

COLOMBIA CREST GOLD CORP.

(Formerly – Eaglecrest Explorations Ltd.)

(A Development Stage Company)

Consolidated Financial Statements

For The Six Months Ended March 31, 2011

COLOMBIA CREST GOLD CORP.

(Formerly – Eaglecrest Explorations Ltd.)

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(TSXV: Symbol “CLB”)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Colombia Crest Gold Corp. discloses that the accompanying unaudited interim consolidated financial statements for the six months ended, March 31, 2011, were prepared by and are the responsibility of the Company’s management.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Balance Sheets
March 31, 2011 and September 30, 2010
(Expressed in Canadian Dollars)

	March 31 2011 <u>(Unaudited)</u>	September 30 2010 <u>(Audited)</u>
Assets	\$	\$
Current		
Cash	5,239,327	853,679
Receivables	61,715	32,221
Prepaid expenses and deposits	54,982	27,491
	<u>5,356,024</u>	<u>913,391</u>
Property, plant and equipment - Note 3	28,952	39,427
Other deferred property charges	-	6,642
Resource properties - Schedule 1, and Notes 4 and 13	63,176,910	62,012,705
	<u>68,561,886</u>	<u>62,972,165</u>
Liabilities		
Current		
Accounts payable and accrued Liabilities	544,603	585,674
	<u>544,603</u>	<u>585,674</u>
Future income tax liability - Notes 9 and 13	16,537,000	16,537,000
Asset retirement obligation - Note 2	80,000	80,000
	<u>17,161,603</u>	<u>17,202,674</u>
Shareholders' Equity		
Share capital - Note 6(b)	74,998,352	71,060,057
Warrants - Note 6(e)	1,886,226	-
Share subscriptions - Note 6(f)	1,156,000	1,156,000
Contributed surplus - Note 6(i)	5,342,744	4,481,337
Deficit	(31,983,039)	(30,927,903)
	<u>51,400,283</u>	<u>45,769,491</u>
	<u>68,561,886</u>	<u>62,972,165</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 4
Subsequent Events – Notes 11

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

“Thomas Pladsen” Director “Carl Hansen” Director

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Statements of Operations and Deficit
For the Three Months and Six Months Ended March 31, 2011 and 2010
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
Expenses:				
Accounting and audit	25,798	10,000	36,830	24,352
Administration	30,000	30,000	60,000	60,000
Amortization	1,128	1,313	2,256	2,627
Bank charges	1,215	697	1,767	1,355
Consulting	50,541	27,553	102,321	49,699
Corporate development	34,512	69,462	88,178	155,911
Filing fees	9,142	13,321	45,006	27,561
Foreign exchange loss (gain)	14,572	6,702	19,795	18,358
Insurance	4,196	7,106	8,413	12,988
Legal	43,188	2,450	80,665	22,698
Management fees	44,112	46,321	89,535	93,854
Office and printing	24,737	24,992	42,871	50,960
Shareholders information	2,305	6,849	4,663	10,725
Stock-based compensation	559,350	811,191	559,350	811,191
Transfer agent	4,893	14,680	9,209	22,020
Travel and promotion	34,494	48,488	65,490	91,625
General explorations	23,356	-	23,356	-
Total expenses	<u>907,539</u>	<u>1,122,534</u>	<u>1,239,705</u>	<u>1,457,333</u>
Other items:				
Gain on disposal of equipment	-	-	(177,247)	(10,108)
Interest income	(7,088)	-	(7,322)	-
Net loss and comprehensive loss for the period	(900,451)	(1,122,534)	(1,055,136)	(1,447,225)
Deficit - beginning of period	<u>(31,082,588)</u>	<u>(27,130,769)</u>	<u>(30,927,903)</u>	<u>(26,806,078)</u>
Deficit - end of period	<u><u>(31,983,039)</u></u>	<u><u>(28,253,303)</u></u>	<u><u>(31,983,039)</u></u>	<u><u>(28,253,303)</u></u>
Loss per common share (note 2)	<u>(\$0.01)</u>	<u>(\$0.03)</u>	<u>(\$0.02)</u>	<u>(\$0.03)</u>
Weighted-average number of common shares outstanding	<u>63,349,351</u>	<u>44,620,119</u>	<u>60,183,816</u>	<u>44,620,119</u>

