



**Consolidated Financial Statements**

**For The Year Ended September 30, 2014**

**(Expressed in Canadian Dollars)**



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## Independent Auditor's Report

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### To the Shareholders of Colombia Crest Gold Corp.

We have audited the accompanying consolidated financial statements of Colombia Crest Gold Corp. and its subsidiaries which comprise the consolidated statements of financial position as at September 30, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Colombia Crest Gold Corp. and its subsidiaries as at September 30, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has not yet achieved profitable operations and that as at September 30, 2014 the Company had an accumulated deficit of \$87,287,710 since inception and has a working capital deficiency of \$399,576. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Accountants

Vancouver, British Columbia  
January 27, 2015

**Colombia Crest Gold Corp.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

As at	September 30 2014 \$	September 30 2013 \$
<b>Assets</b>		
<b>Current</b>		
Cash	22,708	11,243
Tax recoverable and other receivables	19,598	9,874
Prepaid expenses and deposits	-	5,171
Current portion of long-term receivable - Note 5	224,160	103,000
	266,466	129,288
Long-term receivable - Note 5	224,160	793,000
Property, plant and equipment	6,535	5,986
	497,161	928,274
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities - Note 7	553,962	400,456
Short-term loan - Note 8	112,080	102,850
	666,042	503,306
<b>Shareholders' Equity</b>		
Share capital - Note 9 (b)	79,932,514	79,932,514
Share subscriptions - Note 9 (e)	1,156,000	1,156,000
Contributed surplus - Note 9 (f)	6,030,315	6,030,315
Accumulated deficit	(87,287,710)	(86,693,861)
	(168,881)	424,968
	497,161	928,274

Signed on behalf of the Board of Directors by:

<u>"Hans Rasmussen"</u> Hans Rasmussen	Director	<u>"Carl Hansen"</u> Carl Hansen	Director
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The accompanying notes are an integral part of these consolidated financial statements

**Colombia Crest Gold Corp.**

Consolidated Statements of Loss and Comprehensive Loss

For The Years Ended September 30, 2014 and 2013

(Expressed in Canadian Dollars)

	2014	2013
	\$	\$
<b>Expenses:</b>		
Accounting and audit	20,693	15,228
Administration - Note 7	96,000	108,000
Amortization	1,901	2,097
Bank charges	1,246	3,444
Consulting - Note 7	19,693	20,785
Corporate development	4,228	106,502
Filing fees	8,179	14,006
Financing fees	-	6,000
Foreign exchange gain	(46,252)	(116,664)
Insurance	12,458	28,788
Interest	29,543	-
Legal	20,689	59,942
Management fees - Note 7	22,913	145,869
Office and printing	31,221	71,954
Shareholders information	1,103	9,476
Stock-based compensation - Note 9 (c)	-	34,900
Transfer agent	6,680	8,999
Travel and promotion	8,857	117,986
General explorations	1,807	202,936
<b>Loss before other items</b>	<b>(240,959)</b>	<b>(840,248)</b>
<b>Other items:</b>		
Gain on sale of property, plant & equipment	-	1,443
Impairment on receivable - Note 5	(357,978)	(1,253,750)
Write off of exploration and evaluation assets - Note 6	-	(6,600,686)
Write off of prepaid expense – Note 6	(5,171)	-
Interest income	-	2,266
<b>Loss for the year from continuing operations</b>	<b>(604,108)</b>	<b>(8,690,975)</b>
Recovery (loss) for the year from discontinued operations - Note 5	10,259	(87,824)
<b>Net loss for the year</b>	<b>(593,849)</b>	<b>(8,778,799)</b>
<b>Other comprehensive loss</b>		
Exchange difference on translating foreign operations	-	(35,428)
<b>Total comprehensive loss for the year</b>	<b>(593,849)</b>	<b>(8,814,227)</b>
Basic and diluted loss per share (continuing operations)	(\$0.01)	(\$0.10)
Basic and gain (diluted loss) per share (discontinued operations)	\$0.00	\$0.00
Weighted-average number of common shares outstanding	96,088,289	86,923,627

