

Amended



**Management's Discussion & Analysis**

**Form 51-102F1**

**For the Year Ended September 30, 2013**

**COLOMBIA CREST GOLD CORP.**  
**Management's Discussion and Analysis (Form 51-102F1)**  
**For The Year Ended September 30, 2013**

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The Management Discussion's and Analysis ("MD&A), prepared as of February 19, 2014, review and summarize the activities of Colombia Crest Gold Corp. ("Colombia Crest" or the "Company") and compare the financial results for the year ended September 30, 2013, with those of the previous year ended, September 30, 2012. This information is intended to supplement the audited consolidated financial statements for the year ended September 30, 2013 and the related notes thereto, which have been prepared 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 (Qualified Person) of the Society of Mining, Metallurgy and Exploration of the USA (SME), Member of the Society of Economic Geologists (SEG), Professional Geologist Engineer (G.E.) and is fluent in Spanish and English. Mr. Bolaños has 20 years of general management, exploration management and geological experience for 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 international operations, risks related to the integration of acquisitions; risks related to joint venture operations; 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; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. 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 thirteen years of exploring in Bolivia, the Company disposed of its Bolivian assets in December, 2012, and for the past few years, had focused 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.

After raising funds in early 2011, the Company acquired regional geology and geophysical data for the Fredonia-Venecia properties and identified a number of porphyry gold-copper targets including the Arabia target. The Arabia target was located about 10 kilometres west of Bellhaven Copper and Gold's La Mina project and about 15 kilometres south of Sunward Resources' Titiribi project, two projects with defined porphyry associated gold-copper resources.

By early 2012, Colombia Crest outlined gold, copper, molybdenum and tellurium anomalies from rocks and soils in the Arabia area and identified four distinct porphyry copper-gold targets. Rock chip results returned up to 3.8 grams per tonne gold ("g/t Au"), coincident with potassic-altered porphyry outcrops. Assay results received from soil samples over the Arabia area showed four anomalous gold zones, defined as areas greater than 40 parts per billion ("ppb"), including gold values up to 405 ppb gold (0.405 g/t Au).

By November 2012, the Company had drilled a total of 18 holes for 6,500 metres of core, into the Arabia area target. Highlights of the drill program included 182 metres of 0.38 g/t Au from hole 4, with several intervals averaging over 0.5 g/t Au. It was interpreted that the drilling holes had intersected the uppermost portions of a gold-rich porphyry complex at Arabia and that further drilling was necessary to determine if higher-grade gold mineralization occurred at depth.

Evidence of several other buried porphyry targets suggested was collected and the Garrucha target identified returning gold, copper and molybdenum anomalies consistent with porphyry target. Additionally, high-grade gold targets were sampled in the El Retiro area, located east of the main porphyry belt, and rock chips samples returned up to 8.25 g/t Au. Stream sediment sampling in the Retiro area expanded the area for exploration with stream samples returned up to 0.84 g/t Au.

Due to the downturn in the financing market for junior exploration companies in conjunction with the falling gold price, the Colombia Crest was unable to raise the necessary funds to continue exploration activities and as a result, management terminated both of its Colombian options in 2013. The Company retains a 50% interest in the Fredonia property.

## **Mineral Properties**

### **Fredonia, Colombia**

Fredonia was the first acquisition by the Company in Colombia's gold-rich 300 kilometre-long Middle Cauca Belt. The southern end of the Middle Cauca Belt hosts the world class 24-million ounce La Calosa gold-copper resource. Total gold resources discovered the Middle Cauca Belt in the past 5 years has grown to almost 60 million ounces.

Due to lack of funding, in November, 2013, notice was provided to the optioner that the Company will maintain its earned 50% interest in the Fredonia property without intention to incur any further exploration or concession expenditures at the present time. Future expenditures incurred by the optioner and/or other third parties may have the effect of diluting the Company's earned interest. At this stage it is uncertain if any future expenditures will be incurred or if the optioner will maintain the concessions. Therefore, all previously deferred exploration expenditures were written off and expensed as at September 30, 2013.

Under the Fredonia Agreement, prior to September 30, 2013, Colombia Crest retained the rights to explore 9 concessions, which includes six Technical Studies and three Contracts, covering approximately 13,123 hectares.

Pursuant to the Agreement dated August 13, 2010, which was amended August 16, 2011 and amended again on July 22, 2013, the Company could acquire a 75% interest in the Fredonia property as follows:

Date	Expenditures US\$		Common Shares / Warrants Issued	Cash US\$	Interest Earned
Upon signature of agreement	52,500	(cash paid)	-	10,000 (paid)	-
By September 28, 2010	97,500	(paid via issuance of 319,922 shares)	1,000,000 shares and 1,000,000 warrants (i) (issued)	-	-
By October 28, 2010	32,500	(ii)	319,922 shares (issued)	-	-
By March 28, 2011	47,500	(incurred)	-	50,000 (paid)	12.5%
By September 28, 2011	-		-	27,500 (paid)	25.0%
By March 28, 2012 (iii)	902,500	(incurred)	-	-	-
By March 28, 2013 (iii)	1,100,000	(incurred)	-	-	50.0%
By March 28, 2014 (iii)	600,000		-	-	50.0%
<b>Total</b>	<u>2,832,500</u>			<u>87,500</u>	<u>50.0%</u>

By March 28, 2019, upon completion of a positive feasibility study, or (through an amended agreement dated July 22, 2013) achieve gold resources of at least one million ounces in the “measured and indicated resource” category

75.0%

- (i) Each warrant exercisable to purchase an additional common share at \$0.40 per share expiring September 28, 2012.
- (ii) Reimbursement to optioner for taxes paid. By agreement with both parties, time for payment was extended to January, 2011 (paid).
- (iii) By an amendment agreement dated August 16, 2011, time stipulated was extended for six months.

