

**COLOSSUS MINERALS INC.**



**ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED  
JULY 31, 2010**

**DATED OCTOBER 18, 2010**

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## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Annual Information Form ("**AIF**") contains "forward-looking statements" which may include, but is not limited to, statements with respect to the future financial or operating performance of Colossus Minerals Inc. (the "**Corporation**") and its projects, the future price of gold or other metal prices, the estimation of mineral resources, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration and development activities; risks relating to title to properties; risks associated with obtaining necessary permits; risks associated with foreign operations, including government regulation and political stability risks; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of the Canadian dollar relative to the U.S. dollar or Brazilian real; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future prices of gold; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, and the factors discussed in the section entitled "Risk Factors" in this AIF. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this AIF and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Unless otherwise noted, the information given herein is as of July 31, 2010.

## GENERAL

All currency references in this AIF are to Canadian dollars unless otherwise indicated. A glossary of defined and technical terms used herein is located on pages 47-50.

## INFORMATION INCORPORATED BY REFERENCE

The technical report entitled "Technical Report on Recent Exploration at the Serra Pelada Gold-Platinum-Palladium Project in Para State, Brazil, for Colossus Minerals Inc." authored by David G. Jones dated January 31, 2010, and filed on SEDAR on February 2, 2010 (the "**2010 Serra Pelada Technical Report**"), is incorporated herein by reference, and updates the technical report dated December 19, 2007, entitled "Technical Report on the Serra Pelada Gold-Platinum-Palladium Project in Para State, Brazil, for Colossus Minerals Inc." (the "**2007 Report**") filed on SEDAR on December 21, 2007.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

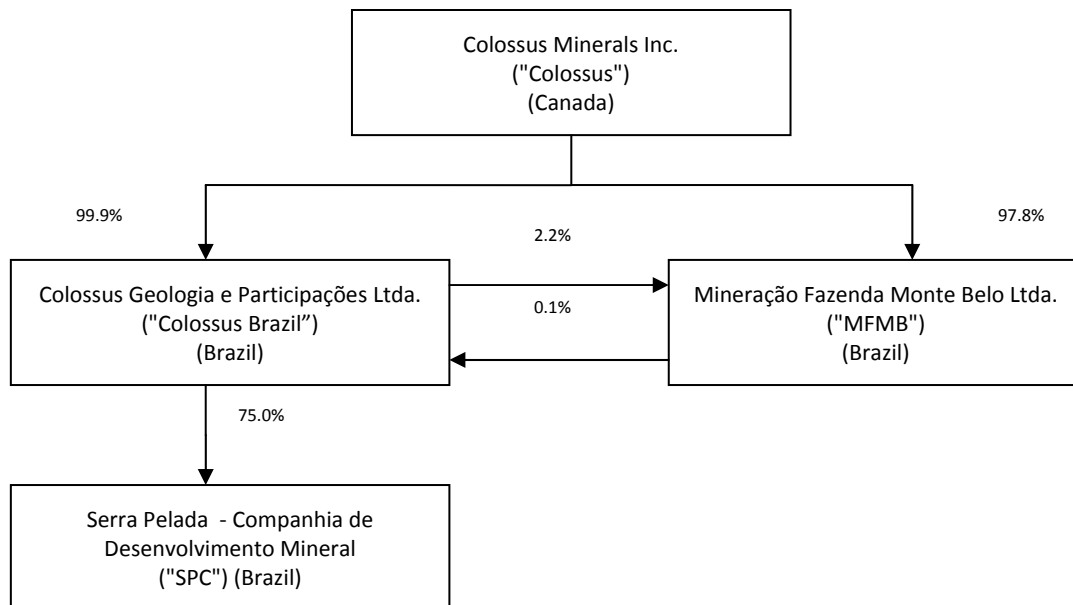
Colossus Minerals Inc. (the "**Corporation**" or "**Colossus**") was incorporated under the *Business Corporations Act* (Ontario) on February 9, 2006, as 2093688 Ontario Limited. The Corporation amended its articles of incorporation on May 10, 2006, to change its name to "Colossus Minerals Inc." and further amended its articles of incorporation on June 22, 2007, to remove the transfer restrictions on the Corporation's securities.

The registered and head office of the Corporation is located at 1 University Avenue, Suite 401, Toronto, Ontario, M5J 2P1.

### Inter-Corporate Relationships

The Corporation has three subsidiaries: (i) Colossus Geologia e Participações Ltda. ("**Colossus Brazil**") which was incorporated under the laws of the Federative Republic of Brazil; (ii) Serra Pelada – Companhia de Desenvolvimento Mineral ("**SPC**") which was incorporated as "Caicara Minerios e Participacoes Ltda." under the laws of the Federative Republic of Brazil by articles of association and subsequently amended its articles to change its name (to Serra Pelada Empresa de Desenvolvimento Mineral Ltda. and subsequently to Serra Pelada – Companhia de Desenvolvimento Mineral) and to change the form of company; and (iii) Mineração Fazenda Monte Belo Ltda. ("**MFMB**") which was incorporated under the laws of the Federative Republic of Brazil. Unless the context otherwise requires, references in this AIF to the Corporation include Colossus Brazil, SPC and MFMB, as applicable.

The chart below outlines other interests the Corporation holds in its Brazilian subsidiary companies as at July 31, 2010. Each of these other entities is a company in which the exploration licenses for each of the Serra Pelada Project and the Rio Cristalino Property are held.



#### Notes:

- (1) In accordance with the terms of the Serra Pelada Agreement, Cooperativa de Mineração dos Garimpeiros de Serra Pelada ("COOMIGASP") held 49% of SPC. Pursuant to the terms of the Serra Pelada Agreement, Colossus could earn an

additional 24% interest in SPC upon meeting certain conditions set out therein. On September 23, 2009, SPC's capital was increased by the issuance of new shares, which were subscribed and paid for by Colossus Brazil. As a result, Colossus Brazil's interest reached 75%. The documents evidencing such capital increase were filed with the corporate registry in Brazil and on November 23, 2009, the Brazilian regulatory authorities accepted completion of the earn-in obligation for the full 75% interest in the Serra Pelada Project effective September 24, 2009, being the date when the registration application was filed.

- (2) The thirteenth amendment to the articles of association of Colossus Brazil was filed with the Register of Commerce of Minas Gerais on June 9, 2009. Such corporate act increased Colossus Brazil's stock capital to R\$43,576,251, divided into 43,576,251 quotas with a par value of R\$1.00.
- (3) Brazilian law requires a limited liability company to have at least two quota holders. There is no trust agreement executed between the companies above mentioned.

## **DESCRIPTION OF THE BUSINESS**

### **General**

Colossus is a development stage mining company focused on a high-grade gold and platinum group metals project in Brazil. Since inception, the efforts of the Corporation have been devoted to the development of properties for production of gold and other precious metals in Brazil.

The Corporation currently holds interests in two properties in Brazil: the Serra Pelada Project and the Rio Cristalino Property. The Serra Pelada Project is the only material property of the Corporation. As of July 31, 2010, the Corporation and its subsidiaries had 157 employees. The Corporation also relies on consultants to carry on many of its activities and, in particular, to supervise work programs on its mineral properties.

### **Three Year History and Significant Acquisitions**

Since February 6, 2006, the Corporation has grown from a private startup company to a more traditional junior mineral exploration and development company with interests in two mineral properties in Brazil. A key milestone in the development of the current asset base of the Corporation was the acquisition of the Serra Pelada Project through the Serra Pelada Agreement on July 16, 2007. This agreement provides for the creation of a joint venture company with COOMIGASP in which Colossus Brazil has earned a 75% interest in the joint venture company which holds the exploration license relating to the Serra Pelada Project.

In November 2006, the Corporation, Colossus Brazil and Terra Goyana, a Brazilian company, entered into the Natividade Option Agreement in respect of the Natividade Property (DNPM Process number 861.274/1986 and exploration license number 7337/2005) in Natividade, State of Tocantins, Brazil. Subsequent to the end of fiscal 2009, the Corporation terminated its option agreement relating to the Natividade Property due to the suspension of exploration works on the property due to a force majeure situation whereby environmental and archaeological authorities in Brazil applied penalties and embargoes in respect of the work being carried out on the property. The Corporation has argued against the jurisdiction of such authorities to levy penalties and embargoes (the amount of which, in the aggregate is not considered by the Corporation to be material).

In December 2006, the Corporation raised \$757,000 from the issue of 3,785,000 units at \$0.20 per unit. Each unit comprised one Common Share and one Common Share purchase warrant. Each warrant was exercisable at a price of \$0.40 for a period of five years. In July 2007, the Corporation raised \$1,996,072, net of expenses, from the issue of 5,738,000 units at \$0.40 per unit. Each unit comprised one Common Share and one-half of one Common Share purchase warrant. Each whole warrant was exercisable at a

price of \$0.55 for a period of two years after the Corporation's going public date (subsequently determined to be February 13, 2008). A further 500,000 units at \$0.40 were subscribed; however payment was outstanding at the end of the fiscal year. These 500,000 units and the related \$200,000 of cash were included in the following period upon receipt. Agents received 206,387 units related to their work for the financing. Each unit comprised one Common Share and one half Common Share purchase warrant. Each whole purchase warrant was exercisable into Common Shares at \$0.55 per share until February 13, 2010.

On July 16, 2007, Colossus Brazil, and COOMIGASP entered into a partnership agreement (the "**Serra Pelada Agreement**") for exploration and development in respect of the primary (underground) gold ore and other associated metal and ore in the Serra Pelada Project (DNPM Process number 850.425/1990). The Corporation, through Colossus Brazil, earned an initial 51% share in the partnership by spending R\$6,000,000 on exploration and development. In September 2009, SPC's capital was increased by the issuance of additional shares, for which Colossus Brazil subscribed and paid R\$12 million, bringing Colossus Brazil's ownership interest to 75%. The documents evidencing such capital increase were filed with the corporate registry in Brazil, and on November 17, 2009, the Brazilian regulatory authorities accepted completion of the earn-in obligation for the full 75% interest in the Serra Pelada Project effective September 24, 2009, being the date when the registration application was filed. The Corporation also agreed to fund R\$200,000 of consulting work for COOMIGASP related to the mining potential of existing tailings at the Serra Pelada Project. The Serra Pelada Agreement provides that COOMIGASP will continue to assume all liabilities for environmental cleanup related to the existing tailings. However, there is no assurance that amendments to current laws, regulations, permits and licenses governing environmental actions or remediation, or the more stringent implementation thereof, will not have a material adverse impact on the current operator under a particular license or permit.

Pursuant to the terms of the Serra Pelada Agreement, Colossus Brazil was obliged to pay COOMIGASP a series of premium payments based upon the gold reserve accepted and approved by the Departamento Nacional de Produção Mineral ("**DNPM**") of Brazil. Such premium payment ranged from a minimum of R\$40,800,000 (based on Colossus Brazil's 51% interest in the Serra Pelada Project) for 20 tonnes of gold reserves to a maximum of R\$817,500,000 (based on Colossus Brazil's 75% interest in the Serra Pelada Project) for 550 tons or greater of gold reserves. Advance premium payments were required to be made under the terms of the Agreement and at July 31, 2010 amounted to \$4,253,040. These payments have now been concluded due to a subsequent amendment of the Serra Pelada Agreement.