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

**Colombia Crest Gold Corp.**  
Consolidated Statements of Cash Flows  
For The Years Ended September 30, 2014 and 2013

	2014	2013
	\$	\$
<b>Cash flows from operating activities</b>		
<b>Net loss for the year</b>	(593,849)	(8,778,799)
<b>Adjustments to reconcile loss to net cash used in operating activities:</b>		
Amortization	1,901	2,097
Amortization charged to general exploration	-	7,477
Financing fee	-	6,000
Gain on property plant and equipment	-	(1,443)
Impairment on receivable	357,978	1,253,750
Interest income	-	(2,266)
Gain on foreign exchange	(46,252)	(116,664)
Loss on sale of subsidiary - discontinued operations	-	87,824
Stock-based compensation	-	34,900
Write-off of mineral properties	-	6,600,686
Write-off of prepaid expense	5,171	-
Net change in non-cash working capital items:	(275,051)	(906,438)
Receivables	(9,724)	11,036
Prepaid expenses and deposits	-	230,767
Accounts payable and accrued liabilities	136,050	(17,323)
<b>Cash used in operating activities</b>	<b>(148,725)</b>	<b>(681,958)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,450)	-
Proceeds on sale of property, plant and equipment	-	71,704
Proceeds from current and long term receivables	162,640	98,600
Exploration and evaluation and drilling costs	-	(1,266,982)
Interest received	-	2,266
<b>Cash used in investing activities</b>	<b>160,190</b>	<b>(1,094,412)</b>
<b>Financing activities</b>		
Gross proceeds from shares issuance	-	146,000
Share issuance costs	-	(7,000)
Short-term loan	-	101,760
<b>Cash from financing activities</b>	<b>-</b>	<b>240,760</b>
<b>Change in cash in the year</b>	<b>11,465</b>	<b>(1,535,610)</b>
<b>Cash - beginning of year</b>	<b>11,243</b>	<b>1,546,853</b>
<b>Cash - end of year</b>	<b>22,708</b>	<b>11,243</b>

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

**Colombia Crest Gold Corp.**

Consolidated Statements of Changes in Equity

For the Years Ended September 30, 2014 and 2013

( Expressed in Canadian Dollars)

	Share Capital		Shares Subscribed \$	Contributed Surplus \$	Cumulative Translation Adjustment \$	Deficit \$	Total \$
	Number of Shares	Amount \$					
<b>Balance - September 31, 2012</b>	85,649,956	79,783,706	1,156,000	5,991,735	35,428	(77,915,062)	9,051,807
Shares issued for private placement	9,733,333	146,000	-	-	-	-	146,000
Share issuance costs	-	(7,000)	-	-	-	-	(7,000)
Shares issued for option on property	125,000	4,375	-	-	-	-	4,375
Shares issued - for revision of property agreement	180,000	2,700	-	-	-	-	2,700
Shares issued - short-term loan	400,000	6,000	-	-	-	-	6,000
Warrants issued for option on property	-	-	-	413	-	-	413
Warrants issued for finder's fee	-	(3,267)	-	3,267	-	-	-
Stock-based compensation expense	-	-	-	34,900	-	-	34,900
Other comprehensive loss	-	-	-	-	(35,428)	-	(35,428)
Loss for the year	-	-	-	-	-	(8,778,799)	(8,778,799)
<b>Balance - September 30, 2013</b>	96,088,289	79,932,514	1,156,000	6,030,315	-	(86,693,861)	424,968
Loss for the year	-	-	-	-	-	(593,849)	(593,849)
<b>Balance - September 30, 2014</b>	96,088,289	79,932,514	1,156,000	6,030,315	-	(87,287,710)	(168,881)

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

## **Colombia Crest Gold Corp.**

Notes to The Consolidated Financial Statements  
For the Years Ended September 30, 2014 and 2013  
(Expressed in Canadian Dollars)

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### **1. Corporate Information**

Colombia Crest Gold Corp.'s business activity is the exploration and evaluation of mineral properties. In December, 2012, Colombia Crest Gold Corp. (the "Company") sold its Bolivian subsidiary, Eaglecrest Exploration Bolivia SA ("EEB"), which had been exploring mineral properties in Bolivia since 1996. During the year ended September 30, 2013, the Company ceased operations in Colombia. As at September 30, 2014, the Company is actively seeking new mineral properties.

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

The address of the Company's corporate office and principal place of business is Suite 300, 1055 West Hastings Street, Vancouver, BC Canada.

### **2. Basis of Preparation**

#### **a) Statement of compliance**

These consolidated financial statements of the Company for the year ended September 30, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These statements were authorized for issue by the Board of Directors on January 27, 2015.

#### **b) Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available for sale which are at fair value, and have been prepared using the accrual basis of accounting.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **c) Basis of Consolidation**

The consolidated financial statements include all subsidiaries of the Company. Subsidiaries are entities over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases. All significant inter-company transactions and balances have been eliminated.

These consolidated financial statements include the accounts of Colombia Crest Gold Corp. (the parent company) and its wholly owned subsidiary Eaglecrest Explorations Panama Corp. ("EEP"), a company incorporated in Panama City, Panama, and EEP's wholly owned subsidiary, Colombiana de Oro SA ("Colombiana"), a company incorporated in Panama City, Panama, as well as the branch office operations of Colombiana located in Colombia. In December 2012, the Company sold its Bolivian subsidiary, EEB. Prior to that time, all consolidated financial statements reported would also include the accounts of EEB.