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Interim Consolidated Statements of Cash Flows
For the Three Months and Six Months Ended March 31, 2011 and 2010
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities				
Net loss for the period	(900,451)	(1,122,534)	(1,055,136)	(1,447,225)
Items not affecting cash:				
Amortization	1,128	1,313	2,256	2,627
Shares issued for corporate finance fee	30,000	-	30,000	-
Gain on disposition of property plant and equip.	-	-	(177,247)	(10,108)
Stock-based compensation	559,350	811,191	559,350	811,191
	(309,973)	(310,030)	(640,777)	(643,515)
Net change in non-cash working capital items:				
Receivables	(27,513)	2,427	(29,494)	14,373
Prepaid expenses and deposits	(34,370)	(5,175)	(27,491)	(49,097)
Accounts payable and accrued liabilities	(136,895)	64,750	(41,070)	(63,480)
	(508,751)	(248,028)	(738,832)	(741,719)
Financing activities				
Subscription receivable	134,000	7,500	134,000	120,438
Shares subscribed	-	-	-	-
Net cash received for capital stock issued	2,750,157	-	5,844,207	1,055,430
	2,884,157	7,500	5,978,207	1,175,868
Investing activities				
Property, plant and equipment expenditures	-	-	-	(18,490)
Sale of property plant and equipment	197	-	182,913	18,900
Other deferred property expenditures	-	(14,183)	-	(45,864)
Resource property expenditures	(564,268)	(495,591)	(1,036,640)	(899,417)
	(564,071)	(509,774)	(853,727)	(944,871)
Increase (decrease) in cash	1,811,335	(750,302)	4,385,648	(510,722)
Cash - beginning of period	3,427,992	895,301	853,679	655,721
Cash - end of period	5,239,327	144,999	5,239,327	144,999

Supplemental disclosure of non-cash financing and investing activities:

During the period, equipment amortization of \$2,552 (2010 - \$5,941) was recorded in resources property expenditures.

During the period, 1,495,239 agent warrants (2010 –65,400) valued at \$300,182 (2010 - \$16,447) were issued, and in 2010, 105,000 shares valued a \$55,356 were issued for finder's fees in connection with private placements.

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	(Audited) September 30, 2009 (Restated - Note 13)	Additions During the Year	(Audited) September 30, 2010	Additions During the Period	(Unaudited) March 31, 2011
	\$	\$	\$	\$	\$
Bolivia:					
San Simon Zone					
Acquisition costs	4,393,600	71,245	4,464,845	17,665	4,482,510
Admin and office	623,542	69,430	692,972	35,706	728,678
Assays	852,159	115,931	968,090	1,934	970,024
Camp costs	1,972,911	148,449	2,121,360	30,731	2,152,091
Consulting fees	4,509,410	269,254	4,778,664	40,307	4,818,971
Drilling	2,454,918	-	2,454,918	-	2,454,918
Mapping	122,400	1,487	123,887	-	123,887
Equipment rental	1,215,250	46,070	1,261,320	6,609	1,267,929
Environmental	21,630	10,009	31,639	7,470	39,109
Field costs	738,319	770	739,089	431	739,520
Geophysical & surveys	193,526	2,776	196,302	322	196,624
Professional fees	217,391	-	217,391	-	217,391
Sampling and analysis	132,529	-	132,529	-	132,529
Wages	1,030,041	383,809	1,413,850	110,046	1,523,896
Travel/transportation	581,562	67,578	649,140	10,613	659,753
Underground development	3,958,198	-	3,958,198	-	3,958,198
Vehicle maintenance	393,251	-	393,251	-	393,251
Write-off mineral property costs	-	(1,809,585)	(1,809,585)	-	(1,809,585)
	<u>23,410,637</u>	<u>(622,777)</u>	<u>22,787,860</u>	<u>261,834</u>	<u>23,049,694</u>
Dona Amelia Zone					
Acquisition costs	311,458	83,985	395,443	10,754	406,197
Admin and office	1,898,042	66,408	1,964,450	36,570	2,001,020
Amortization	1,009,645	5,941	1,015,586	2,552	1,018,138
Assays	1,610,561	2,422	1,612,983	896	1,613,879
Camp costs	1,437,930	71,398	1,509,328	31,930	1,541,258
Consulting fees	4,665,043	177,713	4,842,756	50,474	4,893,230
Drilling	14,361,102	-	14,361,102	-	14,361,102
Environmental	325,551	10,009	335,560	7,470	343,030
Mapping	66,560	1,737	68,297	-	68,297
Equipment rental	1,221,089	22,512	1,243,601	522	1,244,123
Field costs	2,176,362	770	2,177,132	431	2,177,563
Geophysical & surveys	82,153	2,776	84,929	322	85,251
Supplies	159,349	-	159,349	-	159,349
Travel/transportation	825,943	25,200	851,143	12,147	863,290
Underground development	5,934,895	-	5,934,895	-	5,934,895
Wages	2,794,976	67,925	2,862,901	124,928	2,987,829
Write-off mineral property costs	-	(60,072)	(60,072)	-	(60,072)
Recovery - gold concentrates	(1,003,812)	-	(1,003,812)	-	(1,003,812)
	<u>37,876,847</u>	<u>478,724</u>	<u>38,355,571</u>	<u>278,996</u>	<u>38,634,567</u>