On November 8, 2009, the membership of COOMIGASP approved an amendment (the third amendment) to the Serra Pelada Agreement (the "**Amended Agreement**"). The effective date of the Amended Agreement is September 4, 2009. Pursuant to the terms of the Amended Agreement, Colossus Brazil is now required to make a monthly payment to COOMIGASP of R\$350,000 until production commences and will finance COOMIGASP's portion of development costs. In addition, Colossus Brazil has pledged its share holding of SPC to COOMIGASP as a guarantee of performance. The guarantee is terminated upon commencement of production. Reimbursement of funds advanced to COOMIGASP under the terms of the Agreement and the Amended Agreement or paid on behalf of COOMIGASP for development of the project by Colossus Brazil will commence in the second year of production and will be payable in equal quarterly instalments over a two year period. The advance payments made as of July 31, 2010, amount to \$2,047,318 or R\$3,500,000.

In addition to the above payments, Colossus Brazil will make life-of-mine premium payments to COOMIGASP per kilogram of precious metal sold from mine production, payable in Brazilian Reais. The payments will range between R\$1,445 per kilogram for production up to 6.31 tonnes of metal which is

approximately US\$23 per ounce at an exchange rate of R\$1 = US\$0.5676 on July 31, 2010 and R\$900 for production exceeding 54.62 tonnes of metal for approximately US\$14 per ounce at the same exchange rate as noted above.

The Corporation and Phoenix Gems Do Brasil Ltda. ("**Phoenix**") entered into an agreement dated June 28, 2007 with respect to the Corporation's interest in the Serra Pelada Project where Phoenix can earn a 15% net profit interest in the Corporation's potential future earnings from the Serra Pelada Project. The Corporation was required to fund the first US\$1,000,000 of work on the Serra Pelada Project. Thereafter, the companies would each fund their share of work or suffer dilution of their ownership share in the Serra Pelada Project. The Corporation met this spending requirement. In August 2008, Colossus repurchased the 15% net profit interest in the Serra Pelada Project from Phoenix for an aggregate consideration of US\$4.2 million. See "Year Ended July 31, 2009" below.

#### ***Year Ended July 31, 2008 ("Fiscal 2008" or "2008")***

In November 2007, the Corporation issued 125,000 shares to Maple Minerals Exploration and Development Inc., a subsidiary of Mega Uranium Ltd., for its 100% interest in MFMB, a Brazilian company. This company holds the rights to the Rio Cristalino low grade molybdenum property. During the year ended July 31, 2010, the Corporation has written down the Rio Cristalino Property to a nominal value equivalent to the original acquisition cost in recognition of a decline in activity on the property. However, the property has not been abandoned and remains in good standing.

Also in November 2007, the Corporation raised \$1,645,000 from the issue of 1,645,000 units. Each unit comprised one Common Share and one-half of one Common Share purchase warrant. Each whole purchase warrant was exercisable into one share of the Corporation at a price of \$1.50 per share until February 13, 2010.

The Corporation completed its initial public offering ("**IPO**") and listing on the Toronto Stock Exchange ("**TSX**") in February 2008. Pursuant to the IPO, the Corporation issued 17,200,000 units upon closing and a further 2,580,000 units upon exercise of an over-allotment option, raising aggregate gross proceeds of \$24.7 million (net proceeds were \$22.8 million). Each unit comprised one Common Share and one-half Common Share purchase warrant. Each whole purchase warrant is exercisable into one share of the Corporation at a price of \$2.00 per share until February 13, 2011. The warrants issued pursuant to the IPO are listed for trading on the TSX.

During 2008, an aggregate of \$254,259 was raised from the exercise of outstanding stock options, broker units and warrants resulting in the issuance of an aggregate of 365,800 shares of the Corporation.

During 2008, the Corporation spent \$8.4 million to advance its exploration properties. This amount excludes the \$125,000 payment in Common Shares for the Rio Cristalino Property and other non-cash additions. The Serra Pelada Project was identified as the Corporation's most significant asset and spending of \$7.5 million, including option payments, was incurred during the 2008 fiscal year. An aggregate of \$1.1 million was spent on exploration activities, option payments and property evaluation at the Corporation's non-material properties.

The bulk of expenditures on the Serra Pelada Project covered drilling and related activities. At the end of July 2008, the Phase I, 5,000 metre diamond drilling program was well underway.

***Year Ended July 31, 2009 ("Fiscal 2009" or "2009")***

In August 2008, Colossus purchased the 15% net profit interest in the Serra Pelada Project from Phoenix for US\$4.2 million, payable partly in Common Shares and partly in cash. An aggregate of 378,100 common shares were issued and the cash portion has been paid in full.

In March 2009, the Corporation raised an aggregate of \$24,725,000 by the issuance of 11,500,000 units of the Corporation at a price of \$2.15 per unit in a bought-deal financing. Each unit comprised one Common Share and one-half of one Common Share purchase warrant of the Corporation. Each whole warrant entitled the holder to acquire one Common Share at a price of \$2.70 until March 10, 2011. Pursuant to the terms of the warrants, if the daily closing price exceeds \$3.75 for twenty consecutive trading days, the Corporation has the option to accelerate the expiry date to be 30 days following the date of notice to the warrant holders. As of the close of business of October 13, 2009, the trading condition was met and on October 27, 2009, Colossus provided notice to registered holders of the warrants that the expiry date of the warrants had been accelerated to November 27, 2009. An aggregate of 5,965,625 warrants, representing 100% of the warrants issued in March 2009, were exercised for aggregate proceeds of \$16,107,187.

During fiscal 2009, an amount of \$27.6 million before related expenses was raised from the issuance of shares and warrants for cash. This resulted in an increase of 14,949,000 shares of the Corporation being issued during the year.

During fiscal 2009, the Corporation spent \$15.6 million to advance its exploration properties. An amount of \$14.9 million was spent on the Serra Pelada Project, including exploration expenses and option payments. An amount of \$0.7 million was incurred in respect of exploration and option payments on the Corporation's non-material properties.

The bulk of expenditures relating to the Serra Pelada Project covered drilling and related development activities. Colossus completed the 5,129 metre Phase I diamond drill program at the Serra Pelada Project. All remaining drill results from the Phase I drill program were announced in January 2009 highlighted by SPD-018, which intersected 60.5 metres at 14.37 g/t gold, 1.81 g/t platinum and 2.46 g/t palladium. The Corporation performed the first systematic sampling and assaying of historical drill core for the complete platinum group element ("PGE") suite from the Serra Pelada Project. Results of the program returned platinum (up to 299 g/t), palladium (up to 387 g/t) rhodium (up to 7.7 g/t), and iridium (up to 4.9 g/t) grades that are among the highest on record. By the end of July 2009, the Corporation's proposed 5,000 to 10,000 metre Phase II drilling program was well underway.

***Year Ended July 31, 2010 ("Fiscal 2010" or "2010")***

Subsequent to the end of fiscal 2009, the Corporation terminated its option agreement relating to the Natividade Property due to the suspension of exploration works on the property due to a force majeure situation whereby environmental and archaeological authorities in Brazil applied penalties and embargoes in respect of the work being carried out on the property. The Corporation has argued against the jurisdiction of such authorities to levy penalties and embargoes (the amount of which, in the aggregate is not considered by the Corporation to be material).

Results of check assays on Phase I drilled materials at Serra Pelada were released in August 2009. The first thirteen drill holes of the Phase II 5,000 to 10,000 metre drilling program were sampled and assayed, highlighted by drill hole SPD-034 which intersected 70.70 metres at 53.59 g/t gold, 20.77 g/t platinum and



31.30 g/t palladium, including 20.44 metres at 158.82 g/t gold, 67.14 g/t platinum and 101.10 g/t palladium, the highest grades drilled by Colossus to date, and results were released in September 2009. The Corporation successfully confirmed a new mineralized horizon called the Western Mineralized Zone ("**WMZ**") during its Phase II drilling program on the Serra Pelada Project.

Also in September 2009, Steven Poad was appointed Chief Financial Officer and Randy Reichert was appointed President and Chief Operating Officer of the Corporation.

In October 2009, the Corporation raised an aggregate of \$71.9 million by the issuance of 12,500,000 common shares of the Corporation at a price of \$5.75 per common share in a bought-deal financing, including 1,500,000 common shares issued pursuant to the full exercise of the over-allotment option granted to the underwriters under the Offering.

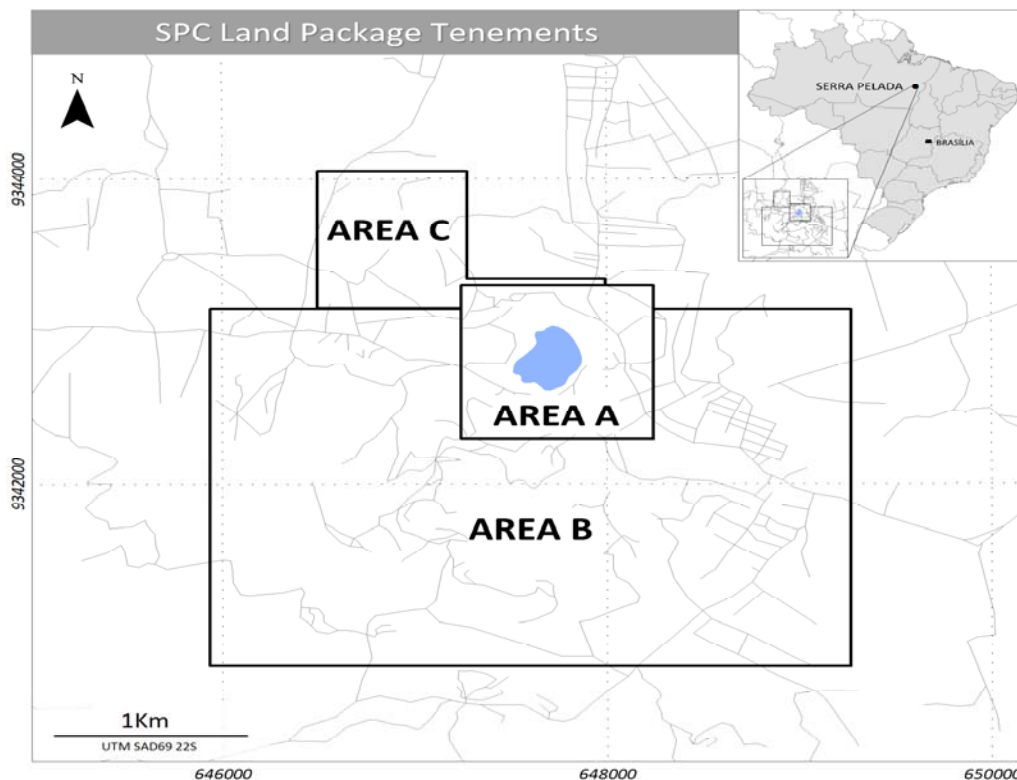
Pursuant to the Partnership Agreement between the Corporation and COOMIGASP, in November 2009 the Corporation completed its earn-in for a 75% interest in SPC which operates the Serra Pelada Project as previously described.