## **Colombia Crest Gold Corp.**

Notes to The Consolidated Financial Statements  
For the Years Ended September 30, 2014 and 2013  
(Expressed in Canadian Dollars)

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### **2. Basis of Preparation – (cont'd)**

#### **d) Going Concern of Operations**

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. At September 30, 2014, the Company had not yet achieved profitable operations, has an accumulated deficit of \$87,287,710, has a working capital deficiency of \$399,576 and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company's ability to raise adequate equity financing for continuing operations. Realization values may be substantially different from carrying values as shown and accordingly these financial statements do not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

### **3. Summary of Significant Accounting Policies**

#### **a) Foreign Currency Translation**

The functional and presentation currency of the parent Company is the Canadian dollar. The functional currency of EEB was the US dollar and that of EEP and Colombiana is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

At the transaction date, each asset, liability and expense denominated in a foreign currency is translated into the component's functional currency by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into the component's functional currency by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss.

Where the functional currency of a component is different from the presentation currency, the assets and liabilities of that component are translated into Canadian dollars using the exchange rate at the reporting date and profit and loss is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a component from the functional currency to the presentation currency are charged to other comprehensive income.

#### **b) Financial Instruments**

##### ***Financial Assets***

Financial assets are classified into the following category based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy is as follows:

##### ***Loans and Receivables***

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.



**3. Summary of Significant Accounting Policies – (cont'd)**

**b) Financial Instruments – (cont'd)**

***Available-for-sale financial assets***

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

***Impairment on Financial Assets***

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

***Financial Liabilities***

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

***Financial Instrument Classification***

The Company classified its financial instruments as follows:

- Cash is classified as loans and receivables.
- Long term receivable is classified as available for sale.
- Accounts payable and accrued liabilities and short term loans have been classified as other financial liabilities.

### **3. Summary of Significant Accounting Policies – (cont'd)**

#### **b) Financial Instruments – (cont'd)**

##### ***Fair Value Hierarchy***

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### **c) Mineral Exploration and Evaluation Expenditures**

##### ***Pre-exploration costs***

Pre-exploration costs are expensed in the year in which they are incurred.

##### ***Exploration and Evaluation Expenditures***

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**Colombia Crest Gold Corp.**

Notes to The Consolidated Financial Statements  
For the Years Ended September 30, 2014 and 2013  
(Expressed in Canadian Dollars)

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**3. Summary of Significant Accounting Policies – (cont'd)****d) Property, plant and Equipment**

Property, plant and equipment are recorded at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Amortization is calculated on a declining balance basis at the following annual rates: furniture and equipment – 20%; field equipment – 30%; and vehicles – 30%. Property, plant and equipment acquired in a fiscal year are amortized at one-half of the annual rate.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**e) Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share subscriptions and warrants denominated in the functional currency are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Common shares issued for non-monetary consideration are recorded at their market value based upon the trading price of the Company's common shares on the TSXV on the date of share issuance.

**f) Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

**3. Summary of Significant Accounting Policies – (cont'd)**

**f) Share-based Payments – (cont'd)**

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, in addition to any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**g) Loss per share**

Basic loss per common share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**h) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

**3. Summary of Significant Accounting Policies – (cont'd)**

**h) Income taxes – (cont'd)**

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**i) Rehabilitation Provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. As of September 30, 2014 and 2013, the Company does not have any rehabilitation or restoration obligations.

**j) Assets held for sale**

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**k) 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, 2013 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, 2013.*

The IASB issued new standards and amendments effective for, and adopted in the current year. The adoption of the following accounting policies had no impact on the Company's financial statements:

IFRS 10 *Consolidated Financial Statements* 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. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

## **Colombia Crest Gold Corp.**

Notes to The Consolidated Financial Statements  
For the Years Ended September 30, 2014 and 2013  
(Expressed in Canadian Dollars)

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### **3. Summary of Significant Accounting Policies – (cont'd)**

#### **k) Standards, Amendments and Interpretations Not Yet Effective – (cont'd)**

IFRS 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

*New standards, interpretations and amendments not yet effective*

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

*IFRS 9 Financial Instruments, Recognition and Measurement*

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is assessing the impact of IFRS 9 on its results of operations.

*IFRS 2, Share-based Payment*

In December 2013, the IASB amended IFRS 2 – Share-based Payment. The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition. The amendment is effective for share based payment transactions for which the grant date is on or after July 1, 2014. The Corporation is in the process of determining the impact of the amendment of IFRS 2 on its consolidated financial statements.