Until July 22, 2013, the following terms were in effect in order for the Company to maintain its right to earn a 75% interest:

By June 27, 2014 (extended by six months by an amendment agreement dated August 16, 2011), the Company was provide the optionor written notice (the “Study Notification”) of the Company’s intention to fund the preparation of a feasibility study, which was to be completed by June 27, 2019 (extended by six months by an amendment agreement dated August 16, 2011). In order to maintain its “right to earn a” 75% interest, the optionor was to 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 did not meet this expenditure requirement in any such one year period, the Company may maintain its right to earn a 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.

By an amendment agreement dated July 22, 2013, the terms as outlined above were replaced with the following:

In order to maintain its right to earn a 75% interest, the optioner was to incur additional expenses aggregating at least US\$5,000,000 during the period commencing March 28, 2014 and ending March 31, 2019, with not less than US\$250,000 of such Annual Exploration Expenses being incurred during each one-year period after March 28, 2014; provided that the optionee shall be deemed to have incurred the Annual Exploration Expenses for any one-year period if it pays an amount equal to the difference between the Annual Exploration Expenses actually incurred during the applicable period and US\$250,000 to the optioner within 30 days after the end of such 12 month period, in each case in cash or, at the option of the optionee, in shares of the Company pursuant to specific conditions.

If the Company received any cash payments from any third party pursuant to any agreement for the sale or other disposition of an interest in the property, including by way of option or joint venture, the Company will pay to the Optioner an amount equal to 25% of such cash payments within 30 days after receipt of such payments.

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

### Venecia, Colombia

The Venecia property was owned by Colombian Mines Corporation and located within the Fredonia area. It adjoined the western edge of the La Mina property, owned by Bellhaven Copper and Gold Inc. Pursuant to an Earn In Agreement with Colombian Mines Corporation, dated March 30, 2011, Colombia Crest had an option to acquire up to a 75% interest in the mineral title of the 1,985 hectare Venecia property as follows:

Date	Expenditures US\$	Common Shares / Warrants Issued	Cash US\$	Interest Earned
Upon signature of the LOI (September 30, 2010 - paid)	-		30,000 (i)	-
By April 14, 2011	50,000 (incurred)	-	-	-
By April 21, 2011		250,000 shares and 250,000 warrants (ii) (issued)	-	12.5%
By March 30, 2012	950,000 (incurred)	125,000 shares and 125,000 warrants (ii) (issued)	80,000 (paid)	25.0%
By March 30, 2013	1,000,000 (incurred)	125,000 shares and 125,000 warrants (iii) (issued)	75,000 (v)	37.5%
By March 30, 2014	1,000,000	125,000 shares and 125,000 warrants (iv)	350,000	75.0%
Total	<u>3,000,000</u>		<u>535,000</u>	<u>75.0%</u>

- (i) By agreement with both parties, time for payment was extended to December 20, 2011 (paid).
- (ii) Warrants have an unit exercise price of \$0.4375 with 250,000 expiring April 15, 2013 and 125,000 expiring March 23, 2014.
- (iii) Warrants have an unit exercise price of \$0.4375 expiring March 22, 2015.

- (iv) Warrants will have an exercise price equal to the greater of the closing price of the Company's common shares at the date of execution or \$0.4375. The warrants will have an expiry date of two years after their date of issue.
- (v) Through an amendment agreement dated March 30, 2013, the US\$75,000 payment was revised as follows:

- US\$10,000 to be paid on or before April 2, 2013 (paid)
- US\$25,000 to be paid on or before July 1, 2013 (unpaid) \*
- US\$40,000 to be paid on or before September 30, 2013 (unpaid)

The Company issued 180,000 shares on June 4, 2013, as consideration for the amendment.

- \* On July 29, 2013, the Company was given notice of default of the Venecia Agreement and the amendments thereto by the optioner, and was provided 30 days from July 29, 2013, to cure this default or the Venecia Agreement will be terminated.

The Company was unable to cure the notice of default as issued by the Optioner and on August 29, 2013, the Company announced that it had concluded its option to the Earn in Agreement for the 1,985 hectare Venecia Project with Colombian Mines Corporation (TSX-V; CMJ).

As at September 30, all previously deferred exploration expenditures on the Venecia project were written off and expensed.

### **Fredonia-Venecia Exploration Program**

Following the fundraising efforts in early 2011, the Company embarked on an exploration beginning in March 2011. The program consisted of an airborne geophysical survey over 50% of the project area and initiation of ground work to validate potential gold-copper porphyry targets. Twenty porphyry targets were initially identified for follow up work. The land package as of June 30, 2013 consisted of over 17,100 hectares. 20

In early 2011, the Company announced the discovery of porphyry-related alteration in an area named Arabia where mapping had delineated quartz-sericite-pyrite alteration on surface. The quartz-sericite-pyrite alteration zone was surrounded by a halo of propylitic alteration, which was typical of a zoned porphyry gold system. Further rock chip sampling and mapping at the Arabia target resulted in the discovery of potassic-altered diorite porphyry rocks in outcrop. Gold mineralization in the potassic zone coincided with a stockwork of quartz-magnetite veins and sometimes traces of chalcopyrite. Assay results from rock chip sampling of the potassic zone varied from below detection up to 3.8 g/t Au in the samples collected over potassic-altered porphyry rock at Arabia. Soil sampling covering 5.28 square kilometres followed the initial rock-sampling program at Arabia. Four porphyry targets at the Arabia were found with the soil survey where assay results returned from below detection limits to 405 ppb gold or 0.405 g/t Au.