SPC received approval in December 2009 of the Final Exploration Report (Relatorio Final de Pesquisa) on the Serra Pelada Project by the Departamento Nacional de Producao Mineral (Brazilian Department of Mining and Energy) , representing an important first step in the mine permitting process in Brazil.

The Corporation adopted a Shareholder Rights Plan in October 2009 which was subsequently confirmed by the shareholders at the Annual General Meeting on January 27, 2010. See "Description of Capital Structure" below.

The Corporation announced in March 2010 the issuance to SPC of a Preliminary Environmental License (the "**PEL**") for the Serra Pelada Project. The approval of the PEL by COEMA, the Environmental Council of Para State, Brazil constitutes a decision that the Serra Pelada Project, including the facilities associated with the proposed precious metal mine, processing plant and all related infrastructure and access, such as roads and powerlines, are environmentally feasible. The PEL contained all of the conditions for issuance of the balance of the environmental permits required for the Serra Pelada Project, namely an installation license for construction and an operating license for operating activities.

Also in March 2010, COOMIGASP signed an option agreement with Vale S.A. (the "**Vale Option Agreement**") to acquire a 100% interest to mine precious metals in a 700 hectare land package ("Area B") contiguous to the existing 100 hectare Serra Pelada Project ("Area A") currently being developed by Colossus and COOMIGASP. In turn, Colossus through Colossus Brazil, signed an agreement and amending agreement with COOMIGASP (collectively the "**CC Agreement**") covering the transfer of the Vale Option Agreement into SPC, as well as the transfer to SPC of the mineral rights to an approximate 74 hectare tenement currently owned 100% by COOMIGASP ("Area C"). Both the Vale Option Agreement and the CC Agreement were conditional on COOMIGASP acquiring shareholder approval. The shareholders of COOMIGASP approved both the Vale option Agreement and the CC Agreement on May 17, 2010.



Under the terms of the CC Agreement Colossus will pay COOMIGASP R\$12 million (approximately US\$6.7 million) of which R\$8 million (approximately US\$4.5 million) is for assignment of the Vale Option Agreement to SPC and R\$4.0 million (approximately US\$2.2 million) is for the acquisition of the mineral rights to Area C. As of July 31, 2010, Colossus has paid a total of \$4,352,919 to COOMIGASP pursuant to the terms of this agreement.

In addition to the above payments, Colossus also assumes all financial responsibilities of COOMIGASP under the Vale Option Agreement which includes a minimum exploration expenditure of US\$5.0 million over three years on Area B and the payment of a fee of US\$35 per ounce of gold, platinum and palladium based upon an estimate of mineral reserves (proven and probable as defined under internationally accepted guidelines) determined by the end of three years in order to exercise the option to transfer the mineral rights.

Upon commencement of production, Colossus will pay COOMIGASP R\$300 for each kilogram of gold, platinum, palladium or other platinum group elements sold from Area B and R\$1,450 for each kilogram of gold, platinum, palladium or other platinum group elements sold from Area C. This is equivalent to approximately US\$5 per ounce at current exchange rates for Area B and US\$24 per ounce for Area C. In all cases, funding required by SPC to fulfill the terms of Vale Option Agreement and the CC Agreement's commitments will be supplied by Colossus Brazil as an equity contribution to SPC such that the shareholdings of SPC remain at 75% for Colossus and 25% for COOMIGASP.

In April 2010 an installation license was granted to SPC for the Serra Pelada Project authorizing SPC to proceed with construction of a mine and related facilities at the Project. The installation license was issued

by the Para State environmental council, Secretaria Estadual de meio Ambiente ("**SEMA**"), further to the PEL issued by SEMA in March 2010. The issuance of the installation license by SEMA follows both a detailed review of SPC's development plans for the Serra Pelada Project and satisfaction that all of the conditions set forth in the PEL will be properly addressed. The final outstanding environmental license required is an operating license which will be issued if and when construction of the mine is completed in accordance with the installation license, and all operating protocols such as environmental protection policies, operating safety standards and related standards have been established in compliance of both the installation license and the PEL.

The DNPM, Brazil's Department of Mines and Energy, accepted the filing of the mining license application by SPC, and in May 2010, the mining license was executed by the Minister of Mines and Energy and delivered to COOMIGASP as the representative of SPC.

An agreement for socio-economic development was reached with the Municipality of Curionópolis to provide funding for health, education, urban planning and infrastructure development in the communities of Curionópolis and Serra Pelada, satisfying certain conditions set out in the PEL issued for the Serra Pelada Project. A total commitment of R\$8.9 million (approximately US\$5.0 million as at May 12, 2010) will be paid in instalments to January, 2012.

The Board of Directors of the Corporation approved a change in the Corporation's year end from July 31 to December 31 effective with the financial period commencing August 1, 2010. The decision was made to harmonize the financial year ends of the Corporation and its Brazilian subsidiary and to provide improved comparable information with its peer group of mining companies.

During the fiscal year, the Corporation spent \$27.4 million to advance exploration on the Serra Pelada Project.

### ***Subsequent Events***

In September 2010, the shareholders of COOMIGASP approved, by acclamation, the transfer of the mineral rights related to Mining License DNPM Nr. 850.425/1990 from COOMIGASP to SPC. The Corporation also announced that development of a 3,500 metre underground decline had officially commenced (see the section entitled "Serra Pelada Project" – "*Development*").

Subsequent to the end of the fiscal year, Colossus Brazil and COOMIGASP entered into a further amendment to the Amended Agreement (the "fourth amendment") pertaining to the development and reimbursement of costs applicable to the Serra Pelada Project. Pursuant to the terms of the fourth amendment, the 25% interest in the Serra Pelada Project held by COOMIGASP becomes a carried interest and the costs applicable to project development pursuant to the Amended Agreement are not recoverable by the Corporation from future revenues of the Serra Pelada Project. In addition, the premium payments for metal production are converted to a royalty percentage based upon metal prices in effect on the effective date of the fourth amendment. The fourth amendment was agreed to as further consideration for the assignment to Colossus of Area B. The fourth amendment remains subject to board approvals, Coomigasp shareholder approval, and acceptance by the appropriate Brazilian regulatory authorities. Once the necessary approvals are received, the fourth amendment will have a retroactive effective date of September 3, 2010.

The Corporation was added to the S&P/TSX Composite Index effective September 20, 2010.

## Brazilian Regulatory Framework

The legal framework for the development and use of mineral resources in Brazil was established by the Brazilian federal constitution, which was enacted on October 5, 1988. On August 15, 1995, the Brazilian Congress approved constitutional amendment No. 6, which allows the participation of the private sector in joint ventures and/or private investment in the mining sector from national companies with both domestic and foreign capital.

The DNPM of the Federal Ministry of Mines and Energy is responsible for regulating and implementing the Brazilian mining code. Mineral exploration licenses and mining concessions are administered by the DNPM which also monitors exploration, mining, and mineral processing. Mineral exploration licenses are issued by DNPM and mining concessions by the Ministry of Mining and Energy. To apply for and acquire mineral rights, a company must be incorporated under Brazilian law and have its head office and administration in Brazil. The process of acquiring title to a mineral property is a phased procedure involving progressive steps as exploration and development work on a property advances. Tenure is secure as long as the titleholder meets clearly defined obligations over time, but the process of acquiring a mineral right can be lengthy.

Exploration licenses are granted for a maximum period of three years, provided that all requirements are met and the area of interest does not overlap with an existing license. There is an annual fee (R\$1.90 per hectare during the initial period, and R\$2.87 during an extension period) on mineral rights to be paid to the Brazilian government. Exploration licenses can be extended for a second period no longer than three years. The renewal is left at the DNPM's discretion.

Experimental mining authorization can be applied for and is granted by the DNPM for the purpose of establishing resources/reserves through processing of large scale bulk sampling (by a plant). It is allowed within a specific area of an exploration license before a mining concession is granted. The experimental mining authorization is granted provided an agreement has been reached with the surface right holder. It is also subject to receiving an underlying environmental license to be granted by the relevant environmental agency.

Mining concessions can be applied for following a final exploration report to be submitted to, and approved by the DNPM by the final expiry date of the exploration license. The report must conclude and demonstrate that an economic mineral resource has been delineated and measured. Normally, a mining plan and feasibility study must be presented within a year. A license of installation and a license of operations are then issued by the applicable environmental agency as a prerequisite to the granting of the mining concession. A mining concession is granted for a period covering the mine life until the mineral reserves of the deposit are exhausted. A mining concession does not convey title to a mineral deposit but provides the holder with the right to extract, process, and sell minerals extracted from the deposit in accordance with a plan approved by the DNPM and environmental authorities.

The holder of a mining concession must pay the government the Financial Compensation for the Exploitation of Mineral Resources ("**CFEM**"), a federal royalty, which is established at 1.0% of the net sales of gold ore or 0.2% of the net sales of other precious metals. In addition, a royalty must be paid to the landowner if the surface rights do not belong to the mining titleholder. This royalty amounts to 50% of CFEM. However, it is common practice to negotiate a separate compensation agreement that is satisfactory to both parties as this amount may not be sufficient for the land owner. Surface rights in Brazil are distinct from mining rights and must be acquired separately. The land owner has no title to the sub-soil

or minerals contained therein. The Brazilian mining code provides for some form of expropriation of privately held surface rights subject to fair compensation. The holder of a mineral right is entitled to use the surface to conduct mining operations, including the construction of facilities required for such operations. The access to the land and reclamation of disturbed areas must be negotiated with each individual surface right holder. However, the landowners are obliged by law to provide access to the mineral license holder to conduct exploration. If an agreement cannot be reached by negotiation there are legal mechanisms in place to allow courts to dictate an arrangement.

### ***Environmental Regulation***

General environmental rules and obligations are relatively similar to those applicable in Canada. The Brazilian environmental policy is the responsibility of the Ministry of the Environment and is executed at three levels: federal, state, and municipal.

The environmental legislation applied to mining is basically consolidated in the following environmental requirements: Study of Environmental Impacts ("**EIA**"), Previous License ("**LP**"), Installation License ("**LI**"), and Operational License ("**LO**") and a Rehabilitation Plan for Degraded Areas ("**PRAD**"). An EIA is required as a condition for obtaining the LP for any activity which potentially causes substantial environmental impact. The LP, LI and LO are mandatory for installing, expanding, and operating any mining activity, except exploration, under the systems of mining concession or licensing. A PRAD requires suitable technical solutions to rehabilitate the soil and other aspects of the environment that might be degraded by mining operations. In recognition that the preparation of an EIA can represent a substantial financial burden for a smaller projects, a company can undertake a less detailed form of EIA called an "Environmental Diagnostic Report" in certain cases.

Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, the federal environmental agency, is in charge of the licensing of activities with environmental impacts in more than one state or in federal waters, while SEMA is in charge of the licensing of activities with environmental impacts within the State of Para. The determination of competence between the two environmental bodies may cause overlap which may result in some cases in problems and delays for mining companies.