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SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	(Audited) September 30, 2009 (Restated - Note 13) \$	Additions During the Year \$	(Audited) September 30, 2010 \$	Additions During the Period \$	(Unaudited) March 31, 2011 \$
Bolivia:					
Marco Maria Zone					
Acquisition costs	356,517	29,329	385,846	-	385,846
Admin and office	24,796	4,258	29,054	-	29,054
Camp costs	15,981	5,590	21,571	-	21,571
Consulting	23,051	5,733	28,784	-	28,784
Equipment rental	9,122	-	9,122	-	9,122
Mapping	-	125	125	-	125
Professional fees	10,701	-	10,701	-	10,701
Field costs	1,897	-	1,897	-	1,897
Travel/transportation	4,100	2,008	6,108	-	6,108
Wages	27,769	22,330	50,099	-	50,099
Write-off mineral property costs	-	(543,307)	(543,307)	-	(543,307)
	<u>473,934</u>	<u>(473,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dona Angela (Campo Nuevo) Zone					
Acquisition costs	270,025	61,601	331,626	-	331,626
Admin and office	48,494	3,805	52,299	-	52,299
Assays	19,871	-	19,871	-	19,871
Camp costs	73,807	5,670	79,477	-	79,477
Consulting	61,704	6,855	68,559	-	68,559
Equipment rental	52,217	127	52,344	-	52,344
Environmental	632	-	632	-	632
Field costs	28,240	-	28,240	-	28,240
Mapping	2,777	125	2,902	-	2,902
Professional fees	3,147	-	3,147	-	3,147
Travel/transportation	24,118	2,349	26,467	-	26,467
Wages	95,419	25,595	121,014	-	121,014
Write-off mineral property costs	-	(786,578)	(786,578)	-	(786,578)
	<u>680,451</u>	<u>(680,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	(Audited) September 30, 2009 (Restated - Note 13) \$	Additions During the Year \$	(Audited) September 30, 2010 \$	Additions During the Period \$	(Unaudited) March 31, 2011 \$
Colombia:					
Fredonia					
Acquisition costs	-	711,722	711,722	200,358	912,080
Admin and office	-	22,778	22,778	42,505	65,283
Camp costs	-	-	-	203	203
Consulting	-	52,610	52,610	64,822	117,432
Equipment rental	-	-	-	166	166
Field costs	-	54,065	54,065	4,278	58,343
Geophysical & surveys	-	-	-	108,706	108,706
Supplies	-	9,920	9,920	-	9,920
Travel/transportation	-	18,179	18,179	32,750	50,929
Wages	-	-	-	1,067	1,067
	<u>-</u>	<u>869,274</u>	<u>869,274</u>	<u>454,855</u>	<u>1,324,129</u>
Venecia					
Acquisition costs	-	-	-	30,231	30,231
Consulting	-	-	-	26,259	26,259
Geophysical & surveys	-	-	-	107,214	107,214
Travel/transportation	-	-	-	4,816	4,816
	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,520</u>	<u>168,520</u>
Total Bolivia	62,441,869	(1,298,438)	61,143,431	540,830	61,684,261
Total Colombia	-	869,274	869,274	623,375	1,492,649
All Total	<u>62,441,869</u>	<u>(429,164)</u>	<u>62,012,705</u>	<u>1,164,205</u>	<u>63,176,910</u>