On March 28, 2012, a 5,000-metre phase one drill program commenced. Drill sites were located over areas thought to have porphyry associated gold mineralization based on soil assays, rock chip assays and alteration mapped in outcrop. By the end of November, Arabia drilling totaled 6,574 metres from 18 holes. Three zones stood out as future targets at Arabia:

1. Drill holes AR12-3 and AR12-4 (see October 17, 2012 press release) were first to cut elevated gold grades of greater than 0.5 g/t Au related to porphyry-style mineralization. Hole 4 cut the longest, most altered section of mineralized porphyry returning 182 metres of 0.38 g/t Au, with several shorter intervals over 0.5 g/t Au.
2. Drill hole AR12-8 intersected an interval >0.5 g/t Au located near a surface rock chip sample that returned 3.8 g/t Au
3. A high-grade gold intercept of 15.7 g/t Au over 1.3 metres was returned from the lower portion of hole AR12-15 (see December 19, 2012 press release). This intercept was interpreted to be associated with a mineralized fault zone adjacent to mineralized porphyry on the westernmost portion of the drilled area at Arabia.

Based on the drilling results, it was interpreted that the drill holes tested the upper portions of a gold mineralized porphyry and that the porphyry system may become stronger to the southeast of our holes.

Additional targets were explored in late 2013. Stream-sediment sampling results from the Garrucha porphyry target yielded anomalous gold up to 98 ppb defining an anomalous area on the north-east part of the concession 7350-B. The anomalies were located less than five kilometres south of the La Mina project, currently being explored by Bellhaven Copper and Gold. These stream-sediment anomalies were coincident with magnetic and resistivity anomalies observed in ZTEM data flown by Geotech in late 2012.

On July 2, 2013 the Company announced that follow-up float chip sampling in the El Retiro area, eastern Fredonia Project, returned up to 4.1 and 59.3 g/t Au, with 35 and 253 grams per tonne silver. More-dispersed areas of up to 1.27 grams per tonne gold were also discovered in a contact between intrusive and metamorphic rocks which contained numerous sheeted quartz veinlets related to the mineralization, and could represent a larger-tonnage type gold target.

Since outcrop was limited, the recent follow-up sampling was of float chip samples in the area of the original high-grade prospect. A previous channel sample reported by Colombia Crest on December 20, 2010 was from a small prospect which returned 8.25 g/t Au. In the same area, on January 14, 2013, the Company reported stream-sediment gold results of 839 ppb (0.839 g/t Au), which was confirmed by a follow-up sampling.

### **Resignation of CEO**

Effective September 9, 2013, Hans Rasmussen, resigned as the Company's President and CEO but, remains a director of the Company. Mr. Rasmussen joined Colombia Crest as a director in 2006 and later assumed the role of President in January, 2007 and eventually in September, 2010, became CEO. The Board is looking to find a new CEO to lead Colombia Crest.

Meanwhile, Mr. Walter Lienhard has been appointed CEO on an interim basis. Mr. Lienhard received a B. Sc. Degree in geology from the University of Arizona and has over 25 years of international exploration experience working with a major mining company and junior exploration companies. Mr. Lienhard joined the Company in 2007 as Vice-President of Exploration and New Business Development. He is fluent in Spanish and has managed the Company's exploration projects in Bolivia and Colombia.

### **New Director**

Mr. Michael Ginn has been appointed a director for the Company. Mr. Ginn is a businessman who has owned successful telecommunications companies in Vancouver, BC, Canada and Hong Kong. His Canadian company was sold to a national telecom company in the 1980s. In Hong Kong, he was one of the cofounders of a telecommunications business that has today become one of Asia's largest telecom companies. Since selling his Hong Kong interest, he has been providing consulting services in China for more than 20 years. Mr. Ginn has also been involved with TSX Venture-listed companies and currently sits as a director on the board of two other junior exploration companies.

### **Subsequent Operating Events**

Due to lack of funding, in November, 2013, notice was provided to the optioner (Bullet Holding Corp.) that the Company will maintain its earned 50% interest in the amendment agreement without intention to incur any further exploration or concession expenditures at the present time. Any future expenditures incurred by the optioner and/or other third parties may have the effect of diluting the Company's earned interest.

### **Future Outlook**

In addition to searching for a new CEO, the essential goal is to obtain financing to maintain the Company's operation and to seek out new mineral exploration projects. The equity market conditions still pose a challenge to most junior explorers. However, Colombia Crest is currently renegotiating the terms of the sale of the Bolivian subsidiary to arrange an earlier settlement of the long term receivable associated with the sale. Management is optimistic that the receivable can be settled early to provide the necessary funds for the Company.