*IAS 32, Financial instruments, Presentation.*

IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company's consolidated financial statements.

*IAS 24 - Related Party Disclosures.*

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

## Colombia Crest Gold Corp.

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### 3. Summary of Significant Accounting Policies – (cont'd)

#### k) Standards, Amendments and Interpretations Not Yet Effective – (cont'd)

##### *IFRIC 21 - Levies.*

The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“Obligating Event”). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

None of the other new standards, interpretations and amendments, which have not been adopted early, are expected to have a material effect on the Company’s future consolidated financial statements.

### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

Estimates:

#### i) Long Term Receivable

The Company classified the long term receivable as available for sale as management considers that ultimate collection is dependent on the debtors ability to successfully construct and develop the San Simon mineral property (Note 6). Accordingly the value of the receivable would not exceed the value of the property.

At the date the receivable was obtained the Company used the valuation technique as disclosed in Note 5 to determine an appropriate discount rate to apply to the expected cash flows. As at September 30, 2013, the Company re-measured the estimated fair value of the property and provided an impairment provision on the receivable due to estimated decrease in the property value (see Note 5). The value of the mineral property was estimated by reference to the enterprise value per troy ounce of gold equivalent resources for a group of similar stage South American gold exploration companies as calculated from their published gold resource estimates and the market price of their shares

As at September 30, 2014, the Company re-measured the estimated fair value of the receivable and provided an impairment provision on the receivable due to default of the agreement by the counterparty and subsequent commencement of legal action against the counterparty by the Company. The fair value of the receivable was determined through the application of a probability-weighted estimation of the amount of the receivable expected to be collected.(see Note 5).

There are no judgments which significantly impact these financial statements.

**Colombia Crest Gold Corp.**

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**5. Long term receivable**

During the year ended September 30, 2013, the Company sold all of the shares in its Bolivian subsidiary (EEB) for consideration of US \$5,000,000 to be received over 10 years. As at the date of sale, December 14, 2012, the assets and liabilities disposed of and consideration received were as follows.

Consideration – Fair value of long term receivable	\$	<u>2,144,146</u>
Exploration and evaluation asset – asset held for sale		2,247,393
Net liabilities – asset held for sale		<u>(15,423)</u>
Net assets sold		2,231,970
Loss on sale of subsidiary	\$	<u>(87,824)</u>

The long term receivable is unsecured, non-interest bearing and is repayable in amounts of US \$100,000 on signing (received), US \$100,000 on December 14, 2013 (subsequently received US \$50,000) amounts of US \$800,000 on each of December 14, 2014, 2015 and 2016, US \$900,000 on December 14, 2017 and amounts of US \$300,000 each on December 14, 2018, 2019, 2020, 2021 and 2022.

During the year ended September 30, 2013, management initiated discussions with the purchaser to amend the terms of the long term receivable and agreed to accept US \$50,000 subsequent to the year regarding the amount due at December 14, 2013 which was subsequently received on March 14, 2014.

Management considered that the fair value of the long term receivable would not exceed the estimated value of the underlying mineral property interests as the mineral property interest is the only known significant asset of EEB and the purchaser. The value of the mineral property was estimated by reference to the enterprise value per troy ounce of gold equivalent resources for a group of similar stage South American gold exploration companies as calculated from their published gold resource estimates and the market price of their shares.

On initial recognition as at December 14, 2012 based on the Company's most recent estimated and inferred resource estimates, a discount rate of 17.5% was applied to the expected cash flow term of the agreement. As at September 30, 2013 the average enterprise value per troy ounce of the comparable South American companies had declined by 60% between the December 14, 2012 sale date and September 30, 2013. Accordingly the Company recognized an impairment provision to write down its carrying value to 60% of its original value.

During the year ended September 30, 2014, the Company renegotiated the terms and debtors of the agreement and entered into a modified agreement dated April 30, 2014. The revised terms of the long term receivable were finalized as follows: US\$50,000 to be received in April, 2014; US\$100,000 to be received monthly from May 2014 to July 2015 (15 months) and a final US\$100,000 to be received in December 2015, for a total of US\$1,650,000.

At September 30, 2014, only US\$50,000 (CAD\$54,070) that was due in April, 2014, as under the revised payments were received.

During the year, the Company initiated legal action in Bolivia to enforce payments as under the revised terms along with interest and other relief. The Company and the new debtors entered into a new agreement, dated December 11, 2014, which replaced the previous agreements. The terms for payment under the new agreement are as follows: US\$200,000 due on signing in December 2014 (paid), US\$200,000 due on March 1, 2015 and US\$300,000 due quarterly from June 1, 2015 to March 1, 2016 (4 payments).