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Colombia Crest Gold Corp.
(Formerly - Eaglecrest Explorations Ltd.)
Notes to the Consolidated Financial Statements
March 31, 2011 and 2010
(Unaudited)

COLOMBIA CREST GOLD CORP.
(Formerly – Eaglecrest Explorations Ltd.)
Notes to the Consolidated Financial Statements
March 31, 2011 and 2010
(Expressed in Canadian Dollars unless otherwise indicated)
(Unaudited)

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

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

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

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2011, the Company had not yet achieved profitable operations, has accumulated losses of \$31,983,039 (2010: \$28,253,303) since its inception, has working capital of \$4,811,421 (2010: deficit \$175,085) and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Colombia Crest Gold Corp.
(Formerly - Eaglecrest Explorations Ltd.)
Notes to the Consolidated Financial Statements
March 31, 2011 and 2010
(Unaudited)

Note 2 Summary of Significant Accounting Policies

The unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with GAAP in Canada and are stated in Canadian dollars. They do not include all the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended September 30, 2010 and 2009.

The Company did not adopt any new accounting policies during the six months ended March 31, 2011, and the accounting policies are consistent with those as disclosed in the Company's most recently completed annual audited consolidated financial statements for the years ended September 30, 2010 and 2009.

International Financial Reporting Standards ("IFRS")

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

Note 3 Property, Plant and Equipment

	March 31, 2011		September 30/10	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office Equipment	104,502	86,774	17,728	21,462
Field Equipment	40,964	40,055	909	1,070
Automotive	68,988	58,673	10,315	16,895
	214,454	185,502	28,952	39,427

Note 4 Resource Properties

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

San Simon and Dona Amelia Zones

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

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

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

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

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

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

Colombia Crest Gold Corp.
(Formerly - Eaglecrest Explorations Ltd.)
Notes to the Consolidated Financial Statements
March 31, 2011 and 2010
(Unaudited)

Note 4 Resource Properties – (cont'd)

Bolivia: - (cont'd)

Marco Maria Zone

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

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

Dona Angela (Campo Nuevo) Zone

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

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

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

Colombia Crest Gold Corp.
(Formerly - Eaglecrest Explorations Ltd.)
Notes to the Consolidated Financial Statements
March 31, 2011 and 2010
(Unaudited)

Note 4 Resource Properties – (cont'd)

Colombia:

Fredonia

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

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

- (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).

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4 Resource Properties – (cont'd)

Colombia: – (cont'd)

Fredonia – (cont'd)

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

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

In the event the Company does not meet this expenditure requirement in any such one year period, the Company may maintain its 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.

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

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

Venecia

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

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Note 4 Resource Properties – (cont'd)

Colombia: – (cont'd)

Venecia – (cont'd)

<u>Date</u>	<u>Expenditures (US\$)</u>	<u>Common Shares or Warrants Issuance</u>	<u>Cash (US\$)</u>	<u>Interest Earned (%)</u>
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	125,000 shares and 125,000 warrants(iii)	80,000	25.0%
By March 30, 2013	1,000,000	125,000 shares and 125,000 warrants(iii)	75,000	37.5%
By March 30, 2014	<u>1,000,000</u>	<u>125,000 shares and 125,000 warrants(iii)</u>	<u>350,000</u>	<u>75.0%</u>
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, 2010 (paid).
- (ii) Warrants have an unit exercise price of \$0.4375 and expire April 15, 2013.
- (iii) Each warrant will have an exercise price equal to the greater of the closing price of the Company's common shares at the date of execution or \$0.4375. The warrants will have an expiry date of 2 years.

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

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Note 4 Resource Properties – (cont'd)

Colombia: – (cont'd)

Venecia – (cont'd)

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

Note 5 Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the transacting parties. The unpaid balances referred to below are non-interest bearing, payable on demand and have arisen from the provision of services described.