## Selected Annual Information

	Year Ended September 30 2013 \$	Year Ended September 30 2012 (Restated) \$	Year Ended September 30 2011 (Restated) \$
Interest income	2,266	34,860	29,318
Net loss	(8,778,799)	(12,430,367)	(25,763,360)
Basic loss per share	(0.10)	(0.11)	(0.43)
Total assets	928,274	9,469,586	18,011,433
Current liabilities	503,306	417,779	296,414
Working capital (deficit)	(374,018)	3,542,969	3,261,793
Dividends	Nil	Nil	Nil

The Company was in the stages of exploring and developing its mineral properties and the Company has 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 development of the Company's properties in the past several years, thus resulting in the sizable increases in the Company's total asset base. However, in 2011, \$27,935,204 in deferred costs expended on concessions within the Dona Amelia zone in Bolivia were written off as the Company no longer intended to invest any major funding for exploration in that area. This accounted for the significant decrease in total assets in 2011 as compared to prior years.

During the 2013 audit, the IFRS adjustments were reviewed, which resulted in a restatement of \$3,044,120 being debited (or to lower) to the cumulative translation adjustment account. An offset entry of the same amount was credited or recorded as a gain to the profit and loss statement. These adjustments pertain to the Bolivian exploration and evaluation assets on the balance sheet.

In 2012, the Company expensed another \$4,938,801 in exploration and evaluation reserves as it wrote down the last remaining Bolivian concession (San Simon) to a value of \$4,629,154. The Bolivian subsidiary was sold outright in December of 2012 for US\$5 million cash with proceeds to be paid over a 10 year period. The \$4,629,154 represents the net present value of the sales proceeds as at September 30, 2012. A total of \$226,959 was also expended to maintain the previously written off concessions while management was in negotiations and preparations to sell the Bolivian subsidiary.

During the 2013 audit, it was determined that the 2012 original write down of San Simon was insufficient due to the application of an incorrect discount rate. As a result, the 2012 balance sheet has been restated by decreasing the Bolivian concession by \$2,381,761 as well as a decrease of the credit balance of the cumulative translation adjustment by \$39,466. An offsetting increase to deficit of \$2,342,295 was adjusted due to the additional write-off of exploration and evaluation assets of the same amount to the net loss statement. Also, as a result of the restatement of a gain to the profit and loss statement in 2011, the same amount of \$3,044,120 was recognized as a loss in 2012 to reflect the loss in the proper period.

In 2013, the Company commenced ceasing its operations in Colombia due to shortage of funds and lack of sufficiently favourable geological findings. As a result, \$6,600,686 in deferred Colombian exploration costs were written off at the 2013 fiscal year end. The sale of the Bolivian subsidiary resulted in a loss of \$87,824 (for detail - refer to note 5 of the audited September 30, 2013). The assessment of a fair value of the long term receivable associated with the sale of the subsidiary resulted in a loss of \$1,253,750 as impairment on receivable (for detail explanation - refer to note 5 of the audited September 30, 2013).

## Results of Consolidated Operations

### Year ended September 30, 2013, Review:

For the year ended September 30, 2013, the Company incurred a consolidated net loss of \$8,778,799 as compared to a consolidated net loss of \$12,430,367 (restated) for the prior year ended September 30, 2012.

Excluding substantial other items such as write downs of exploration and evaluation assets and impairment adjustments; general administration and operation expenses totaled \$840,248 in 2013 as compared to \$1,979,067 for 2012.

A main cause for the substantial drop in administration and operational expenses was the curtailment of all activities across the board due to a very tight cash position in 2013.

Significant write downs of exploration and evaluation assets occurred in both 2013 and 2012 as the Company commenced shutting its exploration operations in Bolivia in 2012 and in Colombia in 2013.

Major accounts that changed notably during the years ended 2013 and 2012 were as follows:

	2013	(Restated) 2012	Increase (Decrease)	
	<u>\$</u>	<u>\$</u>		
Expenses:				
Accounting and audit	15,228	119,196	(103,968)	1.
Administration	108,000	138,000	(30,000)	2.
Advertising	-	15,150	(15,150)	3.
Corporate development	106,502	198,073	(91,571)	4
Filing fees	14,006	38,089	(24,083)	5
Foreign exchange loss (gain)	(116,664)	25,479	(142,143)	6.
Legal	59,942	32,774	27,168	7.
Management fees	145,869	199,562	(53,693)	8.
Office	71,954	89,317	(17,363)	9.
Stock-based compensation	34,900	521,385	(486,485)	10
Travel and promotion	117,986	219,195	(101,209)	11.
General explorations	202,936	296,285	(93,349)	12.
	<u>760,659</u>	<u>1,892,505</u>	<u>(1,131,846)</u>	
Other items:				
Write-off of exploration and evaluation assets	6,600,686	10,509,169	(3,908,483)	13
Loss from discontinued operation	87,824	-	87,824	14
Impairment on receivable	1,253,750	-	1,253,750	15
Gain on revaluation of foreign currency denominated warrants	-	(27,559)	(27,559)	16
Interest income	(2,266)	(34,860)	(32,594)	17
All other accounts	<u>78,146</u>	<u>91,112</u>	<u>(12,966)</u>	
	<u>8,778,799</u>	<u>12,430,367</u>	<u>(3,651,568)</u>	

- Higher accounting fees in 2012 due to additional work relating to converting to IFRS standards. Furthermore the excess accrual of audit fees in 2012 resulted in a credit against the 2013 audit expense.
- The monthly administration fees to the CFO lowered by 50% commencing April of 2013.
- Advertising in two European trade magazines in 2012.
- Cutting back of corporate development activities in 2013 to preserve cash.
- Higher filing fees in 2012 due to filing of a significant private placement from IAMGOLD Corporation.