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**5. Long term receivable – (cont'd)**

As at September 30, 2014, management changed the valuation technique applied to determine the fair value of the receivable due to the default and payment history of the debtors in that payments were not received as per the previous agreement and the Company's commencement of legal action against the debtors. The fair value of the receivable was determined through the application of a probability-weighted estimation of the amount of the receivable expected to be collected. Management has estimated that only the first two payments under the new agreement or 25% of the remaining payments will be collected.

Fair value reconciliation of the long term receivable is as follows:

On initial recognition, December 14, 2012	\$	2,144,146
Less: payments received		(98,651)
Foreign exchange gain		104,255
Impairment on long term receivable		<u>(1,253,750)</u>
September 30, 2013	\$	896,000
Less: payments received		(162,640)
Foreign exchange gain		72,938
Impairment on long term receivable		<u>(357,978)</u>
September 30, 2014	\$	<u>448,320</u>
Less: current portion of long term receivable		(224,160)
Noncurrent portion of long term receivable	\$	<u>224,160</u>

**6. Exploration and Evaluation Assets**

The Company's exploration properties were located in Colombia and Bolivia in South America, and its interest in these resource properties was maintained pursuant to agreements with the titleholders.

In December 2012, the Company sold its Bolivian subsidiary EEB (Note 5), which had been exploring mineral properties in Bolivia since 1996.

Due to cash constraints and uncertainty of success, the Company ceased exploration activities in Colombia and closed its branch office during fiscal 2013.

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**6. Exploration and Evaluation Assets – (cont'd)**

The carrying value of the Company's exploration and evaluation assets are nil as all such deferred costs were written off as at September 30, 2013 and 2014:

	Colombia		Total
	Fredonia	Venecia	
<b>Costs:</b>			
<b>Balance - September 30, 2012</b>	2,775,913	2,534,060	5,309,973
Acquisition costs	58,033	20,035	78,068
Exploration costs	398,369	814,276	1,212,645
<b>Balance - September 30, 2013 and 2014</b>	<b>3,232,315</b>	<b>3,368,371</b>	<b>6,600,686</b>
<b>Impairment write-offs:</b>			
<b>Balance - September 30, 2012</b>	-	-	-
Write-offs	(3,232,315)	(3,368,371)	(6,600,686)
<b>Balance - September 30, 2013 and 2014</b>	<b>(3,232,315)</b>	<b>(3,368,371)</b>	<b>(6,600,686)</b>
<b>Carrying values:</b>			
<b>Carrying value - September 30, 2012</b>	2,775,913	2,534,060	5,309,973
<b>Carrying value - September 30, 2013 and 2014</b>	-	-	-

Colombia:

## Fredonia

Pursuant to an agreement dated August 13, 2010, the Company had an option to acquire up to a 75% interest in the mineral title of the 15,000 hectare Fredonia Property located in Antioquia, Colombia. As of September 30, 2013, the Company had earned a 50% interest in the mineral title.

In November, 2013, notice was provided to the optionor that the Company had earned a 50% interest in the Fredonia property and that the Company does not have the intention to incur any further exploration or concession expenditures at the present time. Any future expenditures incurred by the optionor 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 optionor will maintain the concessions. Therefore, all previously recorded exploration and evaluation assets, totalling \$3,232,315, have been written off and expensed as at September 30, 2013.

## Venecia

Pursuant to an agreement dated March 30, 2011, the Company had an option to acquire up to a 75% interest in the mineral title of the 1,985 hectare Venecia Property located in Antioquia, Colombia.

On August 29, 2013, the Company terminated the earn-in agreement for the Venecia project due to lack of funding and uncertainty of success in continuing with the property. Deferred exploration expenditures of \$3,368,371 were written off and expensed as at September 30, 2013.

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**6. Exploration and Evaluation Assets – (cont'd)**

Peru

On August 16, 2013, the Company signed a letter of intent with Affinity Gold Corp. (“Affinity”) to earn a 30% in its Machacala gold-silver project near Trujillo, Peru. US \$5,000 (CDN \$5,171) has been paid to Affinity and was recorded in the balance sheet as a deposit as at September, 2013. During the year ended September 30, 2014, the Company wrote-off the deposit due to uncertainty whether the Company would pursue the project.

