



**Management's Discussion & Analysis**

**Form 51-102F1**

**For the Three Months Ended December 31, 2016**

**COLOMBIA CREST GOLD CORP.**  
**Management's Discussion and Analysis (Form 51-102F1)**  
**For The Three Months Ended December 31, 2016**

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The Management's Discussion and Analysis ("MD&A"), prepared as of February 16, 2017, review and summarize the activities of Colombia Crest Gold Corp. ("Colombia Crest" or the "Company") and compare the financial results for the three months ended December 31, 2016, with those of the three months ended, December 31, 2015. This information is intended to supplement the unaudited condensed interim financial statements for the three months ended December 31, 2016 and the related notes thereto, which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts included in this MD&A are stated in Canadian dollars unless otherwise indicated.

Colombia Crest's common shares trade on the TSX Venture Exchange ("TSXV") under the symbol "CLB" and its most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the Internet at [www.sedar.com](http://www.sedar.com) or through the Company's website at [www.colombiacrest.com](http://www.colombiacrest.com).

The "Qualified Person" under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") for Colombia Crest's exploration projects in the following discussion and analysis is John Bolaños. Mr. Bolaños is a Professional Geologist (B.Sc.Eng) from Ecuador and earned a Master's degree in Mining Geology (M.Sc.) from Camborne School of Mines. He is a registered member of the Society of Mining, Metallurgy and Exploration of the USA (SME), a member of the Society of Economic Geologists (SEG). Mr. Bolaños has 20 years of general management, exploration management and geological experience with companies including Andean Gold Ltd., Ascendant Exploration S.A, Hampton Court Resources Company and Grant Mining S.A Companies.

#### **Forward-Looking Statements**

Except for the historical statements contained herein, this management's discussion and analysis presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and other minerals and metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "proposed" "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Colombia Crest to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the full recovery of the amounts owed to the Company related to the sale of its Bolivian subsidiary; risks related to international operations, risks related to the integration of acquisitions; actual results of current or future exploration activities; actual results of current or future reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and other minerals and metals; possible variations in ore reserves, resources, grade or recovery rates; failure of equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry. Although the management and officers of Colombia Crest believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Colombia Crest does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

## Overview

After more than a decade of mineral exploration in Bolivia, the Company disposed of its Bolivian assets (sold the Bolivian subsidiary) in December, 2012 to focus its activities on the acquisition and exploration of mineral resource properties in Colombia. The Company executed two agreements in 2010 to earn up to a 75% interest in the mineral titles of the Fredonia and Venecia properties, both located in the department of Antioquia, near the City of Medellin.

Due to the volatility of gold prices and uncertainty of success, the Company terminated both of its Colombian options in 2013. The Company retains an earned 50% interest in the Fredonia property. Currently, the Company has no intention to incur any further exploration or concession expenditures and any future expenditure incurred by the optionor and/or other third parties may have the effect of diluting the Company's earned interest. In 2013, when management provided notice to the optionor of the Company's intention to cease exploring, the Fredonia property consisted of three concessions totaling 4,563 hectares. The optionor subsequently dropped two of the concessions and the remaining one covers 1,967 hectares.

The Colombian operations were conducted through a Panama company which was a 100% subsidiary of another Panama company, which in turn was 100% owned by Colombia Crest Gold Corp. On September 18, 2015, both Panama companies were dissolved.

Presently, management is actively seeking new projects.

## Future Outlook

Since the signing of a revised payment agreement, executed in December 2014, with the purchaser of the Company's Bolivian subsidiary, the Company has received the first two installments totaling US\$400,000. The terms of the agreement call for the remaining US\$1.2 million to be paid in four installments between June 1, 2015 and March 1, 2016. The US\$300,000 due on June 1, 2015, was paid by the purchasers (also "the debtors") on August 18, 2015, to the Bolivian court after management initiated legal action to enforce the overdue payment. The US\$300,000 due on September 1, 2015, the US\$300,000 due on December 1, 2015, and the final US\$300,000 due on March 1, 2016, have not been paid as the matter has been in litigation.