6. Majority of foreign exchange gain due to the increase of the US\$ vs. the CDN\$ on significant receivables denominated in US\$.
7. In its efforts to seek alternative funding in 2013 management vetted several financing arrangements which resulted in additional legal work.
8. Management fees paid to a private company owned by the CEO. Monthly fees lowered by 50% commencing April, 2013.
9. Lowering of office expenses mandated as cash was tight in 2013.
10. A significant number of options were granted in 2012 whereas options were granted to only two parties in 2013. For further detail refer to Note 9 (c) of the September 30, 2013, audited consolidated financial statements.
11. Travel and promotions consists of mainly of attending trade shows/conventions, meeting and making presentations to potential investors or joint venture partners in Canada, the United States and Europe, and travels to project sites in Colombia and up until December, 2012, in Bolivia. Such trips were curtailed during latter part of 2013 due to the tight cash position.
12. General explorations relate to field and geological work incurred to identify new project acquisitions. Due to tight cash position in 2013, the program was cut-back.
13. The write-off in 2013 pertained to the Colombian projects as management terminated both its projects there. In 2012, the write-off relate solely to the San Simon project in Bolivia due to the pending sale of the Bolivian subsidiary in early fiscal 2013. Also in 2012, there was \$3,044,120 in losses as a result of a restatement of the same amount as a gain in 2011.
14. Net loss from discontinued operation or the sale of the Bolivian subsidiary due to write down of the long term receivable relating to the sale and the previous write-offs of the Bolivian exploration and evaluation assets. For further details refer to Note 5 of the September 30, 2013, audited consolidated financial statements.
15. Write down of the long term receivable relating to the sale of the Bolivian subsidiary. For further detail refer to Note 5 of the September 30, 2013, audited consolidated financial statements.
16. An IFRS adjustment to share purchase warrants denominated in US currency. Those warrants expired in 2012 resulting in the final adjustment to zero out the account.
17. Interest income dropped substantially as there were no cash reserves to be held in interest bearing deposits in 2013.

#### **Three Months ended September 30, 2013, Review:**

For the three months ended September 30, 2013, the Company recorded a consolidated net loss of \$8,577,316 as compared to a consolidated net loss of \$10,380,826 (restated) for the three months ended September 30, 2012. Before adjustments and other items in both three month periods, total expenses were \$265,789 and \$86,019 for 2013 and 2012 respectively. The expenses were lower in 2012 due to a credit adjustment of \$306,357 to stock-based compensation (a non-cash adjustment). Eliminating this adjustment would result in total expenses of \$392,376 for 2012. In 2013, there was approximately \$191,669 in unrealized foreign exchange loss being recorded due to adjustments made to the long term receivable in US dollars. The removal of the unrealized foreign exchange loss would net the expenses of 2013 to be \$74,120 – much lower than 2012. Main reason for the substantial decrease in cash expenses in 2013 was due to cutting back of expenses across the board because of a very tight cash position experienced by the Company.

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

	2013	(Restated) 2012	Increase (Decrease)	
	\$	\$		
<b>Expenses:</b>				
Accounting and audit	(27,354)	25,000	(52,354)	1
Administration	18,000	36,000	(18,000)	2
Consulting	9,257	21,236	(11,979)	3
Corporate development	1,099	34,243	(33,144)	4
Foreign exchange loss	191,669	72,613	119,056	5
Legal	24,963	4,942	20,021	6
Management fees	17,484	50,733	(33,249)	7
Office	7,685	20,722	(13,037)	8
Stock-based compensation	-	(306,357)	306,357	9
Travel and promotion	5,110	43,217	(38,107)	10
General explorations	2,942	72,080	(69,138)	11
	<u>250,855</u>	<u>74,429</u>	<u>176,426</u>	
<b>Other items:</b>				
Loss on discontinued operation	457,091	-	457,091	12
Impairment on receivable	1,253,750	-	1,253,750	13
Maintenance of mineral property	-	43,621	(43,621)	14
Write-off of exploration and evaluation assets	6,600,686	10,325,216	(3,724,530)	15
Gain on property, plant & equipment	-	(32,143)	(32,143)	16
Gain on revaluation of foreign currency denominated warrants	-	(33,775)	(33,775)	17
All other accounts	<u>14,934</u>	<u>3,478</u>	<u>11,456</u>	
	<u>8,577,316</u>	<u>10,380,826</u>	<u>(1,803,510)</u>	

1. Reversing over accrual of audit fees during the year in the fourth quarter in 2013.
2. Monthly administration fees reduced by 50% commencing April, 2013.
3. Consulting services cut back due to tight cash position.
4. Corporate development costs curtailed in 2013 due to tight cash position. Services of manager of corporate communications terminated in 2013.
5. Large foreign gain loss adjustment in 2013 as a result of recording impairment of receivable denominated in US dollars. At the end of 2012, it was determined that the functional currency for the Colombian operation to be the Canadian dollar as opposed to the Colombian peso. As a result of the different foreign exchange used under each currency position, a foreign exchange loss occurred in that 4<sup>th</sup> quarter to reverse the gains recorded in the prior quarters. The majority of the amounts shown here are non-cash items and they are strictly a paper adjustment.
6. Active legal services incurred in 2013 due to filing of private placement, reviewing of potential cooperative arrangements and preparation of amendments to option agreements pertaining to the Colombian projects.
7. Management fees paid in US funds will fluctuate on conversion to Canadian dollars. Monthly fees were reduced by 50% commencing April, 2013.
8. Office expenditures cut back due to tight cash position.
9. Adjustment to pricing parameters regarding stock-based compensation recorded earlier during 2012. Refer to Note 9(c) of the September 30, 2013 audited financial statements for price parameter detail.
10. Travel expenses were reduced in 2013 to conserve funds.
11. General explorations cut-back in 2013 as Company was preparing to close its exploration in Colombia.
12. Adjustment made in 4<sup>th</sup> quarter of 2013 to reflect final assessment of value of Bolivian subsidiary and fair value of the long term receivable associated with the sale of the subsidiary.
13. Loss on impairment of receivable relating to final assessment of fair value of the long term receivable associated with the sale of the Bolivian subsidiary.