**7. Related Party Transactions**

Key management personnel are persons responsible for the planning, directing and controlling activities of the entity. Transactions with the related parties are recorded at the exchange amount being the price agreed between the parties. The Company’s key management personnel included the CEO, CFO, VP of Exploration and VP Business Development and their compensations are as follows:

	For the Years Ended September 30	
	2014 \$	2013 \$
Management fees	22,912	145,869
Administration fees	96,000	108,000
Consulting fees	10,580	180,753
<b>Total</b>	<b>129,492</b>	<b>434,622</b>

In addition, share purchase options were also granted to key management personnel and directors. Their value, as determined in Note 9 (c), is as follows:

	For the Years Ended			
	September 30, 2014		September 30, 2013	
	Number of Options	Options Valuation \$	Number of Options	Options Valuation \$
CEO	-	-	-	-
CFO	-	-	-	-
Officer	-	-	250,000	23,500
Directors	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>23,500</b>

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

	As at September 30	
	2014 \$	2013 \$
Amounts due to management:		
Management fees	75,603	48,352
Administration fees	126,000	66,000
Geological consulting fees	50,949	59,499
Expenses and other	8,416	14,215
<b>Total</b>	<b>260,968</b>	<b>188,066</b>

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### 8. Short-Term Loan

The Company entered into an agreement dated May 28, 2013 for a US\$100,000 bridge loan (the "Loan") on the following terms:

The Loan was 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 (valued at \$6,000 based on the trading price of the Company's common shares at the time of issuance) to the lender.

As security for repayment of the Loan, the Company assigned to the lender the US\$100,000 payment which was due to the Company on December 14, 2013, pursuant to the Share Purchase Agreement dated December 14, 2012 between the Company and Steinmar – see Note 5.

During the year ended September 30, 2014, the Company and the lender agreed to extend the due date for the loan to anytime after June 7, 2014, with an annual interest rate of 20%, commencing on December 8, 2013. The loan has not been demanded and interest to September 30, 2014, has been accrued and is included in accounts payable and accrued liabilities.

### 9. Share Capital

#### a) Authorized:

Authorized share capital consists of an unlimited number of common shares without par value.

#### b) Issued:

	Number of Shares	Share Capital \$
Balance - September 30, 2012	85,649,956	79,783,706
Shares issued via private placement	9,733,333	146,000
Shares issued re: amendment of property option agreement	180,000	2,700
Shares issued for option on property	125,000	4,375
Shares issued for short term loan	400,000	6,000
Issue costs (i)	-	(10,267)
Balance - September 30, 2013 and September 30, 2014	96,088,289	79,932,514

(i) \$7,000 in cash was paid and 466,667 agent's warrants valued at \$3,267 were issued as a finder's fee.

During the year ended September 30, 2013, the Company issued common shares pursuant to 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 proceeds from the private placement were allocated to share capital with none allocated to warrants.

125,000 common shares valued at \$4,375 (based on the trading price of the Company's common shares at the time of issuance) were issued in accordance to the Venecia option agreement.

180,000 common shares valued at \$2,700 (based on the trading price of the Company's common shares at the time of issuance) were issued as consideration for amendment of the Venecia option agreement.

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**9. Share Capital (cont'd)****b) Issued (cont'd):**

400,000 common shares valued at \$6,000 (based on the trading price of the Company's common shares at the time of issuance) were issued as payment for the short term loan of US\$100,000 – see Note 7.

**c) Stock options:**

The Company has a stock option plan whereby, the maximum number of common shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. Options vest at the date of grant, unless otherwise noted.

The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance - September 30, 2012	7,720,000	0.54
Granted	450,000	0.25
Cancelled/expired	(2,435,000)	0.55
Balance - September 30, 2013	5,735,000	0.52
Cancelled	(150,000)	0.35
Balance - September 30, 2014	5,585,000	0.52

Details of stock options outstanding at September 30, 2014:

Number of Options		Option Price \$	Expiry Date	Remaining Life (years)
Outstanding	Exercisable			
50,000	50,000	0.60	January 19, 2015	0.30
1,235,000	1,235,000	1.00	January 19, 2015	0.30
100,000	100,000	0.35	May 14, 2015	0.62
1,700,000	1,700,000	0.45	February 8, 2016	1.36
2,250,000	2,250,000	0.35	November 14, 2016	2.13
250,000	250,000	0.25	November 8, 2017	3.11
5,585,000	5,585,000			1.49

During the year ended September 30, 2014, nil options were granted. 150,000 options previously granted to a consultant were cancelled due to termination of the service agreement. Nil stock-based compensation was recorded during the current period.