In December of 2016, management and the debtors along with the guarantor of the debt met and agreed to settle the outstanding receivable amount of US\$1.2 million by payments totaling US\$900,000. Upon the signing of the new agreement ("New Agreement"), an immediate payment of US\$300,000 will be wired by the debtors to the Company's account. Both parties will terminate all legal actions pertaining to this matter and paperwork to expedite the release of the US\$300,000 held by the court will be filed. The remaining US\$300,000 will be paid on May 2, 2017. Assets owned by the debtors will be collateralized on the final payment due on May 2, 2017.

Although improving, the equity market conditions continue to pose a challenge to most junior exploration companies. Within a short period of signing the New Agreement, the Company will be in receipt of US\$600,000, which will allow the Company to continue paying its overhead and more importantly, facilitate the evaluation of new projects and opportunities. Currently, management is considering various options and will make further disclosures when appropriate.

## Selected Annual Information

	Year Ended September 30 2016 \$	Year Ended September 30 2015 \$	Year Ended September 30 2014 \$
Net income (loss)	204,819	(313,989)	(593,849)
Basic earnings (loss) per share	0.00	0.00	(0.01)
Total assets	429,271	56,205	497,161
Current liabilities	691,581	539,075	666,042
Working capital deficit	(265,911)	(488,015)	(271,485)
Dividends	Nil	Nil	Nil

The Company was in various stages of exploring its mineral properties and had not earned any revenues from its projects.

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures are deferred until properties are brought into production, at which time they will be amortized on a unit of production basis. In the event that properties are sold, impaired or abandoned, the deferred cost will be written off. Considerable sums have been spent on the exploration of the Company's properties in the past almost two decades, thus resulting in the sizable increases in the Company's total asset base. However, from 2010 to 2013, significant write-offs in deferred exploration expenditures in Bolivia and Colombia have resulted in substantial decreases in total assets of the Company.

During fiscal 2014, the Company focused on cutting corporate overhead and expenses to conserve cash. Expenses and the net consolidated loss for the year were considerably lower compared to prior years. Total assets were further lowered in 2014 as management renegotiated the Company's long term receivable by granting a substantial discount to receive earlier settlement of payments. A further impairment on the receivable of \$357,978 was recorded as at September 30, 2014. Refer to Note 5 of the audited September 30, 2014, consolidated financial statements for more detail.

In fiscal 2015, \$473,000 (2 payments of US\$200,000) were received from the debtors, which resulted in \$24,680 being recorded as a recovery of impairment on receivable. The recovery is the excess of cash received relative to the aggregate carrying value of the receivable at September 30, 2014, of \$448,320. Furthermore, in 2015, the Company also received \$35,957 (US\$30,920) as compensation due to late closing of the sale of the Bolivian subsidiary in 2013. The \$35,957 was recorded as a recovery from discontinued operations. As at September 30, 2015, no estimate of a fair value of the remaining receivable was recorded in the financial statements, which had an effect of lowering the balance sheet assets as compared to the previous year.

During fiscal 2016, management maintained its efforts to collect on the receivable due to the Company. In December, 2016, management and the debtors came to new terms to settle the receivable issue. As described in the above heading section, the Company is expected to receive a total of US\$600,000 by sometime in March, 2017, with a final payment of US\$300,000 on May 2, 2017. As a result of this settlement development, as at September 30, 2016, management has estimated the fair value of the receivable to be \$393,510 (US\$300,000), which is the amount to be paid by the debtors on the day of the signing of the New Agreement. The offsetting entry was the recognition of \$393,510 in recovery of impairment on receivable.

## **Results of Operations:**

### **For the three months ended September 30, 2016 and 2015 review:**

For the three months ended December 31, 2016, the Company recorded a net loss of \$45,621 as compared to a net gain of \$317,982 for the three months ended December 31, 2015. The gain in 2015 was a result of the recognition of \$415,200 in recovery of impairment on receivable. Excluding the recovery of impairment on receivable, a net loss of \$97,218 was incurred for the three months ended December 31, 2015.