During the six months ended March 31, 2011:

- A director of the Company was paid or accrued \$12,000 (2010: \$66,000) for corporate development fees and one officer of the Company was paid or accrued \$60,000 (2010: \$60,000) for accounting and administration services. At March 31, 2011, the related parties were owed \$12,185 (2010: \$61,787) for the unpaid portions of these amounts and reimbursement of expenditures made on behalf of the Company, which is included in accounts payable.
- A private company owned by a director of the Company was paid or accrued \$89,535 (2010: \$93,854) in management fees. At March 31, 2011, the related party was owed \$nil (2010: \$38,493) for the unpaid portions of these amounts and reimbursement of expenditures made on behalf of the Company.
- An officer of the Company and a private company controlled by a former director of the Company were paid or accrued \$62,900 (2010: \$12,637) for geological consulting services. At March 31, 2011, the related parties were owed \$11,643 (2010: \$6,770) for the unpaid portion of the amount, which is included in accounts payable.

As at March 31, 2011, accounts payable are inclusive of \$23,828 (2010: \$107,050) due to related parties.

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Note 6 Share Capital

a) Authorized:

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

b) Issued:

	<u>March 31, 2011</u>		<u>September 30, 2010</u>	
	<u>Number of Shares</u>	<u>\$</u>	<u>Number of Shares</u>	<u>\$</u>
Issued - beginning of period	51,031,190	71,060,057	433,812,034	67,689,035
Shares consolidation 10:1 Issued:	-	-	(390,430,800) *	-
Private placements	21,442,594	4,304,950 (1)	6,798,956	3,429,908
Shares issued for finder's fees	-	-	105,000	55,356
Shares issued for corporate financing fees	100,000	19,424		
Shares issued for option on property	319,922	118,371	1,000,000	400,000
Returned to treasury/cancelled	(18,750) (3)	(1,875)	(254,000) (4)	(213,240)
Issue costs	-	(502,575) (2)	-	(301,002) (5)
Issued - end of end period	<u>72,874,956</u>	<u>74,998,352</u>	<u>51,031,190</u>	<u>71,060,057</u>

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

- (1) 21,442,594 units issued pursuant to a non-brokered private placement at a price of \$0.30 per unit for gross proceeds of \$6,432,778 (\$4,304,950 allocated to share capital and \$2,127,828 allocated to warrants).
- (2) \$545,571 in cash was paid or accrued and 1,495,239 agent warrants valued at \$300,182 were issued as finders' fees. \$502,575 of the total issued costs were allocated to share capital and \$252,178 were allocated to warrants issued pursuant to the private placements.
- (3) Expiry of escrow shares
- (4) Shares returned to treasury and cancelled due to non-payment of common shares subscribed for.
- (5) \$32,700 in cash was paid, 65,400 agent's warrants valued at \$16,447 and 105,000 common shares valued at \$55,356 were issued and another 400,000 common shares valued at \$200,000 have been accrued as finders' fees.

Note 6 Share Capital – (cont'd)

b) Issued: – (cont'd)

During the six months ended March 31, 2011, the Company issued common shares pursuant to the following non-brokered private placement: 21,442,594 units at a price of \$0.30 per unit for gross proceeds of \$6,432,778 (\$4,304,950 allocated to share capital and \$2,127,828 allocated to warrants). The first tranche, 11,478,258 unit consisted of one common share and one share purchase warrant exercisable to purchase one additional common share for \$0.45 until December 30, 2012, and the 2nd tranche, 9,964,336 units consisted of one common share and one share purchase warrants exercisable to purchase one additional common share for \$0.45 until February 4, 2012; provided that if after the issuance of the warrants (for both tranches) the average closing trading price of the common shares is \$0.75 or higher for a period of 20 consecutive trading days, the Company may issue a notice that the warrants must be exercised within 21 days of the date of the notice or they will expire at the end of that 21 day period. Cash of \$545,571 has been paid and 1,495,239 agent share purchase warrants have been issued as finders' fees. 698,093 finders' fees warrants applicable to the first tranche have the same exercise terms as the first tranche private placement warrants. The remaining 797,146 finder's fees warrants have the same exercise term and expiry date as the second tranche private placement warrants except that the accelerate exercise clause does not apply. The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.39% - 1.42%; expected dividend yield – Nil; expected stock price volatility 83 % - 106%; and expected warrant life of 2.0 years.

