20 consecutive trading days, the Company may issue a notice that the warrants must be exercised within 21 days of the date of the notice or they will expire at the end of that 21 day period.

  Cash of $239,144 was paid and 797,146 share purchase warrants were issued as finders' fees in connection with the second tranche. In addition, the Company issued 100,000 common shares and an additional 100,000 warrants as a corporate finance fee. The finders' fee warrants are exercisable to purchase one additional common share for $0.45 expiring February 4, 2013. They are not subject to any acceleration provision. The corporate finance warrants have the same exercise terms as the private placement warrants.

Note 13 Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current period's financial statement presentation.

Note 14 FIT Restatement

During the preparation of the financial statements for the year ended September 30, 2010, the Company determined that a future income tax liability totalling $17,523,000 was required to have been presented in the financial statements for the year ended September 30, 2009.

The Company determined that the September 30, 2009 tax basis for exploration and development expenses was overstated by $29,204,000, as a result of those expenditures being incurred over the past 14 years by the Canadian parent company and capitalized on the balance sheet as resource properties, but unable to claim for tax purposes in the wholly owned Bolivian subsidiary. The 2009 future income tax liability and resource properties balances were each understated by $17,523,000. These corrections have been adjusted in the comparative figures.

The impact on the financial statements for this understatement is presented below:

Resource Properties	
As at September 30, 2009, as previously reported	$ 44,918,869
Adjustment to resource properties balance	17,523,000
As at September 30, 2009, as restated	$ 62,441,869
Future Income Tax Liability	
As at September 30, 2009, as previously reported	$ -
Adjustment to future income tax liability	17,523,000
As at September 30, 2009, as restated	$ 17,523,000