Currently in Brazil, DNPM does not require any action concerning environmental actions or remediation of damage caused by previous operators of a particular license. However, DNPM does require that environmental licenses be presented. When these licenses are issued, the environmental bodies in general require the current operator to remediate the damages left by previous activities. In respect of the Serra Pelada Project, the Corporation does not expect that these requirements would be significant.

## **THE SERRA PELADA PROJECT**

### **Serra Pelada Technical Report**

The technical report entitled "Technical Report on Recent Exploration at the Serra Pelada Gold-Platinum-Palladium Project in Para State, Brazil, for Colossus Minerals Inc." was authored by David G. Jones, dated January 31, 2010 and filed on SEDAR on February 2, 2010 (the "**2010 Serra Pelada Technical Report**"). David G. Jones is a qualified person as defined by NI 43-101. The 2010 Serra Pelada Technical Report is the current technical report on the Serra Pelada Project in accordance with NI 43-101. This report updates the previous report completed in December 2007 entitled "Technical Report on the Serra Pelada Gold-Platinum-Palladium Project in Para State, Brazil, for Colossus Minerals Inc." (the "**2007 Report**"). For the purposes of the disclosure required under section 5.4 of Form 51-102F2 – Annual Information Form, the

“Summary” from the 2010 Serra Pelada Technical Report is reproduced below, and the Corporation incorporates by reference into this AIF the detailed disclosure contained in the 2010 Serra Pelada Technical Report.

**The technical information contained below is summarized or extracted from some of the main conclusions reached in the 2010 Serra Pelada Technical Report. Readers are directed to the 2010 Serra Pelada Technical Report which can be reviewed in its entirety by accessing the SEDAR database at [www.sedar.com](http://www.sedar.com) and which qualifies the following disclosure. The following summary is not exhaustive. The 2010 Serra Pelada Technical Report is intended to be read as a whole and sections should not be read or relied upon out of context. The 2010 Serra Pelada Technical Report contains the expression of the professional opinions of the Qualified Person based upon information available at the time of preparation of the 2010 Serra Pelada Technical Report. The disclosure contained below, which is derived from the 2010 Serra Pelada Technical Report, is subject to the assumptions and qualifications contained in the 2010 Serra Pelada Technical Report.**

## **Summary**

### Purpose

To review the geology and exploration potential of the Serra Pelada Gold-Platinum-Palladium Project located near Marabá in Pará State, Brazil, for Colossus Minerals Inc.

### Scope

At the request of Dr. Vic Wall, Director and Vice-President of Exploration for Colossus Minerals Inc. (“CMI”), Vidoro Pty Ltd (“Vidoro”) was commissioned in October 2009 to prepare a Technical Report on the Serra Pelada Gold-Platinum-Palladium Project (“the Project” or “Serra Pelada”) compliant with National Instrument 43-101. This report updates the previous report completed in December 2007 entitled “Technical report on the Serra Pelada Gold-Platinum-Palladium Project in Para State, Brazil, for Colossus Minerals Inc. (“the 2007 Report”).

Colossus Geologia e Participações Ltda. (“Colossus”) is a limited liability Brazilian company that is a wholly-owned subsidiary of CMI. CMI is a company duly organized and existing under the laws of the Province of Ontario, Canada.

The scope of the inquiries and of the report included the following:

- An audit of drilling, sampling and assaying procedures currently employed by Colossus
- A review of recent exploration and other work by Colossus in advancing the Project
- A review of the deposit model in the light of new information generated by exploration carried out since 2007
- An opinion of the proposed program and budget for future work at the Serra Pelada Gold-Platinum-Palladium Project

Vidoro has not been requested to provide an Independent Valuation, nor has Vidoro been asked to comment on the Fairness or Reasonableness of any vendor or promoter considerations, and therefore no opinion on these matters has been offered.

## Précis

This report is a review of the Serra Pelada Gold-Platinum-Palladium Project located near Marabá in Pará State, Brazil. Colossus holds a 75% interest in a joint venture company called “Serra Pelada Companhia de Desenvolvimento Mineral” (“SPCDM”). The other 25% is held by Cooperativa de Mineração dos Garimpeiros de Serra Pelada (“COOMIGASP”). A formal request for the transfer of title over the tenement covering Serra Pelada to SPCDM was accepted by Departamento Nacional de Produção Mineral (“DNPM”) and the title transfer took effect on 14 September 2009.

Serra Pelada is located in the Carajás Mineral Province, an Archean nucleus that is part of the Amazon Craton. The Carajás Mineral Province is composed mostly of granites and greenstone belts and hosts the largest gold deposits in the Amazon Craton, including Serra Pelada and the Salobo and Igarahapé Bahia Cu-Au deposits.

The oldest rocks in the Carajás Basin are volcano-sedimentary rocks of the Itacaiúnas Supergroup that accumulated in the Late Archean about 2,700 Ma. The Itacaiúnas Supergroup is overlain unconformably by siliclastic marine platform sandstones and siltstones of the Águas Claras Formation and the late Archean Rio Fresco Group. The mineralization at Serra Pelada is hosted by metasedimentary rocks of the Rio Fresco Group. The lithologies include metaconglomerate, metasandstone, dolomitic carbonate and metasiltstone.

The Serra Pelada Au-Pt-Pd mineralization is located in the hinge zone of a recumbent syncline. Dolomitic carbonate occurs at the base and is conformably overlain by meta-siltstones. The morphology of the mineralization broadly follows the contact between dolomitic carbonate and a carbon-altered meta-siltstone. The rocks have undergone supergene oxidation to depths in excess of 300m below surface.

In 1979, a farm worker found gold at Serra Pelada, within a tenement held by Companhia Vale do Rio Doce (“CVRD”). On 29 November 2007, CVRD announced a change of name to “VALE”, and throughout this report the official name VALE will be employed. VALE began exploration drilling in the vicinity of Serra Pelada in 1980 immediately after the discovery was made. From the commencement of exploration until mid-1998, a total of 195 core holes were drilled by VALE inside the area being exploited by artisanal miners (“garimpeiros”), together with two metallurgical test holes. On 21 May 1980, the federal government of Brazil excised an area of 100 hectares from the tenement held by VALE. This area is now the tenement held by SPCDM.

Since November 2007, Colossus and its joint venture partner have carried out an intensive diamond core drilling program that has verified the continuation of high-grade Au-Pt-Pd mineralization below the base of the previously mined pit and for a distance of at least 500m beyond the old pit. More than 40 diamond core holes for 11,000m have been drilled by the joint venture, additional to the previous 40,000m in 200 holes drilled in the past by VALE. Colossus has submitted more than 6,000 samples for analysis, principally for Au, Pt and Pd, with additional multi-element suites of analyses being completed on selected intervals. The database to the end of December 2009 contained in excess of 163,000 assays from 61,000 samples.

Major milestones passed on the path to the granting of a mining concession to the joint venture include:

- Submission and approval of the Final Exploration Report
- Submission of a Mining Plan and ore resource estimate to the DNPM
- Submission of the Environmental Impact Study and Plan for Recovery of Degraded Areas (“EIA/Rima”), and the completion of public hearings into the EIA/Rima.

## Conclusions

The investment by Colossus in earning its 75% share of the Serra Pelada joint venture has been entirely justified by the excellent results achieved to date in the systematic drill testing of the deposit.

- Exploration by VALE to 2007 and by Colossus since November 2007 has identified potentially economic mineralization below the depth reached by past garimpeiro mining.
- The exploration by Colossus has been carried out to standards in excess of industry norms. In particular, the attention to sample security and chain of custody between the drill rig and the assay laboratory has been exemplary.
- The extraordinarily high grades achieved in some drill intersections, over many metres of contiguous samples, have been verified by Quality Assurance and Quality Control ("QA/QC") procedures adopted by Colossus and its laboratory contractors that are far more stringent than those normally used in exploration.
- Preliminary gravity separation studies indicate that >85% of the gold can be recovered quickly and cheaply into a gravity concentrate using a single-pass Falcon concentrator.
- Preliminary geotechnical and mining studies indicate that underground access by an exploration decline is technically feasible at Serra Pelada.
- Environmental studies to date indicate that neither mercury nor uranium is present in quantities that will require special measures to be implemented. The water in the pit is unusually clean, and meets the World Health Organization ("WHO") standards for potable drinking water. Drill core analyses to date of trace elements indicate that no deleterious elements are present in quantities that will present environmental problems. For example, arsenic levels are very low, generally <20ppm As, and the arsenic is present as oxide, a safer compound than sulphide.
- In Vidoro's opinion, the CAD \$25M budget for Serra Pelada proposed for 2010 by Colossus is sensible and justified given the advanced state of the Project.
- The excellent infrastructure in this historic mining district is a significant positive factor in the potential development of the Serra Pelada Project.

## Recommendations

- The Serra Pelada Gold Platinum Palladium Project has reached a stage where significantly increasing the current 25m line spaced drill density from surface will be costly and time prohibitive. An exploration decline to provide underground access for closer-spaced drilling is likely to prove more cost-effective than drilling long holes from surface. The CAD \$8M expenditure proposed by Colossus to establish underground access in 2010 is reasonable and endorsed by Vidoro. The additional \$5M proposed expenditure on exploration drilling from underground is practical and entirely justified.
- More metallurgical test work is required. The early gravity separation test work is extremely encouraging but requires optimization. Various flotation parameters should be examined as well as leaching, in order to



recover the valuable platinum group elements ("PGEs"). The budget of \$250,000 proposed for 2010 by Colossus is modest and may require supplemental funding.

- The proposed exploration decline will be necessary to detail the distribution of high grade subzones ahead of production as well as clarifying mining methods and optimizing the metallurgical plant. The design of the decline and related underground development, as proposed by Colossus, will facilitate bulk sampling for such purposes and facilitate timely production.
- The ongoing geotechnical and mining studies are appropriate for a project at this stage of its evaluation and should be continued.
- The 2010 budget proposed by Colossus includes \$3M on site works, which Vidoro agrees will be absolutely necessary to support the ambitious programme.

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### ***Exploration Subsequent to the 2010 Serra Pelada Technical Report***

#### *First Systematic Assaying of Vale's Historical Core for Complete Platinum Group Element Suite*

In February 2009, the Corporation announced results for the first systematic assaying of historical drill core for the complete platinum group element (PGE) suite from the Serra Pelada Project. Core samples from seven drill-holes representing 128 metres of down-hole intersections in the Central Mineralized zone ("CMZ") were fire assayed for gold, platinum, palladium, rhodium, iridium, ruthenium and osmium by PGE specialist Genalysis Ltd., Perth, Australia. The assay values include platinum (up to 299 g/t), palladium (up to 387 g/t), rhodium (up to 7.7 g/t) and iridium (up to 4.9 g/t), grades among the highest on record.

#### *Phase I Drilling Program*

On August 20, 2008, the Corporation announced the successful completion of the Corporation's Phase I drilling program on the Serra Pelada Project. Seventeen diamond drill holes were completed for 5,129 metres of HQ coring. One other hole (SPD-009) was abandoned due to poor drilling conditions. Drilling was focused on the CMZ along 250 metre strike length down plunge and southwest of the historical Serra Pelada open pit. The CMZ overprints metasediments, mainly meta-siltstones occupying the hinge and inner limbs of a northwest-facing, southwest-plunging, reclined synclinorium that plunges gently southwest from the historical open pit. One drill hole, SPD-017, drilled primarily for geotechnical purposes encountered mineralization just to the west of the historical pit. This is a separate target from the CMZ, with limited historical drilling.