14. No maintenance costs incurred in 2013 as the Bolivian mineral assets held by Bolivian subsidiary were sold in 2013.
15. Write down in 2013 pertains to the closing of the Company's exploration activities in Colombia and in 2012; the writing down pertains to the Bolivian exploration and evaluation assets. Furthermore, in 2012 an additional write down of \$3,044,120 was recognized due to credit of the same amount as a result of a restatement in 2011.
16. Sales of two electric generators from the old recovery mill in Bolivia.
17. Final IFRS related adjustment to clear the account as the share purchase warrants denominated in US dollars expired in the 4<sup>th</sup> quarter of 2012.

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

Description	Sept 30, 2013 \$	Jun 30, 2013 \$ (Restated)	Mar 31, 2013 \$ (Restated)	Dec 31, 2012 \$ (Restated)
<b>Balance Sheet:</b>				
Current assets	129,288	223,010	348,974	596,699
Exploration assets	-	6,507,550	6,389,919	6,153,766
Current liabilities	503,306	493,663	372,954	278,978
<b>Shareholders' Equity</b>				
Capital stock	79,932,514	79,796,781	79,788,081	79,783,706
Shares subscribed	1,156,000	1,295,000	1,302,000	1,156,000
Contributed surplus	6,030,315	6,027,048	6,023,055	6,018,483
Cumulative translation adjustment		-	-	-
Deficit	(86,693,861)	(78,116,545)	(78,116,256)	(77,996,489)
Working capital (deficit)	(374,018)	(270,653)	(23,980)	317,721
<b>Operations:</b>				
Total revenues	Nil	Nil	Nil	Nil
Net loss	(8,577,316)	(289)	(119,767)	(81,427)
Basic loss per share	(0.10)	0.00	0.00	0.00

Description	Sept 30, 2012 \$ (Restated)	Jun 30, 2012 \$ (Restated)	Mar 31, 2012 \$ (Restated)	Dec 31, 2011 \$ (Restated)
<b>Balance Sheet:</b>				
Current assets	3,960,748	3,889,310	5,103,011	6,066,328
Resources assets	5,309,973	16,218,081	14,962,139	14,602,701
Current liabilities	417,779	465,564	285,516	330,505
<b>Shareholders' Equity</b>				
Capital stock	79,783,706	79,783,706	79,783,706	79,757,456
Shares subscribed	1,156,000	1,156,000	1,156,000	1,156,000
Contributed surplus	5,991,735	6,298,092	6,200,674	6,185,741
Cumulative translation adjustment	35,428	2,955,044	2,723,581	2,913,664
Deficit	(77,915,062)	(67,534,236)	(67,068,149)	(66,647,100)
Working capital	3,542,969	3,423,746	4,817,495	5,735,823
<b>Operations:</b>				
Total revenues	Nil	Nil	Nil	Nil
Net loss	(10,380,826)	(466,088)	(421,048)	(1,162,405)
Basic loss per share	(0.12)	(0.01)	0.00	(0.01)

### Significant Items Within the Quarter:

For the three months ended September 30, 2013:

- Foreign exchange loss of \$191,669
- Working capital deficit of \$374,018
- Adjustment of loss on sale of subsidiary of \$457,091
- Impairment on receivable of \$1,253,750 as result of reassessment on fair value of long term receivable
- Wrote off \$6,600,686 in exploration and evaluation assets due to termination of explorations in Colombia

Net loss of \$8,577,316 in the quarter as compared to net loss of \$289 in the previous quarter due to the large losses incurred as a result of reassessment of the fair value of the long term receivable associated with sale of the Bolivian subsidiary. The reassessment resulted in the quarter, additional losses regarding foreign exchange; adjustment of loss on sale of subsidiary; and impairment on receivable. The largest loss for the quarter was the write off of the Colombian exploration and evaluation assets as management ceased the Company's exploration activities there.

For the three months ended June 30, 2013:

- Foreign exchange gain of \$163,530
- Working capital deficit of \$270,653

Net loss for the three months ended June 30, 2013 was \$289 as compared to a net loss of \$119,767 in the previous quarter. Significant decrease in net loss in the current quarter was due to further cutting back of expenses across the board as the capital deficit situation worsened. In addition an unrealized foreign exchange gain of \$163,530 was recorded on the Company's long term receivable denominated in US dollars.

For the three months ended March 31, 2013:

- Foreign exchange gain of \$148,765
- Expensed \$57,663 in general explorations
- Working capital deficit of \$23,980

Net loss in the 2<sup>nd</sup> quarter of 2013 was \$119,767 as compared to a net loss of \$81,427 in the previous quarter. The lower net loss in the previous quarter was mainly due to the recognition of \$369,267 gain from discontinued operation. The loss in the current quarter kept low because of the curtailment of various expenses due to a tight cash position.