Major accounts that changed notably for the three month period for 2016 and 2015 were as follows:

	2016 \$	2015 \$	Change \$	
Expenses:				
Administration fees	6,000	24,000	(18,000)	1.
Foreign exchange loss	1,647	12,313	(10,666)	2.
Management fees	13,309	30,079	(16,770)	3.
Travel and promotion	7,771	14,599	(6,828)	4.
	<u>(28,727)</u>	<u>(80,991)</u>	<u>(52,264)</u>	
Other items:				
Recovery of impairment on receivable	-	415,200	415,200	5.
All other accounts	<u>(16,894)</u>	<u>(16,227)</u>	<u>667</u>	
	<u>(45,621)</u>	<u>317,982</u>	<u>363,603</u>	

1. Company personnel took a reduction in administration fees during fiscal 2016.
2. Higher foreign exchange loss in 2015 due to a larger net liability position against a strong US dollar.
3. Company personnel took a reduction in management fees during fiscal 2016.
4. Travel expense higher in 2015 as a former geologist provided documentation of valid travel expenses applicable to a prior year.
5. In 2015, management estimated the fair value of the receivable based on the US\$300,000 paid by the debtors to the court when the Company initiated legal action for collection of its receivable. The corresponding amount was recorded as recovery of impairment on receivable.

#### Summary of Selected Highlights for the Last Eight Quarters

Description	Dec 31, 2016 \$	Sept 30, 2016 \$	Jun 30, 2016 \$	Mar 31, 2016 \$
<b>Balance Sheet:</b>				
Current assets	428,263	425,670	419,764	424,706
Current liabilities	725,726	691,581	672,756	644,225
<b>Shareholders' Equity</b>				
Capital stock	79,932,514	79,932,514	79,932,514	79,932,514
Shares subscribed	1,156,000	1,156,000	1,156,000	1,156,000
Contributed surplus	6,030,315	6,030,315	6,030,315	6,030,315
Cumulative translation adjustment				
Deficit	(87,442,501)	(87,396,880)	(87,367,834)	(87,333,975)
Working capital deficit	(297,463)	(265,911)	(252,992)	(219,519)
<b>Operations:</b>				
Total revenues	Nil	Nil	Nil	Nil
Net loss	(45,621)	(29,046)	(33,858)	(50,259)
Basic loss per share	0.00	0.00	0.00	0.00

Description	Dec 31, 2015 \$	Sept 30, 2015 \$	Jun 30, 2015 \$	Mar 31, 2015 \$
<b>Balance Sheet:</b>				
Current assets	457,936	51,060	118,136	46,214
Current liabilities	627,583	539,075	500,054	590,605
<b>Shareholders' Equity</b>				
Capital stock	79,932,514	79,932,514	79,932,514	79,932,514
Shares subscribed	1,156,000	1,156,000	1,156,000	1,156,000
Contributed surplus	6,030,315	6,030,315	6,030,315	6,030,315
Cumulative translation adjustment				
Deficit	(87,283,717)	(87,601,699)	(87,495,180)	(87,441,490)
Working capital deficit	169,647	(488,015)	(381,918)	(544,391)
<b>Operations:</b>				
Total revenues	Nil	Nil	Nil	Nil
Net gain (loss)	317,982	(106,519)	(53,690)	(108,492)
Basic loss per share	0.00	0.00	0.00	0.00

### Significant Items Within the Quarter and Comparison to Previous Quarter:

For the three months ended December 31, 2016:

- Working capital deficit of \$297,463

Net loss was lower in the previous quarter due to a write-off of accrued expenses of \$19,675 and a foreign exchange gain of \$21,216 whereas there was a slight foreign exchange loss in the current quarter.

For the three months ended September 30, 2016:

- Foreign exchange gain of \$21,216
- Write-off of accrued expense of \$19,675
- Working capital deficit of \$265,911

Net loss decreased during the 4<sup>th</sup> quarter as compared to the 3<sup>rd</sup> quarter due mainly to a net foreign exchange gain and the write-off of an accrued expense in the 4<sup>th</sup> quarter.