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**9. Share Capital – (cont'd)****c) Stock options: – (cont'd)**

During the year ended September 30, 2013, a total of 450,000 options were granted. 250,000 options were granted to an officer of the Company and were vested on the date of the grant. 200,000 options were granted to a consultant and vest over one year with 50,000 options becoming exercisable every three months commencing February 8, 2013. During fiscal 2013, 1,200,000 options were cancelled due to termination of service agreements and 1,235,000 options expired. The fair values were estimated using the Black-Scholes option pricing model:

Date Granted	Number of Options	Exercise Price	Expiry Date	Unit Fair Value
November 8, 2012	200,000	\$0.25	November 8, 2014	\$0.06
November 8, 2012	250,000	\$0.25	November 8, 2017	\$0.09

Black-Scholes option pricing parameters with no dividend yield expected:

Risk-Free Interest Rate	Expected Life ( Years)	Volatility Factor
1.08 - 1.30%	2 - 5	91% - 97%

For the year ended September 30, 2014, stock-based compensation of \$nil (2013 - \$34,900) was recorded.

**d) Share Purchase Warrants Outstanding:**

The continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance - September 30, 2012	36,111,789	0.49
Warrants issued via private placement	9,733,333	0.05
Warrants issued as finder's fees	466,667	0.10
Warrants issued for option on property	125,000	0.44
Warrants expired	(29,986,789)	0.52
Balance - September 30, 2013	16,450,000	0.17
Warrants expired	(6,125,000)	0.35
Balance - September 30, 2014	10,325,000	0.10

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**9. Share Capital – (cont'd)****d) Share Purchase Warrants Outstanding: – (cont'd)**

Details of share purchase warrants outstanding at September 30, 2014:

Number of Warrants	Exercise Price \$	Expiry Date	Remaining Life (Years)
125,000	0.44	March 22, 2015	0.47
466,667	0.10	July 15, 2015	0.79
9,733,333	0.10 (i)	July 15, 2016	1.79
10,325,000	0.10		1.73

(i) Exercisable at \$0.10 to July 15, 2015 and at \$0.15 to July 15, 2016.

**e) Share Subscriptions**

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

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

**f) Contributed Surplus:**

	Stock-based Compensation \$	Brokers' Warrants \$	Equity Portion of Convertible Debentures \$	Options on Properties \$	Shares Cancelled \$	Total \$
<b>Balance - September 30, 2012</b>	4,871,616	316,629	460,000	341,615	1,875	5,991,735
Warrants issued for option on property	-	-	-	413	-	413
Finder's fee warrants issued	-	3,267	-	-	-	3,267
Stock-based compensation	34,900	-	-	-	-	34,900
<b>Balance September 30, 2013 and 2014</b>	4,906,516	319,896	460,000	342,028	1,875	6,030,315

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**9. Share Capital – (cont'd)****f) Contributed Surplus: – (cont'd)**

Contributed Surplus is used to recognize the value of stock options granted and share purchase warrants issued prior to exercise, the equity portion of convertible debentures not converted and value of escrow shares cancelled for no additional consideration.

**10. Segmented Information****Geographic Information**

The Company's operations comprise one reportable segment, being the exploration of mineral resource properties. The carrying value of the Company's assets was all based in Canada as at September 30, 2014 and 2013.

**11. Income Taxes Relating to Continuing Operations**

Taxation in the Company and its subsidiaries' operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	<b>September 30 2014</b>	<b>September 30 2013</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	(604,108)	(8,690,975)
Tax charge / (recovery) based on statutory rate of 26.00% (2013: 25.50%)	(157,000)	(2,216,000)
Effect of reduction in statutory rate	-	(167,000)
Non-deductible expenses	94,000	303,000
Different tax rates in other jurisdictions	-	(259,000)
Share issuance costs	-	(2,000)
Disposal of Bolivian subsidiary	-	4,571,000
Temporary differences subject to initial recognition exemption and other	-	(12,000)
Expiry of loss carry forward	313,000	-
Change in unrecognized deferred tax assets	(250,000)	(2,218,000)
Income tax expense /(recovery)	-	-

The Canadian Federal corporate tax rate remained the same at 15.00% and the British Columbia provincial tax rate remained at 11.00%.

The tax rate of 25.00% represents the federal statutory rate applicable for the 2013 taxation year for Panama, 25.00% for Bolivia, and 33.00% for a branch in Columbia.