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

- 11,000,000 pre-consolidation units at a price of US\$0.05 per unit for gross proceeds of US\$550,000. Each unit consists of one pre-consolidation common share and one pre-consolidation non-transferable share purchase warrant exercisable to purchase one additional common share for US\$0.10 until December 4, 2010. Finders' fees of 1,050,000 pre-consolidation common shares have been issued. As a result of the share capital consolidation on December 10, 2009, the private placement units and finder's fee shares issued were reduced to 1,100,000 units and 105,000 common shares respectively. The value of the 105,000 common shares issued as finder's fees was determined by the market value of the common shares issued in the private placement.
- 1,160,000 post-consolidation units at a unit price of \$0.50 raising a total of \$580,000. Each post-consolidation unit consists of one common share and one warrant exercisable to purchase an additional common share at a price of \$0.75 expiring December 24, 2011. A finder's fee of \$25,000 cash has been paid and 50,000 warrants each exercisable to purchase one common share at \$0.50 expiring December 24, 2011 have been issued in connection to the private placement. The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.39%; expected dividend yield – Nil; expected stock price volatility 200%; and expected warrant life of 2.0 years.

Note 6 Share Capital – (cont'd)

b) Issued: – (cont'd)

- 4,538,956 post-consolidation units at a unit price of \$0.50 raising a total of \$2,269,478. Each post-consolidation unit consists of one common share and one warrant exercisable to purchase an additional common share at a price of \$0.75 expiring May 10, 2012; provided that at any time the common shares have a closing price higher than \$1.10 per share for a period of 20 consecutive trading days on the TSXV, the Company shall be entitled to give notice to the holders of warrants that the warrants will expire 21 days after the date of such notice unless exercised before the expiry of that period. A finder's fee of \$7,700 cash has been paid, 15,400 agent warrants have been issued and 400,000 common shares will be issued in connection to the private placement (issued in April, 2011). Each agent warrant is exercisable to purchase one common share at \$0.50 per share expiring May 10, 2012; provided that at any time the common shares have a closing price higher than \$1.10 per share for a period of 20 consecutive trading days on the TSXV, the Company shall be entitled to give notice to the holders of warrants that the warrants will expire 21 days after the date of such notice unless exercised before the expiry of that period. The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.93%; expected dividend yield – Nil; expected stock price volatility 201%; and expected warrant life of 2.0 years.

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

c) Escrow Shares:

In accordance with an Escrow Agreement dated September 19, 1999, 187,500 common shares were subject to escrow and may not be transferred, assigned or otherwise dealt with without the consent of the TSXV. These common shares may not be released from escrow unless the escrow agent receives a letter consenting to release from the TSXV. Any common shares not released will expire in ten years from the date of the agreement. As at December 31, 2010, the Company had a balance of 18,750 post-consolidation common shares in escrow. In January, 2011, the 18,750 post-consolidation escrow shares were cancelled and returned to the Company's treasury.

d) Directors' and Employees' Stock Options Outstanding:

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

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Note 6 Share Capital – (cont'd)

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

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

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

	March 31, 2011	Weighted Average Exercise Price \$	September 30, 2010	Weighted Average Exercise Price \$
Balance outstanding - beginning of period	2,400,000	1.36	11,150,000	0.20
Activity during period:				
Consolidation 10:1	-	-	(10,035,000)	-
	<u>2,400,000</u>	<u>1.96</u>	<u>1,115,000</u>	<u>1.96</u>
Options granted	2,150,000	0.45	1,735,000	0.93
Options cancelled/expired	(200,000)	0.80	(450,000)	1.21
Balance outstanding - end of period	<u>4,350,000</u>	<u>0.93</u>	<u>2,400,000</u>	<u>1.36</u>

iii) Details of stock options outstanding at March 31 2011:

Number of Shares	Option Price \$	Expiry Date
30,000	4.55	September 13, 2011
370,000	2.70	January 4, 2012
30,000	2.70	January 9, 2012
100,000	0.60	January 19, 2012
135,000	1.80	January 8, 2013
200,000	1.20	May 29, 2013
1,335,000	1.00	January 19, 2015
200,000	0.45	February 8, 2013
250,000 *	0.45	February 8, 2013
1,700,000	0.45	February 8, 2016
<u>4,350,000</u>		

As at March 31, 2011, the contractual weighted average remaining life is 3.63 years (2010 – 3.75 years).

* Vested over one year – 50,000 options exercisable every three months commencing February 2, 2011.