For the three months ended June 30 2016:

- Working capital deficit of \$252,992

Net loss decreased during current quarter from last quarter due mainly to further reductions in administration and management fees by taken by Company personnel.

For the three months ended March 31, 2016:

- Foreign exchange gain of \$487
- Working capital deficit of \$219,519

Net gain recorded in the previous quarter due to a recovery of impairment on receivable. Otherwise, the net loss in the current quarter is in line with prior quarters without major recoveries or significant foreign exchange losses being recorded.

For the three months ended December 31, 2015:

- Foreign exchange loss of \$12,313
- Recovery of impairment on receivable of \$415,200
- Working capital deficit of \$169,647

Net gain resulted in the quarter due to recognition of \$415,200 as recovery of impairment on receivable. After legal action by the Company to enforce a payment agreement, the debtors paid \$415,200 (US\$300,000) to the Bolivian court. Management is in process of filing to have the funds released.

For the three months ended September 30, 2015:

- Foreign exchange loss of \$16,145
- Working capital deficit of \$488,015
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Increase in loss of \$52,829 during the quarter as compared to the previous quarter due to a foreign exchange gain of \$12,201 and a recovery of impairment on receivable of \$24,680 being recorded in the previous quarter. A foreign exchange loss of \$16,145 was recorded in the current quarter and there was no recovery of impairment on receivable.

For the three months ended June 30, 2015:

- Long term receivable payment of \$240,420 (US\$200,000) received
- Recovery of impairment on long term receivable in the amount of \$24,680
- Foreign exchange gain of \$12,201
- Working capital deficit of \$381,918

Decrease in loss during the current period from last quarter due mainly to the recovery of impairment on long term receivable in the amount of \$24,680. Working capital deficit also decreased from the last quarter as \$240,420 (US\$200,000) payment in long term receivable was received.

For the three months ended March 31, 2015:

- Foreign exchange loss of \$24,962
- Working capital deficit of \$544,391

Increase in loss during the current period compared to previous quarter due to higher loss in foreign exchange. Also a recovery from discontinued operations helped to lower the losses in the previous quarter. Working capital deficit increased in the current quarter as the receivable payment of US\$200,000 due March 1, 2015 was not received.

Substantially lower net loss in the current quarter due to recognition of an impairment of receivable in the amount of \$357,978 in the prior quarter.

## **Liquidity and Solvency**

At this time, the Company has no operating revenues and does not anticipate any in the near term. Historically, the Company has raised funds through private placements, loans, shares for debt settlements, and the exercise of options and warrants.

Aside from two loans with a related party, no private placements or any other financing took place in the current period or in fiscal 2016.

The Company entered into an agreement with an officer of the Company dated August 12, 2016 for an unsecured loan ("Loan") of US\$12,000 on the following terms:

Interest on the Loan is accrued at an annual rate of 5% commencing on September 1, 2016.

The Loan and accrued interest are to be repaid on or before March 1, 2018.

The Company entered into an agreement with an officer of the Company dated December 21, 2016 for a second unsecured loan (the "2<sup>nd</sup> Loan") of US\$10,000 on the following terms:

Interest on the 2<sup>nd</sup> Loan is accrued at an annual rate of 2.5% commencing on January 1, 2017.

The 2<sup>nd</sup> Loan and accrued interest are to be repaid on or before March 1, 2018.

Management has been working diligently in seeking financing opportunities. One measure taken was amending the terms of the long term receivable (from sale of the Company's Bolivian subsidiary) so that receipt of the remaining funds would be accelerated. As at the end of fiscal 2013, under the original terms, the remaining US\$4.9 million was to be paid by annual installments commencing December, 2013 and ending in 2022.

Amendment of the terms of the long term receivable was completed in May, 2014. The amended or second agreement discounted the US\$4.8 million (US\$100,000 was received prior to the amendments) to US\$1.65 million, of which US\$50,000 was to be paid in April, 2014 with 16 subsequent payments of US\$100,000 between May 2014 and December 2015. The US\$50,000 due in April 2014 was received in July 2014, but the debtors defaulted on the following payments.