For the three months ended December 31, 2012:

- Gain of \$369,267 from sale of Bolivian subsidiary
- Expensed \$135,838 in general explorations
- Working capital of \$317,721

Net loss in 1<sup>st</sup> quarter of 2013 was \$81,427 as compared to net loss of \$7,336,706 (restated – increase by \$2,342,295) in 4<sup>th</sup> quarter of 2012. Main cause of the significant difference was due to a write-off of \$7,281,096 (restated – increased by \$2,342,295) in the previous quarter and a posting of a gain from discontinued operation of \$369,267 in the current quarter.

For the three months ended September 30, 2012:

- Wrote off \$7,281,096 (restated – increase by \$2,342,295) of exploration and evaluation assets in Bolivia
- Expensed \$46,621 in maintenance costs on property evaluation assets in Bolivia
- Gain of \$32,143 on sale of property, plant and equipment
- Gain of \$33,775 on revaluation of foreign currency denominated warrants
- Working capital of \$3,542,969 (restated – increase by \$2,167,393 due to reclassifying certain assets and liabilities held for sale to current sections of the balance sheet)

Net loss for the 4<sup>th</sup> quarter 2012 was \$10,380,826 (restated) as compared to \$466,088 in the previous quarter. Significant difference was due to the writing down of \$7,281,096 (restated) in exploration and evaluation assets and adjustment of \$3,044,120 to loss from discontinued operations in the 4<sup>th</sup> quarter of 2012 due to restatement of the 2011 loss statement.

For the three months ended June 30, 2012:

- Expensed \$61,375 in maintenance costs on property evaluation assets in Bolivia
- Expensed general explorations of \$91,453
- Recorded stock-based compensations of \$97,418
- Working capital of \$3,423,746

Net loss for current quarter was higher than previous quarter due to higher stock-based compensation being recorded. Deficit restated from \$70,578,356 to \$67,534,236.

For the three months ended March 31, 2012:

- Expensed \$63,633 in maintenance costs on property evaluation assets in Bolivia
- Expensed general explorations of \$81,983
- Working capital of \$4,817,495

Net loss decreased substantially from previous quarter due to recognition of \$720,428 in stock-based compensation as compared to \$9,896 recorded in current quarter. Other fees such as management, administration and corporate developments were significantly lower during the current as a result of cut-backs. Deficit restated from \$70,112,269 to \$67,068,149.

For the three months ended December 31, 2011:

- Expensed \$58,330 in maintenance costs on property evaluation assets in Bolivia
- Recorded \$720,428 in stock-based compensations
- Closed private placement of \$3,420,000
- Working capital of \$5,735,823

Net loss in 1<sup>st</sup> quarter, 2012 was substantially down from previous quarter due to significant mineral write-offs in 4<sup>th</sup> quarter of fiscal 2011. Deficit restated from \$69,691,220 to \$66,647,100

## **Liquidity and Solvency**

At this time, the Company has no operating revenues and does not anticipate any operating revenues until the Company is able to find, acquire, or place in production and operate a mining property. Historically, the Company has raised funds through loans, shares for debt settlements, private placements and the exercise of options and warrants.

During fiscal 2012, the Company closed a private placement with IAMGOLD Corporation for the purchase of 12 million units at a price of \$0.285 per unit for gross proceeds of \$3,420,000. Each unit was comprised of one common share and one-half of a share purchase warrant with each full warrant exercisable to purchase an additional share of the Company at a price of \$0.35 expiring October 31, 2013.

In July, 2013, the Company closed a non-brokered private placement of 9,733,333 units at \$0.015 per unit for gross proceeds of \$146,000. Each unit was comprised of one common share and one share purchase warrant exercisable to purchase an additional common share at \$0.05 expiring July 15, 2014; at \$0.10 expiring July 15, 2015; and at \$0.15 expiring July 15, 2016. A finder's fee of \$7,000 cash was paid and 466,667 warrants each exercisable to purchase one common share at \$0.10 expiring July 15, 2015 were issued. All shares issued pursuant to this private placement are subject to a four-month hold period until November 16, 2013.

In June, 2013, the Company received a short-term loan of US\$100,000 on the following terms:

The loan, which is not convertible, is repayable on demand without interest, at any time after December 7, 2013.

As consideration for the Loan, on June 19, 2013, the Company issued 400,000 common shares (fair valued at \$6,000) to the lender. These shares are subject to a four month hold period.

As security for repayment of the Loan, the Company assigned to the lender the US\$100,000 payment which will become due to the Company from Steinmar Ltda. ("Steinmar") on December 14, 2013, pursuant to the Share Purchase Agreement dated December 14, 2012 between the Company and Steinmar – see audited consolidated financial statements for the year ended September 30, 2013 – Note 5.

In December, 2013, the loan was extended to be due on or after June 7, 2014 at an annual rate of 20% per annum.

As at September 30, 2013, the Company has cash on hand of \$11,243 and a working capital deficit of \$374,018.

Currently, the Company does not have sufficient funds to pay overhead and administration expenses and to finance any new exploration projects for fiscal 2014 and its survival as a going concern may be in doubt.