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Note 6 Share Capital – (cont'd)

e) Share Purchase Warrants Outstanding:

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

<u>Warrants with exercise price in US\$:</u>			
	Number of Warrants	Amount \$	Wt. Average Exercise Price US\$
Balance - September 30, 2009	81,402,283	-	0.19
Consolidation 10:1	(73,262,055)	-	
Activity during the year:			
Warrants issued	1,100,000	-	1.00
Warrants expired	(3,658,328)	-	3.00
Warrants amended (1)	(1,100,000)	-	1.00
Balance - September 30, 2010 and	<u>4,481,900</u>	<u>-</u>	<u>1.00</u>
<u>Warrants with exercise price in CDN\$:</u>			
	Number of Warrants	Amount \$	Wt. Average Exercise Price CDN\$
Balance - September 30, 2009	-	-	-
Warrants issued	6,664,356	-	0.70
Warrants amended (1)	1,100,000	-	0.75
Balance - September 30, 2010	<u>7,764,356</u>	<u>-</u>	<u>0.70</u>
Warrants issued for private placements (2)	21,442,594	2,127,828	0.45
Warrants issued for finders' fees	1,495,239	-	0.45
Warrants issued for corporate finance fees	100,000	10,576	0.45
Issued costs (3)	-	(252,178)	-
Balance - March 31, 2011	<u>30,802,189</u>	<u>1,886,226</u>	<u>0.51</u>

- (1) Warrants originally exercisable at a unit price of US\$1.00 expiring December 4, 2010 have been amended to a unit exercise price of CDN\$0.75 expiring December 4, 2011.
- (2) 21,442,594 units issued pursuant to a non-brokered private placement at a price of \$0.30 per unit for gross proceeds of \$6,432,778 (\$4,304,950 allocated to share capital and \$2,127,828 allocated to warrants). The fair value of warrants issued was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.39% - 1.42%; expected dividend yield – Nil; expected stock price volatility 83 - 106%; and expected warrant life of 2.0 years. The relative fair market value method was then used on a pro-rata basis between share capital and warrants to arrive at the value of \$2,127,828 for the warrants.
- (3) Allocated portion of issued costs to warrants pursuant to a non-brokered placement. See Note 6 b) (2).

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Note 6 Share Capital – (cont'd)

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

ii) Details of share purchase warrants outstanding at March 31, 2011:

Warrants outstanding with exercise price in US\$:

Number of shares	US\$ Exercise Price	Expiry Date	
4,481,900	1.00	August 13, 2012	(1)
4,481,900	1.00		

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

As at December 31, 2010, the weighted average remaining contractual life of warrants exercisable in US\$ is 1.37 years (2010: 0.43 year).

Warrants outstanding with exercise price in CDN\$:

Number of shares	CDN \$ Exercise Price	Expiry Date	
1,100,000	0.75	December 04, 2011	
1,060,000	0.75	December 24, 2011	
50,000	0.50	December 24, 2011	
4,538,956	0.75	May 10, 2012 *	
15,400	0.50	May 10, 2012*	
1,000,000	0.40	September 28, 2012	
12,176,351	0.45	December 30, 2012 **	
10,064,336	0.45	February 4, 2013 **	
797,146	0.45	February 4, 2013	
30,802,189	0.51		

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

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

As at March 31, 2011, the weighted average remaining contractual life of warrants exercisable in CDN\$ is 1.58 years (2010: 1.73 years).

SEE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 6 Share Capital – (cont'd)

f) Share Subscriptions:

- During the year ended September 30, 2001, the Company proposed to enter into a private placement for the issuance of 2,000,000 units at \$0.50 per unit for proceeds of \$1,000,000, less a 7.5% finder's fee. Each unit is to consist of a common share and a two year share purchase warrant to purchase an additional common share at \$0.50 per share in the first year and at \$0.60 per share in the second year. The Company has received subscriptions for 1,983,171 units (proceeds of \$925,000, net of related issue costs).
- During the year ended September 30, 2001, the Company entered into an agreement with a purchaser for a private placement of 770,000 units at \$0.30 per unit to raise \$231,000. Each unit was to be comprised of one common share and one share purchase warrant to purchase one common share at \$0.30 per share in the first year and at \$0.40 per share in the second year. The Company subsequently amended the terms of that private placement to 1,500,000 units at \$0.154 (US\$0.10) per unit, with each unit comprised of one common share and one share purchase warrant exercisable for two years to purchase one additional common share for \$0.154 (US\$0.10). The Company has received subscriptions for 1,500,000 units for proceeds of \$231,000.
- Pursuant to a private placement closed during the year ended September 30, 2010, 400,000 common shares (issued in April, 2011) valued at \$200,000 payable as a finder's fee were accrued in accounts payable and accrued liabilities. The value of this finder's fee was determined by the market value of the common shares issued in the private placement.