A broad suite of pulps from Colossus' Phase I drilling program was assayed for gold, platinum and palladium plus other PGE's by Genalysis Laboratory Services Pty. Ltd. (Perth laboratory). In addition to providing further information on the distribution of the full PGE suite at the Serra Pelada Project, this assay program served as a check on previously announced results for gold, platinum and palladium, essential in view of the difficulties of assaying very high grade gold-platinum-palladium materials. On August 4, 2009, Colossus announced the results of this assay program.

Between September 2008 and January 2009, all remaining assay results from the Corporation's Phase I drill program were announced.

## *Phase II Development Program*

In November 2008, Colossus commissioned Kevin Rosengren and Associates and GeoTek Solutions to undertake geotechnical investigations of the Serra Pelada Project to clarify open pit and underground mining options. In addition to surface investigations and geotechnical logging of Colossus drill-core (SPD-010 to SPD-034), two geotechnical diamond drill-holes have been completed and selected materials dispatched for mechanical test work. The geotechnical studies have identified a unit suitable for (underground) ramp access to the Serra Pelada orebody as well as evaluating potential open pit wall slopes. Related subsurface hydrology studies, advised by Australasian Groundwater Consultants, commenced in February 2009 and are continuing with drill-hole water level monitoring, blow-out, pump down and recovery tests.

Commencing in June 2009, Australasian Mine Design and Development ("AMDAD") has evaluated open pit and underground preliminary mine designs on the advice of the geotechnical consultants and utilizing Colossus database. AMDAD will optimize these designs pending further geotechnical and resource drilling.

In March 2009, **hrl**Testing Ltd. was engaged by Colossus to undertake first-stage metallurgical testwork on the recovery of gold and platinum group elements from mineralization at the Serra Pelada Project. A large diameter drill-hole (SPD-033) in the CMZ provided one of the two samples for metallurgical studies.

In January 2009, the Corporation announced the commencement of its Phase II drill program at the Serra Pelada Project. The proposed 5,000 to 10,000 metre program involves step-out drilling toward the historic open pit and further resource delineation work on the CMZ, as well as testing other targets on the Serra Pelada Project. A complementary reverse circulation (RC) drill program was announced April 2009. RC drilling was used to test for mineralization outboard of the CMZ, but within the bounds of a conceptual open pit development, to evaluate tailings and waste ("montoeira") from the historical open pit (40 holes) and increase the productivity of diamond drilling by drilling RC pre-collars (15 holes). The RC program has been completed and assaying of RC samples is underway.

Between June and September 2009, Colossus announced assay results for three batches of samples from the Phase II diamond drilling program. The drill holes outlined were HQ-cored for a total of 3,440 metres. Drilling was focused on the CMZ. Step-out drill holes SPD-023 to SPD-034 have contributed materially to the definition of gold-platinum-palladium mineralization, including ultra high grade subzones in the CMZ. SPD-034 exhibits four ultra high grade (>100g/t gold-equivalent) subzones including 3.98 metres @ 713.1g/t gold, 316.5g/t platinum and 475.9 g/t palladium with replicated assays up to 1,784 g/t gold, 805g/t platinum and 1213g/t palladium, the highest grades so far drilled by Colossus. The Corporation confirmed a new mineralized horizon called the Western Mineralized Zone, as shown by SPC-012. The newly recognized prime target is localized around the shallowly dipping siltstone-sandstone contact on the shallowly dipping lower limb of reclined siltstone-cored reclined synclorium.

In November 2009, the Corporation announced that it had initiated metallurgical test work on the CMZ of the Serra Pelada Project. The CMZ contains the bulk of high-grade gold/PGE mineralization so far known from drilling at Serra Pelada and was also the focus of garimpeiro production from the historic open pit. Characterized by intense hydrothermal carbonaceous- and argillic alteration mainly of meta-siltstones, the CMZ contains both steeply and shallowly dipping gold-PGE subzones that exhibit varying gold/PGE and some ultra high gold and PGE grades.

Colossus and external consultants have undertaken extensive materials characterization studies (reflected light petrography, scanning electron microscopy, electron microprobe analysis, screen fire assays and

hydro-separations) on representative CMZ core samples. Gold-PGE mineralization is sulphide-poor and typically exhibits highly structured distributions, spatially associated with carbon and kaolin rich domains. The gold and PGE minerals are not nuggety, with the bulk of the gold in the 100 micron grain-size range. Gold grains commonly contain minor alloyed palladium as well as inclusions of PGE rich minerals including selenides. Separate PGE rich minerals appear to be mainly metals and compositionally complex alloys commonly intergrown with iron and manganese oxides. In progressive screening and screen fire assaying PGE's report more strongly to fine fractions than gold, reflecting the finer grainsizes of the PGE-rich minerals. First pass liberation and hydro-separation studies suggested that CMZ mineralization may be amenable to hydro-gravity concentration, particularly of gold. Other dense minerals encountered in hydro-separates included rare-earth rich phosphates plus iron and manganese oxides/hydrous oxides.

Two +50 kilogram samples, typical of carbonaceous and argillicly altered siltstones in the CMZ, were selected for initial metallurgical test work. These samples are composites from continuous intervals of half drill core from SPD-020A and SPD-033 remaining after assay and are representative of mineralized subzones respectively with relatively high PGE/gold and moderate PGE/gold. An ultra high grade interval in SPD-020A (from 231.1 metres downhole, 1.96metres @ 207.15g/t gold, 162.78 g/t platinum and 219.25g/t palladium) was excluded from the metallurgical sample in order to maintain a more representative bulk gold/PGE. Information on the sample composites is tabulated below:

Drill-hole number	Assay interval (metres, down-hole)*	Sample mass (kilograms)	Gold g/t	Platinum g/t	Palladium g/t
SPD-020A	22.70	52.79	22.52	8.98	15.75
SPD-033	26.00	70.43	21.32	3.98	5.70

\*Total assayed interval (>0.5 g/t gold equivalent) – excludes intervals of no core recovery.

The first stage of metallurgical testwork is assessing the amenability of Serra Pelada CMZ materials to gold and PGE recovery by gravity concentration. To this end, **hrlTesting** Ltd. (Brisbane) is utilizing centrifugal gravity concentrators on a range of head sample grind sizes. Further gravity concentration tests and also flotation and hydrometallurgical options for recovery of gold and PGE's will be undertaken in light of results from the first round of metallurgical studies. Genalysis Ltd. (Perth) is assaying all metallurgical test samples and products.

A second stage of testwork was started in April 2010 by SGS (Vancouver) utilising centrifugal gravity concentrators to further analyse gravity concentration. SGS (Vancouver) utilised a Knelson concentrator for the testwork. An additional centrifugal gravity concentration test was conducted by Met-Solve laboratories in (Burnaby BC) and this test utilised a Falcon concentrator. The second stage of testwork also focussed on secondary recovery methods of flotation and hydrometallurgical testing. Flotation test were conducted by **hrlTesting** Ltd (Brisbane) and by SGS (Vancouver). Hydrometallurgical tests were conducted by SGS (Lakefield) and Met-Solve (Burnaby).

A third stage of metallurgical testwork was started in July 2010 by SGS (Vancouver) to determine grinding indexes and for sizing centrifugal gravity concentrators.

Testwork for gravity separation, flotation, and hydrometallurgical options continued through September 2010 at SGS (Vancouver) and **hrlTesting** (Brisbane).

In June 2010, the Corporation announced results of further diamond drilling on Mining Permit 850.425/1990 of the Serra Pelada Project. Four geotechnical diamond drill holes in Colossus' Phase II drilling program were cored for a total of 1,203 metres. SPGT-003 and SPGT-004 were focused on the CMZ, which overprints metasediments occupying the hinge and inner limbs of a northwest-facing, southwest-plunging, reclined synclorium that plunges gently southwest from the historical open pit. The CMZ is characterized by intense hydrothermal carbonaceous and argillic alteration mainly of siltstones, inboard of siliceous alteration partially mantling the synclinal hinge. SPGT-002 was angled across the CMZ, intersecting the lower fold limb west of the CMZ. SPGT-001 was drilled to the west of the CMZ to facilitate evaluation of the geomechanical properties of the siltstones in the core of the fold.

**SPGT-001** intersected shallowly-dipping gold-platinum-palladium mineralization in a lower limb position, 150 metres northwest of the CMZ on Section 00. This mineralization represents a newly discovered zone which may correlate with the Western Zone, some 450 metres to the northeast. Assay results for the continuously mineralized interval (approximately true thickness) in **SPGT-001** are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
264.15	276.05	10.4	28.40	4.16	6.18
incl. 270.70	274.95	4.25	67.89	7.64	13.96

\*Total assayed interval (>0.5 g/t gold equivalent) – excludes intervals of no core recovery; true widths to be established.

**SPGT-002**, on section 100NE, encountered several mineralized intervals in the CMZ and also (269-289 metres down-hole) in lower limb positions some 50 metres to the west of the CMZ. The lower limb mineralization is a newly recognized zone which appears to correlate with that drilled in **SPC-017** (see below). Assays for the main continuously mineralized intervals in **SPGT-002** are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
168.15	178.80	8.84	5.30	0.48	0.48
269.10	275.25	6.15	34.93	0.96	3.05
incl. 273.50	275.25	1.75	118.14	2.93	8.63
286.65	288.95	2.30	35.45	4.73	4.86

**SPGT-003**, on Section 60NE, was drilled through the lower grade western side of the CMZ, to obtain materials for geomechanical testing. Assays for the main continuously mineralized interval in **SPGT-003** are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
173.60	190.05	16.45	4.59	0.65	1.03
198.05	208.75	10.70	3.09	0.56	0.85
213.15	214.15	1.00	12.32	6.97	9.13
215.15	216.15	0.85	35.25	20.97	20.99
223.55	262.70	39.15	4.62	0.37	0.60

**SPGT-004**, on Section 12.5NE, was also drilled for geomechanical and grind test samples of CMZ materials as well as testing the vertical continuity of the CMZ. Assays for the main continuously mineralized interval in SPGT-004, which include several PGE-rich subzones, are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
196.75	250.60	50.85	20.36	3.44	4.94
incl. 212.35	220.65	6.80	83.43	19.41	24.39
242.20	243.70	1.50	50.77	3.61	7.34
246.20	247.80	1.60	207.75	13.27	30.96

**SPD-033**, drilled to obtain metallurgical test material from the CMZ, intersected several mineralized intervals including:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
234.85	249.10	14.25	13.49	2.31	3.68
253.70	260.45	6.75	52.40	10.47	13.45

**SPD-046** was drilled obliquely from Section 25NE to Section 100NE to examine the vertical and lateral continuity of the more westerly part of the CMZ. Assays for the main continuously mineralized interval in SPD-046 are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
205.12	249.90	43.40	12.33	0.92	1.72
incl. 238.65	240.70	2.05	85.21	5.11	10.13
244.80	246.70	1.90	83.71	7.43	15.36