Management is working diligently in seeking financing opportunities. One option, currently ongoing, is renegotiating the terms of the sale of the Bolivian subsidiary to arrange an earlier settlement of the long term receivable. In addition to the US\$50,000 to be received in March, 2014, which is the remaining portion of the US\$100,000 that was due in December, 2013 (US\$50,000 received in December, 2013), originally, under the old terms, the rest of the remaining US\$4.8 million is to be paid commencing December, 2014 and to be spread over on annual payments to 2022.

The tentative revised terms (not yet finalized) would discount the US\$4.8 million to US\$1.65 to be paid US\$50,000 in April, 2014 and US\$100,000 per month commencing in May, 2014 for 15 consecutive months and then a final payment of US\$100,000 in December, 2015 for a total of US\$1.65 million.

This represents a significant discount but, under the current harsh financial market conditions for junior exploration companies, few financing alternatives are available. The accelerated receipt of needed funds would ensure the survival of the Company and the potential acquisition of mineral exploration properties.

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 outcome of its exploration programs, the price of precious and base metals, and the overall health and stability of junior capital markets, inclusive of the TSXV. The financial markets upon which the Company is reliant are widely expected to experience continued volatility throughout 2014, reflecting of 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. This uncertainty has led to continued volatility in commodity markets. Furthermore, unprecedented uncertainty in the credit markets has also led to increased difficulties in accessing capital.

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.

## **Foreign Countries and Laws and Regulations**

The Company has interests in properties that are located in the country of Colombia and the mineral exploration and mining activities of the Company may be affected in varying degrees by political instability and government regulations relating to foreign investment and the mining industry. Any changes in regulations or shifts in political conditions or attitudes are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

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

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after October 1, 2012 or later years. The following standards and interpretations have been issued but are not yet effective:

*New standards, interpretations and amendments effective from October 1, 2012.*

None of the new standards, interpretations and amendments, effective for the first time from October 1, 2012 have had a material effect on the financial statements.

*New standards, interpretations and amendments not yet effective*

## **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. Management is in the process of evaluating the impact of the new standard on the Company.

## **IFRS 10 Consolidated Financial Statements**

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Adoption of this policy is not expected to have a material impact on the Company's financial statements.

## **IFRS 11 Joint Arrangements**

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. Adoption of this policy is not expected to have a material impact on the Company's financial statements.

## **IFRS 12 Disclosures of Interests in Other Entities**

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company intends to adopt the standard no later than the accounting period beginning on October 1, 2013. Adoption of this policy is not expected to have a material impact on the Company's financial statements.

## **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 19, 2014:

Securities	Number	Weighted-Average Exercised Price	Expiry Date
Common shares issued and outstanding	96,088,289	N/A	N/A
Share purchase options	5,735,000	\$0.52	Jan 19, 2015 – Nov 8, 2017
Share purchase warrants	10,450,000	\$0.06	Mar 23, 2014 - Jul 15, 2016
Fully diluted share capital	112,273,289	N/A	N/A

For a breakdown of the securities as at September 30, 2013, refer to the Note 8 to the audited consolidated financial statements for the year ended September 30, 2013.

## Related Party Transactions

Key management personnel are persons responsible for the planning, directing and controlling the activities of the entity. The Company's key management personnel included the CEO, CFO, VP of Exploration and VP Business Development and their compensation was as follow:

	For the Years Ended September 30	
	2013 \$	2012 \$
Management fees	145,869	199,562
Administration fees	108,000	138,000
Geological consulting fees	180,753	197,457
<b>Total</b>	<b>434,622</b>	<b>535,019</b>

In addition, options were also granted to key management personnel and directors with the following option valuations as determined in Note 9 (c) of the audited financial statements for the year ended September 30, 2013:

	For the Years Ended			
	September 30, 2013		September 30, 2012	
	Number of Options	Options Valuation \$	Number of Options	Options Valuation \$
CEO	-	-	900,000	167,400
CFO	-	-	200,000	37,200
Officer	250,000	23,500	300,000	40,600
Directors	-	-	850,000	158,100
<b>Total</b>	<b>250,000</b>	<b>23,500</b>	<b>2,250,000</b>	<b>403,300</b>

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

	As at September 30	
	2013	2012
	\$	\$
Amounts due to management:		
Management fees	48,352	-
Administration fees	66,000	12,000
Geological consulting fees	59,499	28,134
Expenses and other	14,215	5,807
<b>Total</b>	<b>188,066</b>	<b>45,941</b>

Included in the prepaid expenses and deposits are travel expense advances to management:

	As at September 30	
	2013	2012
	\$	\$
Amounts advanced to management:		
Travel expenses	-	29,674
<b>Total</b>	<b>-</b>	<b>29,674</b>

### Events after Reporting Period

In November, 2013, notice was provided to the Fredonia property optioner (Bullet Holding Corp.) that the Company will maintain its earned 50% interest in the amendment agreement without intention to incur any further exploration or concession expenditures at the present time. Any future expenditures incurred by the optioner and/or other third parties may have the effect of diluting the Company's earned interest.

### 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 September 30, 2013. 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 them 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 the 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

Colombia Crest's goal is to remain in mineral exploration and development and 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 were 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 in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. 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 commencement of production on future properties, require permits from various federal and local governmental authorities and such operations are 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 and increasing competition exists for the limited number of mineral 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. Colombia Crest 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, with the ultimate goal of producing, precious and base metals from its mineral exploration properties. None of the Colombia Crest 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 proposed major assets of Colombia Crest and certain of its existing and proposed management are or will 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.

*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.