g) Stock-based Compensation

The Company recorded stock-based compensation during the six months ended March 31, 2011 of \$559,350 (2010: \$811,191). The fair value of stock options granted was estimated using the Black-Scholes option valuation model with the following assumptions; risk-free interest rate 1.42% - 3.20% (2010: 1.89% - 3.44%); expected dividend yield – Nil (2010: Nil); expected stock price volatility 82% - 92% (2010: 143% - 199%); and expected option life of 2.0 – 5.0 years (2010: 2.0 – 5.0 years).

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

h) Subscriptions Receivable:

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

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Note 6 Share Capital – (cont'd)

i) Contributed Surplus:

Continuity of contributed surplus is as follows:

Balance - September 30, 2009	\$ 3,352,521
Agent's warrants issued	16,447
Stock-based compensation	811,191
Fair value of warrants for Fredonia acquisition	301,178
Balance - September 30, 2010	<u>4,481,337</u>
Agents' warrants issued	300,182
Stock-based compensation	559,350
Cancellation of escrow shares	1,875
Balance - March 31, 2011	<u>\$ 5,342,744</u>

Note 7 Capital Management

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

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

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

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the six months ended March 31, 2011.

Note 8 Financial Risk Management

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

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

a) Credit Risk

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

b) Liquidity Risk

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

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

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

c) Market Risk

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

i) Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the development stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. Although a portion of the Company's transactions are denominated in US dollars, Bolivian Boliviano and Columbian Pesos, as at March 31, 2011, the Company is not significantly exposed to foreign currency exchange risk at this time as the Canadian dollar is above par with the US dollar.

Note 8 Financial Risk Management – (cont'd)

ii) Commodity Price Risk

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

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2011, the Company has on deposit, \$4.3 million in short term deposits paying an annual interest rate of 0.9% per annum. The Company has no interest-bearing debt and any change expected in interest rate is for it to rise, which would result in an increase in interest income for the Company.

Note 9 Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision has not been calculated for the period ended March 31, 2011.

The significant components of the Company's future income tax assets and liabilities for the 2010 fiscal year are as follows and have not been updated for the interim period ended March 31, 2011:

For further details pertaining to income taxes, refer to the audited consolidated financial statements for the years ended September 30, 2010 and 2009.

	<u>2010</u>
Future income tax assets:	
Non-capital losses carried forward	\$ 2,472,000
Capital losses carried forward	104,000
Undeducted financing cost	113,000
Exploration and development expenses	(16,436,000)
Capital assets	129,000
Less: valuation allowance	<u>(2,919,000)</u>
Net future income tax assets (liabilities)	<u>\$ (16,537,000)</u>

Colombia Crest Gold Corp.
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March 31, 2011 and 2010
(Unaudited)

Note 10 Segmented Information

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

Assets	March 31	
	2011	2010
Canada	\$	\$
Assets other than mineral property interests	5,075,365	220,598
Colombia		
Mineral property interests	1,492,649	-
Bolivia		
Assets other than mineral property interests	309,611	113,346
Mineral property interests	<u>61,684,261</u>	<u>45,821,257</u>
Total Assets	68,561,886	46,155,201

Note 11 Subsequent Events

In addition to information disclosed elsewhere in these notes, the following occurred during the period subsequent to March 31, 2011:

- Pursuant to the Venecia Option Agreement, the Company issued 250,000 common shares and 250,000 warrants each exercisable to purchase an additional common share of the Company at \$0.4375 until April 15, 2013.
- Pursuant to a non-brokered private placement, 400,000 common shares were issued as a finder's fee.

Note 12 Comparative Figures

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

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Note 13 FIT Restatement

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

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

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

Resource Properties

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