Further Phase II exploration involved step-outs from previously drilled areas in the CMZ and on other targets:

**SPD-047**, on Section 50SW, was successful in extending the high grade upper limb mineralized zone drilled in SPD-028A some 50 metres to the northeast. The drill-hole also encountered several other mineralized intervals in the CMZ, further down-hole. Assays for the main mineralized interval in SPD-047, which is approximately the true thickness of the zone, are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
208.20	213.20	5.00	59.42	5.46	9.07
incl. 209.80	211.40	1.60	183.38	16.64	17.51

**SPC-017**, on Section 50NE, encountered thick mineralized intervals in lower limb positions some 50 metres to the west of the CMZ. The lower limb mineralization is a newly recognised zone which appears to correlate with that drilled in lower part of **SPGT-002**. Assays for the main continuously mineralized intervals in SPC-017 are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
242.85	252.55	9.70	9.32	0.22	0.45
255.65	272.90	17.25	5.47	0.35	0.77
incl. 268.70	269.70	1.00	52.79	1.69	6.02

**SPD-041**, on Section 100NE, was drilled to test a PGE-rich subzone in the CMZ. Assays for the main continuously mineralized interval in SPD-041 are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
173.00	189.50	16.50	3.27	6.43	7.57

**SPC-018**, on Section 125NE, was drilled to test a fault-offset main hinge zone mineralization in the CMZ. Among several mineralized intervals, SPC-018 encountered a high grade subzone. Assays for which are tabulated below:

From (metres, down-hole)	To (metres, down-hole)	Assay Interval (metres)*	Gold g/t	Platinum g/t	Palladium g/t
205.50	208.00	2.50	56.70	2.18	7.32

**SPC-023**, Section 150NE, intersected several intervals of mineralization including, from 173.00 metres, 4.70 metres @ 8.24 g/t gold, 2.25 g/t platinum and 4.73 g/t palladium. SPD-038 (Section 150NE), SPD-050 (Section 175NE) and SPD-043 (Section 200NE) each encountered several mineralized intervals and SPD-048 (175NE) was abandoned before reaching target depth. The CMZ is proving to be discontinuous in the area between Section 125NE and the historical open pit and further drilling, primarily from underground access is required to clarify mineralized subzones in the CMZ and lower limb mineralization in this area.

SPD-035, -036, -037, -040, -042 and SPD-049 were drilled at shallow inclinations from around the margins of the historical pit through back-fill of tailings and waste from historical operations towards targets below the pit. Although these holes sampled the pit infill, all were abandoned before reaching their target depths due to very difficult drilling conditions. Further under-pit drilling will require testing from underground drilling pads.

The Corporation commenced an exploration program on the newly acquired land package contiguous to and surrounding the Serra Pelada Project in June 2010.

In July 2010 the Corporation announced the commencement of a drilling program for extensions of precious metal mineralization on the recently expanded land package located to the southwest of Mining Permit 850-425/1990 on the Serra Pelada Project. The first drill-holes of the 5,000 metre drill program are targeting the down-plunge projection of high grade gold-platinum-palladium mineralization in the CMZ. Drilling later in the program will also test for extensions of the newly-discovered gold-PGE mineralized zones onto the Project's recently expanded ground position, as well as near surface targets that may result from the current soil geochemical and geological mapping programs in this area. Ongoing drilling on 850.425/1990 is aimed at more closely delineating gold-PGE mineralization which may extend into the new ground.

#### *Recent Developments*

On October 6, 2010, the Corporation announced the results of further diamond drilling on the Serra Pelada Project. Gold-platinum-palladium mineralization at Serra Pelada overprints metasediments occupying the hinge and limbs of a northwest-facing, southwest-plunging, reclined synclinorium that plunges gently

southwest from the historical open pit. The CMZ comprises mainly steeply dipping bodies in the fold hinge zone but extends onto the upper and lower limbs of the fold. Characterized by intense hydrothermal carbonaceous and argillic alteration, mainly of siltstones, the CMZ is inboard of siliceous alteration partially mantling the synclinal hinge. Shallowly dipping gold-platinum-palladium mineralization, for example the Western and GT zones, occurs within siliceous, argillic- and carbonaceous alteration and iron oxide-rich breccias on the fold limbs.

SPD-063 was drilled adjacent to the portal and plant site areas in the Colossus-COOMIGASP Joint Venture's new ground. The drill-hole encountered several mineralized intervals including 1.51 metres of 6.5 g/t gold, 0.02 g/t platinum and 0.06 g/t palladium. SPD-066 was stepped out 20 metres to the north and intersected 1.82 metres at 32.07 g/t gold. These intercepts represent a newly discovered mineralized zone some 700 metres northwest of the CMZ. The mineralized zone is in a lower limb structural position and appears to be shallowly dipping, hence the down hole intervals (tabulated below) are approximately true thickness.

<b>Drillhole ID</b>	<b>From (metres, down-hole)</b>	<b>To (metres, down-hole)</b>	<b>Assay interval (metres)</b>	<b>Gold (g/t)</b>	<b>Platinum (g/t)</b>	<b>Palladium (g/t)</b>
SPD-063	127.44	128.95	1.51	6.50	0.02	0.06
	136.33	137.20	0.87	1.22	<0.02	<0.01
	139.19	140.10	0.91	1.09	<0.02	<0.01
SPD-066	120.90	122.40	1.50	2.42	<0.02	<0.01
	138.80	140.62	1.82	32.07	<0.02	0.01
	145.70	146.15	0.45	6.16	<0.02	0.02

SPD-056B and SPD-057 both intersected mineralization around the lower limb of the siltstone-cored fold. Respectively up and down plunge from the discovery hole (SPGT-001, 10.4 metres @ 28.4 g/t gold, 4.16 g/t platinum, 6.18 g/t palladium, see Colossus news release dated June 24, 2010), these drillholes have extended the GT zone, some 150 metres northwest of the CMZ, over more than 50 metres strike length. The drill intercepts (tabulated below) are approximately true widths in this shallowly dipping mineralized zone. Further drilling will clarify whether the GT zone is continuous with the Western Mineralized Zone (SPC-012, 4.15 metres @ 8.04 g/t gold, 154.5 g/t platinum, 245.8 g/t palladium, see Colossus news release dated September 3, 2009) which is in a similar structural setting and on the mineralized trend some 500 metres to the northeast. The GT Zone appears to strike southwest onto the Joint Venture's new ground.

<b>Drillhole ID</b>	<b>From (metres, down-hole)</b>	<b>To (metres, down-hole)</b>	<b>Assay interval (metres)</b>	<b>Gold (g/t)</b>	<b>Platinum (g/t)</b>	<b>Palladium (g/t)</b>
SPD-056B (GT Zone)	272.95	281.20	8.25	12.27	0.58	0.92
	incl. 272.95	277.84	4.89	20.33	0.96	1.53
SPD-057 (GT Zone)	267.58	290.95	21.37	6.51	0.60	0.96
	incl. 280.75	286.45	5.70	15.38	1.07	1.73



SPD-051, SPD-051A and SPD-055 were drilled to provide material for metallurgical grinding test-work and to clarify the distribution of high gold- and PGE-rich subzones in the CMZ. Assay results for the main mineralized intervals in these drill-holes are tabulated below.

SPD-051, drilled toward the northeast from Section 00, intersected several steeply-dipping, gold-rich intervals and a high PGE/Au subzone before being aborted whilst still in mineralization. SPD-051A was stepped out seven metres to the east and also drilled to the northeast, encountering several high grade subzones with distinct Au/PGE as well as platinum/palladium, separated by lower grade mineralization. SPD-055 was offset 11 metres to the northeast of and oriented similarly to SPD-034 (70.7 metres @ 53.59 g/t gold, 20.77 g/t platinum and 31.30 g/t palladium, see Colossus news release dated September 30, 2009). The long high grade intercept in SPD-055 included several ultra high grade intervals and is characterised by relatively high PGE/Au.

Drillhole ID	From (metres, down-hole)	To (metres, down-hole)	Assay interval (metres)*	Gold (g/t)	Platinum (g/t)	Palladium (g/t)
SPD-051 (CMZ)	186.20	189.00	2.80	5.23	0.17	0.88
	199.95	201.15	1.20	14.35	0.24	0.67
	204.85	206.25	1.40	19.67	0.32	0.94
	211.70	231.30	19.44	2.65	3.54	9.73
SPD-051A (CMZ)	181.20	186.94	5.24	1.24	5.38	5.33
	207.20	215.40	8.20	14.23	4.54	9.67
	incl. 208.30	212.40	4.10	27.21	6.72	10.90
	221.90	228.75	6.85	0.31	8.01	4.66
SPD-055 (CMZ)	208.62	261.05	52.43	18.57	8.34	11.33
	incl. 212.30	224.17	11.87	42.34	27.85	39.95
	incl. 212.30	213.60	1.30	114.30	61.81	96.49
	incl. 216.50	218.00	1.50	174.59	107.57	159.42
	incl. 243.20	244.35	1.15	130.80	38.45	43.82

\*Total assayed interval (>0.5 g/t gold equivalent) – excludes intervals of no core recovery; true widths to be established.

SPD-052, SPD-053, SPD-054, SPD-056, SPD-059, SPD-060, SPD-061, SPD-062 and SPD-064 were part of the condemnation drilling program which is now nearing completion. As expected, results were insignificant.

Including SPD-066, Colossus has completed 14,500 metres of Phase II diamond drilling.

Dr. Vic Wall, the Vice President, Exploration of Colossus, is a qualified person under National Instrument 43-101 and is responsible for the disclosure in this section entitled "*Exploration*" and has verified the contents disclosed.

## **Development**

In September 2010 the Corporation announces that development of a 3,500 metre underground decline has officially commenced. The decline will provide access for underground exploration and definition drilling, facilitate extraction of a bulk sample to better evaluate the geostatistics of the bonanza-grade zones to facilitate a better understanding of the potential resource, and provide access for eventual underground production. The cost of the decline is estimated to be CDN\$15 million and is expected to take 12 to 18 months to complete. However, underground drilling will commence in early 2011, well ahead of the decline completion. Colossus has also started earthworks on other site infrastructure including a future plant site, camp site, maintenance facilities, offices, and the tailings impoundment and has already completed earthworks for the underground portal and upgrades to the road into Serra Pelada.

Additionally, planning and design are underway for both mine and plant. Mining method options were recommended by AMDAM Consulting as part of the Phase II Development Program outlined above and engineering is ongoing for possible future production areas. Plant design is underway for a centrifugal-gravity-concentration plant with a preliminary flowsheet being completed and continued work on a final flowsheet.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The Corporation is authorized to issue an unlimited number of Common Shares. As at July 31, 2010, there were 83,939,071 Common Shares issued and outstanding. As of October 18, 2010, 86,110,671 Common Shares were issued and outstanding and 99,503,018 on a fully diluted basis.

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Corporation, are entitled to receive such dividends in any financial year as the Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, the remaining property and assets of the Corporation.

At October 18, 2010, there were 4,136,400 stock options outstanding pursuant to the Stock Option Plan, each of which is exercisable into one Common Share. The Corporation also has 9,255,947 Common Share purchase warrants outstanding that are exercisable for one Common Share at an exercise price between \$0.40 to \$5.89 expiring at various dates between February 2011 and December 2011.