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**11. Income Taxes Relating to Continuing Operations – (cont'd)****Deferred Tax Assets and Liabilities**

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax to be recovered:

	<b>September 30 2014</b>	<b>September 30 2013</b>
	<b>\$</b>	<b>\$</b>
Non-capital losses	3,356,000	3,566,000
Capital losses	109,000	109,000
Un-deducted financing costs	28,000	69,000
Capital assets	59,000	58,000
Exploration and evaluation assets	2,166,000	2,166,000
Unrecognized deferred tax asset	(5,718,000)	(5,968,000)
Deferred tax liability	-	-

As at September 30, 2014, the Company has estimated non-capital losses for Canadian tax purposes of \$12,840,000 that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non-capital Canadian tax losses expiring as follows:

<b>Year of Expiry</b>	<b>Taxable Losses</b>
2025	1,177,000
2026	1,342,000
2027	1,699,000
2028	1,826,000
2029	1,118,000
2030	1,478,000
2031	1,485,000
2032	1,453,000
2033	877,000
2034	396,000
<b>Total</b>	<b>\$12,851,000</b>

**12. Capital Management**

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

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

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### **12. Capital Management – (cont'd)**

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

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended September 30, 2014.

### **13. Financial Instruments and Risk Management**

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

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

#### **a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and long term receivable. The Company manages credit risk by investing its cash with high credit-worthy financial institutions and completing due diligence on significant counterparties that the Company has entered into contracts.

#### **b) Liquidity Risk**

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

As at September 30, 2014, the Company's financial liabilities comprised of accounts payable and accrued liabilities and short term loan, exceed its cash on hand. The Company will need to raise additional funds to meet its obligations.

#### **c) Market Risk**

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

##### **i) Foreign Currency Risk**

Foreign currency risk is the risk that a variation in exchange rate between the Canadian and US dollar or other foreign currencies will affect the Company's operations and financial results. As such the Company has exposure to foreign currency exchange rate fluctuations. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign currency risks.

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**13. Financial Instruments and Risk Management – (cont'd)**

## c) Market Risk – (cont'd)

## i) Foreign Currency Risk – (cont'd)

The following table reflects the Company's foreign currency exposure from US dollars as of September 30, 2014 and 2013:

	September 30, 2014 US\$	September 30, 2013 US\$
Financial assets:		
Cash	4,556	11,243
Receivable	448,320	896,000
Financial liabilities:		
Accounts payable and accrued liabilities	235,606	174,343
Short-term loan	112,080	102,850

As at September 30, 2014, with other variable unchanged, a 10% change in US dollar to Canadian exchange rate would result in approximately \$39,000 (2013 - \$63,000) change in the consolidated statements of comprehensive loss.

## ii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

The long term receivable (Note 5) is measured at fair value as at September 30, 2014, and is considered to be a level 3 item (Note 3 b). The fair value of the receivable was determined through the application of a probability-weighted estimation of the amount of the receivable expected to be collected. Management has estimated that only the first two payments under the new agreement or 25% of the remaining payments will be collected. A 10% increase in collection recovery would increase the fair value by approximately \$179,000 or US\$160,000.

The long term receivable (Note 5) is measured at fair value as at September 30, 2013, and is considered to be a level 3 item (Note 3 b). The valuation technique assumes that the fair value of the receivable would not exceed the value of the underlying mineral property. The Company used estimated indicated and inferred gold resources in troy ounces on the San Simon property (note 6) as provided in an NI 43-101 report completed in 2010. The Company's market value per troy ounce of gold resources was determined and compared to the enterprise value per troy ounce resources of other South American gold exploration companies to determine an average enterprise value per troy ounce which was used for fair value determination at December 14, 2012, the date the receivable was acquired. Subsequent decreases in the average enterprise value per troy ounce of the group of South American companies up to September 30, 2013 were applied to determine the impairment provision and estimated fair value at September 30, 2013. The fair value estimate is sensitive to changes in the estimated gold resources for the San Simon property or in the average enterprise value per troy ounce of the comparable exploration companies. A change of 10% in either the estimated gold resources or average enterprise value per troy ounces would change the fair value by \$90,000.

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**14. Supplemental cash flow information**

## Non cash transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the year ended September 30, 2014 and 2013, the following transactions were excluded from the statements of cash flows:

- i) The Company issued nil common shares (2013 - 305,000) valued at (2013 - \$7,075) and nil warrants (2013 - 125,000) valued at (2013 - \$414) pursuant to their option to acquire the Venecia and Fredonia resource properties.

## Discontinued operations

During the year ended September 30, 2014 and 2013, the net cash inflows attributable to operating discontinued operations were \$10,259 (2013 – \$nil).

**15. Subsequent events**

- i) On December 11, 2014, the Company entered into a new long-term receivable agreement replacing the previous agreement dated April 30, 2014. See Note 5 for payment details. The Company received US\$200,000 in December 2014 upon signing of the new agreement.
- ii) On December 19, 2014, the Company received US\$30,920 as consideration for costs the Company incurred to fund Eaglecrest Explorations Bolivia S.A. during delays in the finalization of the December 14, 2012 agreement.
- iii) On January 12, 2015, the Company paid US\$50,000 as a partial loan payment on the short-term loan.