In September, 2014, the Company commenced legal action in Bolivia to enforce payment and in December, 2014, the debtors and the Company finalized the third (and current) agreement with payment of the remaining US\$1.6 million as follows:

- US\$200,000 due on December 11, 2014 (received);
- US\$200,000 due on March 1, 2015 (received in April 2015);
- US\$300,000 due on June 1, 2015\*;
- US\$300,000 due on September 1, 2015; (unpaid)
- US\$300,000 due on December 1, 2015; (unpaid) and
- US\$300,000 due on March 1, 2016 (unpaid).

*\* On August 18, 2015, the amount was paid by the debtors to the Bolivian court and due to legal actions by both parties, the funds are still held by the court.*

In addition to the payments outlined above, US\$12,000 was received in December, 2014, for interest and legal costs caused by the debtors' defaulting on payments according to the previous agreement.

The agreement signed in December, 2014, replaces all previous agreements and under this agreement, if any two consecutive payments are not paid as scheduled, the unpaid balance will be due on demand and will accrue interest at a rate of 2% per month.

In December of 2016, management and the debtors reached an agreement to drop all litigations and settle the outstanding receivable amount of US\$1.2 million by payments totaling US\$900,000. Upon the signing of the New Agreement, an immediate payment of US\$300,000 will be wired by the debtors to the Company's account and paperwork to expedite the release of the US\$300,000 held by the court will be filed. The remaining US\$300,000 will be paid on May 2, 2017. Assets owned by the debtors have been collateralized on the final payment due on May 2, 2017.

The New Agreement is being finalized and unless the Company receives the payments as agreed to, the Company will not have sufficient funds to pay overhead and administration expenses and to finance new projects during fiscal 2017 and its survival as a going concern may be in doubt.

The Company has incurred losses since inception and the long term survival of the Company depends on the ability of management to continue raising capital. While management has successfully raised the necessary capital to finance the Company's operations in the past, there is no assurance that it will continue to be able to do so in the future.

### **Industry and Economic Factors Affecting Colombia Crest**

The Company's future performance is largely tied to the ability of management to secure new projects, the outcome of those programs and the overall health and stability of junior capital markets, inclusive of the TSXV. The precious metal financial markets upon which the Company has been reliant are widely expected to experience continued volatility throughout 2017, reflecting investor anxiety with regard to the strength and longevity of the global economy, global growth prospects, and their associated impact upon liquidity, security and return.



During the last few years, junior exploration companies worldwide have been hit particularly hard by these trends. Accordingly, the Company is having difficulty raising equity financing for the purposes of mineral exploration. With continued market volatility and slower worldwide economic growth anticipated, the Company's strategy is to manage its treasury in a planned, deliberate and prudent manner while attempting to limit any future offering to a point in time where the associated capital markets have favourably stabilized. The Company believes this strategy will enable it to meet the near-term challenges presented by the capital markets while maintaining the momentum on key initiatives.

**Recent Pronouncements Affecting Changes in Accounting Policies (Standards, Amendments and Interpretations Not Yet Effective):**

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2016 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- IFRS 9 (Amended 2010) Financial Instruments (effective January 1, 2018)

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

**Critical Accounting Estimates**

The Company's significant accounting policies are summarized in Note 3 of its interim financial statements for the three months ended December 31, 2016. The preparation of the financial statements in accordance with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements.

The Company regularly reviews its judgements and estimates; however, actual amounts could differ and, accordingly, materially affect the results of operations.

Examples of significant judgments, apart from those involving estimates, include:

- Collectability of the long-term receivable - current portion;

**Off-Balance Sheet Arrangements**

Colombia Crest does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

**Outstanding Share Capital**

The following securities were outstanding as at February 16, 2017:

Securities	Number	Weighted-Average Exercised Price	Expiry Date
Common shares issued and outstanding	96,088,289	N/A	N/A
Share purchase options	250,000	\$0.25	November 8, 2017
Fully diluted share capital	96,338,289	N/A	N/A

For a breakdown of the securities as at December 31, 2016, refer to Note 8 of the interim financial statements for the three months ended December 31, 2016.