## **Dividends**

No dividends have been paid by the Corporation since incorporation. The future payment of dividends will be dependent upon the financial requirements to fund future growth, the financial condition of the Corporation and other factors the Corporation's board of directors (the "Board") may consider appropriate in the circumstances.

## **Shareholder Rights Plan**

The Corporation has adopted a shareholder rights plan (the "**Rights Plan**"). The material terms of the Rights Plan are summarized below. This summary is qualified in its entirety by reference to the actual provisions

of the Rights Plan, a copy of which can be accessed at [www.sedar.com](http://www.sedar.com). The shareholders of the Corporation confirmed the Rights Plan at the Corporation's Annual General Meeting held on January 27, 2010.

A "Flip-in Event" means a transaction as a result of which a person becomes an Acquiring Person (as defined below). On the occurrence of a Flip-in Event, any Rights beneficially owned by an Acquiring Person (including an affiliate or associate thereof or any person acting jointly or in concert with the Acquiring Person) will become void and any such holder will not have any right to exercise the Rights under the Rights Plan.

### ***Acquiring Person***

An "Acquiring Person" is, generally, a person who, including others acting jointly or in concert, acquires 20% or more of the Common Shares. Under the Rights Plan there are various exceptions to this rule, including: where a person acquires 20% or more of the Common Shares by way of a Permitted Bid (as defined below) or a competing bid.

### ***Permitted Bid Requirements***

A Flip-in Event will not occur if a take-over bid is structured as a Permitted Bid. The conditions of a Permitted Bid include the following:

- (a) the bid must be made by way of a take-over bid circular to all holders of Common Shares;
- (b) the bid must be subject to irrevocable and unqualified conditions that no Common Shares shall be taken up or paid for prior to a date which is not less than 60 days after the date of the bid and only if more than 50% of the outstanding Common Shares held by shareholders ("independent shareholders") other than the offeror and its related parties have been tendered to the bid and not withdrawn;
- (c) the bid must provide that Common Shares may be deposited at any time during the bid period and that any shares so deposited may be withdrawn at any time during such period; and
- (d) if more than 50% of the Common Shares held by independent shareholders are tendered to the bid, the offeror must extend the bid for 10 days to allow holders of Common Shares who did not tender initially to take advantage of the bid if they so choose.

### ***Exercise of Rights***

The Rights are not exercisable initially and certificates representing them are not sent to shareholders. Until the Separation Time, the Rights will be transferred with the associated Common Shares. Subject to certain exceptions, the Rights will separate from the Common Shares and become exercisable at the Separation Time. The Separation Time is defined as the close of business on the tenth trading day (or such later trading day as may be determined by the board of directors of the Corporation) after the earlier of:

- (a) the first date of the public announcement that a person has become an Acquiring Person;
- or

- (b) the date of commencement or first public announcement in respect of a take-over bid to acquire 20% or more of the Common Shares, other than by an acquisition pursuant to a Permitted Bid.

As soon as practicable following the Separation Time, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to registered shareholders as of the close of business at the Separation Time. Thereafter the Rights Certificates alone will evidence the Rights. Such Rights Certificates will be transferable and traded separately from the Common Shares.

### ***Lock-Up Agreements***

A bidder may enter into lock-up agreements with shareholders whereby such shareholders agree to tender their Common Shares to the take-over bid (the "Subject Bid") without a Flip-in Event (as referred to above) occurring. Any such agreement must:

- (a) permit the shareholder to withdraw the Common Shares from the lock-up to tender to another bid or to support another transaction that in either case will provide greater value to the shareholder than the Subject Bid;
- (b) permit the locked-up person to withdraw from the agreement in order to tender or deposit the Common Shares to another bid or to support another transaction that contains an offering price that exceeds the value of the Subject Bid by as much as or more than a specified amount as long as the agreement does not provide for a specified amount that exceeds 7% of the value of the Subject Bid. For purposes of clarity, an agreement may contain a right of first refusal or require a period of delay (or other similar limitation) to give an offeror an opportunity to match a higher price in another transaction as long as the shareholder can accept another bid or tender to another transaction.

### ***Waiver***

The board of directors of the Corporation, acting in good faith may, prior to the occurrence of a Flip-in Event (and in certain cases subject to shareholder approval), waive the application of the Rights Plan to a particular Flip-in Event. The Board may also waive the Rights Plan in respect of a Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Common Shares. Prior to the occurrence of a Flip-in Event, the Board may, at its option, elect to redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 per Right.

### ***Board of Directors***

The Rights Plan will not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation.

## ***Amendment***

The board of directors of the Corporation may make amendments to the Rights Plan without the approval of the holders of the Rights to correct clerical or typographical errors and to maintain the validity and effectiveness of the Rights Plan as a result of any change in any applicable laws, rules or regulatory requirements.

## **MARKET FOR SECURITIES**

The Corporation's Common Shares trade on the TSX under the trading symbol "CSI". The Common Shares were listed for trading on the TSX on February 13, 2008. Certain of the Corporation's Common Share purchase warrants are listed and trade on the TSX under the trading symbol "CSI.WT".

### **Price Range and Trading Volume**

#### ***Common Shares***

The following table sets forth the reported high and low sale prices and the trading volumes for Common Shares in the Corporation each month in fiscal year ending July 31, 2010:

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (Shares)</b>
<b>2010</b>			
July	7.23	6.20	4,553,189
June	8.06	6.92	9,213,649
May	8.68	6.40	11,617,233
April	8.05	6.83	11,059,948
March	7.21	5.05	15,592,781
February	5.50	4.10	9,740,097
January	5.90	4.00	10,545,834
<b>2009</b>			
December	6.23	4.91	10,027,199
November	6.03	4.85	14,481,632
October	6.20	4.65	20,119,953
September	6.35	3.30	17,426,956
August	3.80	2.78	8,434,875

#### ***Warrants***

The common share purchase warrants of the Corporation which were issued pursuant to the IPO which closed on February 13, 2008 were listed and posted for trading on the Toronto Stock Exchange under the trading symbol "CSI.WT". These warrants are exercisable at \$2.00 per share and expire at 5:00 p.m. (Toronto time) on February 13, 2011. The following table sets forth the high and low trading prices and trading volume of these warrants as reported by the Toronto Stock Exchange in fiscal year ending July 31, 2010:

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (warrants)</b>
<b>2010</b>			
July	5.02	4.28	141,920
June	6.00	5.00	133,900
May	6.63	4.40	846,570
April	6.04	4.90	1,804,255
March	5.23	3.16	521,220
February	3.56	2.13	495,235
January	4.00	2.12	554,134
<b>2009</b>			
December	4.25	3.08	638,226
November	4.14	2.95	753,035
October	4.30	2.76	775,084
September	4.25	1.59	1,305,520
August	1.85	1.20	431,100

#### **Prior Sales - Fiscal 2010**

##### **Common Share Purchase Warrants**

<b>Date of Issuance</b>	<b>Number of Common Share Purchase Warrants</b>	<b>Exercise Price</b>	<b>Description of Issuance</b>
February 8, 2010	237,360	\$2.00	Issued upon exercise of broker options
November 26, 2009	17,250	\$2.70	Issued upon exercise of broker options
November 20, 2009	43,125	\$2.70	Issued upon exercise of broker options
November 19, 2009	17,250	\$2.70	Issued upon exercise of broker options
November 10, 2009	86,250	\$2.70	Issued upon exercise of broker options
November 4, 2009	172,500	\$2.70	Issued upon exercise of broker options
October 22, 2009	312,500	\$5.89	Issued pursuant to prospectus offering
October 2, 2009	8,625	\$2.70	Issued upon exercise of broker options

##### **Options to Purchase Common Shares**

<b>Date of Issuance</b>	<b>Number of Common Shares Under Option</b>	<b>Exercise Price</b>	<b>Description of Issuance</b>
July 5, 2010	20,000	\$7.06	Grant of Options
April 5, 2010	20,000	\$7.07	Grant of Options
March 8, 2010	50,000	\$5.40	Grant of Options
February 19, 2010	60,000	\$4.92	Grant of Options
February 5, 2010	600,000	\$4.12	Grant of Options
December 21, 2009	50,000	\$5.83	Grant of Options
December 7, 2009	135,000	\$5.54	Grant of Options
September 24, 2009	500,000	\$4.65	Grant of options
September 14, 2009	300,000	\$3.70	Grant of options

## ESCROWED SHARES

In accordance with National Policy 46-201 - Escrow for Initial Public Offerings ("National Policy 46-201"), all securities of an issuer that are owned or controlled by its principals, will be escrowed at the time of the issuer's IPO, unless the shares held by each principal, or issuable to each principal upon conversion of convertible securities held by each principal, represent less than 1% of the total issued and outstanding shares of the issuer after giving effect to the IPO.

An aggregate of 4,853,001 Common Shares held by principals of the Corporation at the time of the Corporation's IPO were subject to the terms of an escrow agreement (the "Escrow Agreement") entered into among the principals, the Corporation and Equity Transfer & Trust Corporation (the "Escrow Agent") effective on the date of the initial public offering. The release of the Common Shares is as set out in the table below:

<b><i>Date</i></b>	<b><i>% of Escrowed Shares Released</i></b>
Listing date (the " <b>Listing Date</b> ")	1/4 of the escrowed securities
On the date six months following the Listing Date	1/3 of the remaining escrowed securities
On the date twelve months following the Listing Date	1/2 of the remaining escrowed securities
On the date eighteen months following the Listing Date	The remaining escrowed securities

As of August 1, 2009, 1,213,250 Common Shares remained in escrow pursuant to the Escrow Agreement. All of these shares were released from escrow on August 13, 2009 in accordance with the terms of the Escrow Agreement. In addition, each of the officers and directors at the time of the IPO, not otherwise subject to the Escrow Agreement, and certain other shareholders entered into contractual escrow agreements in connection with the IPO whereby such persons were restricted from trading in securities of the Corporation subject to the same release schedule outlined above.

## OFFICERS AND DIRECTORS OF COLOSSUS

### **Name, Address, Occupation and Security Holding**

The following table sets forth the names, the municipalities of residence, the positions held with and the principal occupations of each of the Corporation's current directors and executive officers. Each director holds office until the next annual general meeting of shareholders or until a successor is elected or appointed.