## Related Party Transactions

Key management personnel are persons responsible for the planning, directing and controlling the activities of the Company. Transactions with the related parties are recorded at the exchange amount being the price agreed between the parties. The Company's key management personnel are the CEO and CFO and their compensations are included in the following:

	For the Three Months Ended December 31	
	2016	2015
	\$	\$
Management fees	13,309	30,079
Administration fees	6,000	24,000
Total	19,309	54,079

No share purchase options were granted to key management personnel and directors for the three months ended December 31, 2016 and 2015.

Related party liabilities included in trade and other payable are as follows:

	As at December 31	
	2016	2015
	\$	\$
Amounts due to management		
Management fees	235,011	198,631
Administration fees	220,000	190,000
Consulting fees	41,490	41,728
Expenses and other	46,402	16,109
Total	542,903	446,468

On August 12, 2016, the Company received a loan of \$15,534 (US\$12,000) from an officer of the Company (see Liquidity and Solvency section above). As at December 31, 2016, due to the fluctuation of the US dollar, the loan payable was adjusted to \$16,112 with the difference of \$578 being recorded as a loss on foreign exchange. Interest accrued on the loan as at December 31, 2016, amounted to \$269 (US\$200) and is included in amounts due to management above.

On December 21, 2016, the Company received a second loan of \$13,929 (US\$12,000) from the same officer of the Company (see Liquidity and Solvency section above). As at December 31, 2016, due to the fluctuation of the US dollar, the second loan payable was adjusted to \$13,427 with the difference of \$502 being recorded as a gain on foreign exchange. Interest will be accrued on the second loan commencing January 1, 2017.

## Disclosure Controls and Procedures

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at December 31, 2016. Although certain weaknesses such as lack of segregation of duties are inherent with small office operations, management has implemented certain controls such as frequent reviews and regular preparations of reconciliations of transactions and budgets to ensure absence of material irregularities. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to it in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are designed to ensure effective information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

## Limitations of Controls and Procedures

It must be recognized that any implemented system of disclosure controls and procedures or internal controls over financial reporting can only provide reasonable and not absolute assurance that the objectives of the control system are met. While designing such control systems, resource constraints cannot be ignored and the benefits of controls must be considered relative to their costs. All control systems are subject to limitations and as such, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. Breakdowns within the system can occur due to simple human error or mistakes. Furthermore, controls can be circumvented by individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## Risk Factors

The Company is subject to the risks and challenges similar to other companies in a comparable stage. Other than the risks relating to reliance on financing previously discussed, the risks include, but are not limited to, limited operating history, speculative nature of mineral exploration and development activities, operating hazards and risks, mining risks and insurance, no mineral reserves, environmental and other regulatory requirements, competition, stage of development, fluctuations in commodity prices, conflicts of interest, reliance on key individuals, no key man insurance and enforcement of civil liabilities.

*Limited Operating History* - An investment in Colombia Crest should be considered highly speculative due to the nature of Colombia Crest's business. Colombia Crest has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or be paying dividends in the immediate or foreseeable future.

*Speculative Nature of Mineral Exploration and Development Activities* - Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by Colombia Crest may be affected by numerous factors which are beyond the control of Colombia Crest and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in Colombia Crest not receiving an adequate return of investment capital.

Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that the funds required for development can be obtained on a timely basis. Estimates of mineral reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short-term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in mineral reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

Few exploration properties are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. There is no assurance that Colombia Crest's mineral exploration activities will result in any discoveries of commercial bodies of ore. Also, no assurance can be given that any or all of Colombia Crest's properties will not be subject to prior unregistered agreements or interests or undetected claims which could be materially adverse to Colombia Crest.

*No Mineral Reserves* - All of Colombia Crest past properties were considered to be in the exploration stage only and did not contain a known body of commercial ore. Mineral reserves are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different ore grades may cause a mining operation to be unprofitable in any particular accounting period. While Colombia Crest did have mineral resources, such resources were not mineral reserves and did not have demonstrated economic viability.

*Operating Hazards and Risks* - Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Colombia Crest's past operations and future operations will be subject to all the hazards and risks normally incidental to exploration, development and production of metals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage.

*Fluctuations in Commodity Prices* - The profitability, if any, in any mining operation in which Colombia Crest may have an interest is significantly affected by changes in the market price of precious and base metals which fluctuate on a daily basis and are affected by numerous factors beyond Colombia Crest's control.

*Conflicts of Interest* - Certain of the directors and officers of Colombia Crest are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of Colombia Crest may become subject to conflicts of interest. Canadian corporate laws provide that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under those laws. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable Canadian corporate laws.

*Mining Risks and Insurance* - The business of mining for gold and other metals is generally subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological conditions, pressures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, blizzards and earthquakes. No assurance can be given that such insurance will continue to be available or that it will be available at economically feasible premiums. Mining operations will be subject to risks normally encountered in the mining business.

*Environmental and Other Regulatory Requirements* - Colombia Crest's activities have been subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving toward stricter standards and enforcement with more severe fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The exploration interests of Colombia Crest and potential development and production on future properties, require permits from various federal and local governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Colombia Crest believes it is in substantial compliance with all material laws and regulations which currently apply to its activities.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations 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 and, in particular, environmental laws.

*Competition* - Significant competition exists for the limited number of mineral property acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Colombia Crest. The Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable. Accordingly, there can be no assurance that Colombia Crest's exploration and acquisition programs will yield any reserves or result in any commercial mining operation.

*Stage of Development* - Colombia Crest is in the business of exploring for precious and base metals, with the ultimate goal of producing them from its mineral exploration properties. None of the Company's past properties had commenced commercial production and Colombia Crest has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that Colombia Crest will be able to develop any of its future properties profitably or that its future activities will generate positive cash flow.

Colombia Crest has not paid any dividends and it is unlikely to enjoy earnings or paying dividends in the immediate or foreseeable future. Colombia Crest has not sufficiently diversified such that it can mitigate the risks associated with its planned activities. Colombia Crest has limited cash and other assets.

A prospective investor in Colombia Crest must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of Colombia Crest's management in all aspects of the development and implementation of Colombia Crest's business activities.

*Reliance on Key Individuals* - Colombia Crest's success depends to a certain degree upon certain key members of the management. These individuals are a significant factor in Colombia Crest's growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on Colombia Crest.

*Enforcement of Civil Liabilities* - As the key major assets of Colombia Crest and certain of its management are or may be located outside of Canada, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of Colombia Crest, or the management of Colombia Crest, residing outside of Canada. By the same token, the Canadian court has no jurisdiction to enforce any claims made by the Company outside of Canada. The matter has now been settled privately between the two parties in December, 2016, however, during fiscal 2016, the Company was embroiled in legal proceeding while attempting to enforce a payment agreement pertaining to the sale of the Company's Bolivian subsidiary to a Bolivian entity.

*Political Risks* - The Company operated in Colombia and Bolivia and operations in these countries are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The governments in Colombia and Bolivia faced ongoing problems of inflation, unemployment and inequitable income distribution. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Depending on where Company ends up, such risks may be present in places with similar background histories.

Future political actions cannot be predicted and may adversely affect the Company. Changes, if any, in mining or investment policies or shifts in political attitude in the countries in which the Company holds property interests in the future may adversely affect the Company's business, results of operations and financial condition. Future 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, 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. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's consolidated business, results of operations and financial condition.

Other risks may involve matters arising out of the evolving laws and policies pertinent to that country, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in the Company's operations, or other matters. The Company also bears the risk that changes can occur in the government and a new government may void or change the laws and regulations that the Company may be relying upon.

*Mining Regulation* - The mineral exploration and development activities which may be undertaken by 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.

Exploration and development activities may also be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploration and production, price controls, export controls, currency availability, foreign exchange controls, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, limitations on foreign ownership, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on repatriation of income and return of capital, limitations on mineral exports, high rates of inflation, increased financing costs, and site safety. This may affect both the Company's ability to undertake exploration and development activities in respect of its properties, as well as its ability to explore and operate those properties in which it current holds an interest or in respect of which it obtains exploration and/or development rights in the future.

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 development or future potential production. 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.