<b>Name and Municipality of Residence and Position With the Corporation</b>	<b>Director/ Officer Since</b>	<b>Principal Occupation for the Past Five Years</b>	<b>Professional Designations</b>	<b>Common Shares Beneficially Owned Directly or Indirectly or Controlled</b>
<b>Ari Sussman</b> Toronto, Ontario Chairman and Chief Executive Officer	9-Feb-06	Chairman and Chief Executive Officer of the Corporation since February 2006 (date of incorporation); President and Chief Executive Officer of Continental Gold Limited (formerly Cronus Resources Ltd.) since July 2005; Senior Vice President of Titanium Corporation between January 2003 and February 2004	Bachelor of Arts, University of Western Ontario 1994	1,711,401
<b>Randy Reichert</b> Toronto, Ontario President & Chief Operating Officer	24-Sept-09	President & Chief Operating Officer since September 2009; Chief Operating Officer of Orsu Metals Corp. 2008-2009; Chief Operating Officer of Oriel Resources plc from 2007-2008; General Manager, Operations, Kinross/Bema Gold Corp. from 2006-2007; General Manager, Bema Gold Corp. from 2002-2006	Bachelor of Applied Science, University of British Columbia, 1988; Master of Science, Queen's University, 1991; Graduate Diploma in Business Administration, Simon Fraser University, 2001; P.Eng (Ontario)	12,500
<b>Steven Poad</b> Oakville, Ontario Chief Financial Officer	14-Sept-09	Chief Financial Officer of the Corporation since September 2009; Chief Financial Officer of High River Gold Mines Ltd. 2003-2009	Honours Bachelor of Commerce, McMaster University, Hamilton, Ontario 1974  Chartered Accountant, 1976	2,200
<b>Vic Wall</b> Newstead, Queensland, Australia VP, Exploration and Director	15-Jan-07	Vice President, Exploration since September 2009; President of the Corporation December 2006-September 2009; prior to which he was Principal of Taylor Wall & Associates since February 1998	Fellow of the Australian Institute Of Geoscientists, 2001  Bachelor of Science, University of Sydney, 1966  Ph.D., Monash University, 1989	995,700



<b>Name and Municipality of Residence and Position With the Corporation</b>	<b>Director/ Officer Since</b>	<b>Principal Occupation for the Past Five Years</b>	<b>Professional Designations</b>	<b>Common Shares Beneficially Owned Directly or Indirectly or Controlled</b>
<b>Augusto Kishida</b> Surrey, British Columbia VP, Business Development	15-Dec-06	Vice President, Business Development since September 2009; Vice President, Exploration of the Corporation from December 2006 to September 2009; prior to which he was an independent consultant since June 2003; Vice President, Exploration for Black Swan Resources between May 1993 and June 2003.	Engineer, CREA 1967 M.Sc.U. Federal Bahia, 1979 Ph. D. University of Western Ontario, 1984	835,000
<b>Ann Candelario</b> Uxbridge, Ontario VP, Investor Relations	13-Sep-10	Vice President, Investor Relations since September, 2010; Director, Investor Relations for Ivernia Inc. 2008 – 2010; Director, Investor Relations for Intrepid Mines Ltd. 2006 – 2008; Director, Investor Relations for CacheFlow Inc. 1999 – 2006.	BA Business Administration, San Jose State University, California USA, 1989	NIL
<b>Douglas Reeson</b> <sup>(1)(2)</sup> Toronto, Ontario Director	23-Jan-07	Chief Financial Officer of Soltoro Ltd. since 2006; Chairman and Chief Executive Officer of Gossan Resources Limited since 2004; Chief Financial Officer of MGOLD Resources Inc. since 2003; business executive and consultant since 1990.	Bachelor of Arts, (1972) and MBA (1974), York University	125,000
<b>John Frostiak</b> <sup>(1)(2)(3)</sup> Oakville, Ontario Director	9-Sep-07	Project Manager, Corporate at Barrick Gold Corporation since 2008; Held various positions with Barrick Gold Corporation since 1995.	Bachelor of Science, Queen's University, 1973 P. Eng., Ontario CIM, Canada SME, United States	158,800
<b>Patrick F. N. Anderson</b> <sup>(1)(2)</sup> Vancouver, British Columbia Director	8-Sep-08	Chairman and Chief Executive Officer of Dalradian Resources Inc. since 2009; President and Chief Executive Officer of Aurelian Resources 2003 -2009.	Bachelor of Science, University of Toronto, 1994	NIL

<b>Name and Municipality of Residence and Position With the Corporation</b>	<b>Director/ Officer Since</b>	<b>Principal Occupation for the Past Five Years</b>	<b>Professional Designations</b>	<b>Common Shares Beneficially Owned Directly or Indirectly or Controlled</b>
<b>Greg Hall<sup>(3)</sup></b> Perth, Western Australia, Australia Director	10-Mar-08	Independent Geological Consultant since July 2006; prior to which he was Chief Geologist, Placer Dome Group since 2001.	Bachelor of Applied Science, University of New South Wales, 1973	NIL

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance & Compensation Committee
- (3) Member of the Health, Safety & Environment Committee

The aggregate number of Common Shares which the directors and executive officers of the Corporation beneficially own, directly or indirectly, or over which control or direction is exercised, is 3,840,601 Common Shares, which is approximately 4.5% of the Common Shares issued and outstanding as of the date of this AIF.

#### **Corporate Cease Trade Orders or Bankruptcies**

To the best of the Corporation's knowledge, during the past ten years, except as noted below, none of the directors, executive officers or shareholders holding a sufficient number of securities to affect materially the control of the Corporation is or has been a director or executive officer of any other company that while such person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied such company access to any exemption under securities legislation for a period of more than 30 consecutive days,
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in such company being the subject of a cease trade or similar order or an order that denied such company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or
- (c) within a year of that person ceasing to act in that capacity, such company became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Steven Poad was an officer of High River Gold Mines Ltd. when in late 2008, management cease trade orders were issued as a result of the late filing of the third quarter and 2008 year end financial statements. The financial statements were subsequently filed and the management cease trade orders lifted.

#### **Penalties or Sanctions**

To the best of the Corporation's knowledge, none of the directors, executive officers or shareholders holding a sufficient number of securities to affect materially the control of the Corporation has been

subject to (a) any penalties or sanctions by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Personal Bankruptcies**

To the best of the Corporation's knowledge, during the past ten years, none of the directors, executive officers or shareholders holding a sufficient number of securities to materially affect the control of the Corporation has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

### **Conflicts of Interest**

The directors are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interests that they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Corporation's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Corporation, its promoters, directors and officers or other members of management of the Corporation or of any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies.

### **Corporate Governance**

The Corporation has established three committees of the board of directors as follows: the Audit Committee, the Corporate Governance & Compensation Committee, and the Health, Safety & Environment Committee. The Audit Committee Mandate is appended hereto as Appendix "A". The mandates of the Board and its other committees are available by contacting the Corporation at its head office address noted herein.

### ***Audit Committee***

The purpose of the Corporation's Audit Committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. It is the objective of the Audit Committee to maintain free and open communications among the Board, the independent auditors and the financial and senior management of the Corporation. The full text of the Audit Committee's mandate is included as Schedule "A" to this AIF.

### *Composition of the Audit Committee*

The Audit Committee is comprised of Douglas Reeson (Chair), John Frostiak and Patrick Anderson. Each member is financially literate as defined under Section 1.5 of Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110"). All members are independent as such term is defined under Section 1.4 of MI 52-110.

### *Relevant Education and Experience*

#### *Douglas Reeson*

Douglas Reeson is a business executive with over 20 years experience as an officer and director of a number of junior public companies. Currently Mr. Reeson is the Chief Executive Officer of Gossan Resources Limited, Chief Financial Officer of MGold Resources Inc. and Chief Financial Officer of Soltoro Ltd. In prior years, he held a number of positions in the investment industry including the Executive Director of Listings for the Toronto Stock Exchange, Vice-President and Director of Davidson Partners, Midland Doherty & Yorkton Securities and, earlier, as an Investment Analyst at Burns-Fry. Mr. Reeson has the attributes and the experience, as set out in the Corporation's Audit Committee Mandate, to be considered an audit committee financial expert. Mr. Reeson resides in Toronto and holds undergraduate and graduate degrees from York University. He was elected to the Board in 2007.

#### *John Frostiak*

John Frostiak graduated from Queen's University, Kingston, Ontario with a Bachelor of Science, Mining Engineering (Processing Option) in 1973. Mr. Frostiak is a registered professional engineer in the province of Ontario, a member of the Canadian Institute of Mining Metallurgy and Petroleum and the American Society for Mining, Mineral and Exploration Inc. Following his graduation from Queen's, Mr. Frostiak was employed in various operating and management capacities in the iron ore industry in Canada and offshore. In 1986, Mr. Frostiak joined Placer Dome where he was responsible for modernizing and expanding the mill at Campbell Red Lake. Currently, Mr. Frostiak is the Project Manager, Corporate for Barrick Gold Corporation. In prior years, he held other positions within Barrick Gold Corporation and was responsible for numerous technical accomplishments including leading the development of the process plant and surface facilities for the Pierina Mine in Peru, the Bulyanhulu mine in Tanzania and the Cowal mine in Australia. Mr. Frostiak has gained literacy with financial statements through the completion of the Queen's Executive Development Programme in 1994, the Queen's Finance Programme in 2010, and his many years of project development work with Barrick Gold Corporation.

#### *Patrick F.N. Anderson*

Patrick F.N. Anderson has over 15 years experience working in all aspects of the exploration business. After graduating from the University of Toronto geology program he moved to the jungles of southern Venezuela and worked as the resident project geologist on a successful kimberlite exploration program. Since then he has been a consulting geologist on gold, base metals and diamond projects in South America, North America and Europe for junior explorers, major producers and consulting firms to the mineral industry. Mr. Anderson co-founded Aurelian Resources Inc. and was one of the discoverers of the Condor Project, which hosts the FDN epithermal gold-silver deposit. He is currently the Chairman and Chief Executive Officer of Dalradian Resources Inc. Mr. Anderson has gained literacy with financial statements through his experience as CEO of Aurelian Resources and as a member of the audit committee of U3O8 Corp. 2006-2010, Absolut Resources 2004-2006, and Continental Gold Limited since 2010.

### ***Pre-Approval Policies and Procedures***

Under its mandate, the Audit Committee is required to review and pre-approve the objectives and scope of the audit work to be performed by the Corporation's external auditors and their proposed fees. In addition, the Audit Committee is required to review and pre-approve all non-audit services which the Corporation's external auditors are to perform.

Pursuant to these procedures since their implementation, all of the services provided by the Corporation's external auditors relating to the fees reported as audit, audit-related, tax and all other services have been approved by the Audit Committee.

### ***Audit Fees***

The aggregate fees billed by the external auditors in the years ending July 31, 2010 and July 31, 2009 for audit services were \$142,100 and \$60,000 respectively.

### ***Tax Fees***

The aggregate fees billed by the external auditors in the year ended July 31, 2010, for tax compliance, tax advice and tax planning services were \$NIL. No fees related to tax compliance, tax advice and tax planning services were incurred in the year ended July 31, 2009 because said work was performed in-house.

### ***All Other Fees***

The aggregate fees billed by the external auditors in the years ending July 31, 2010 and July 31, 2009, for all other services other than as described above under Audit Fees, Audit-Related Fees, and Tax Fees were \$105,000 and \$51,000, respectively.

## **RISK FACTORS**

An investment in the securities of the Corporation is subject to a number of risks. A prospective purchaser of such securities should carefully consider the information and risks faced by the Corporation described in this AIF. The risks described herein are not the only risk factors facing the Corporation and should not be considered exhaustive. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently considers immaterial, may also materially and adversely affect the business, operations and financial condition of the Corporation.

### ***Limited Operating History***

The Corporation has a limited history of operations, is in the early stage of development and could be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

### ***No History of Earnings***

The Corporation has limited financial resources, has earned nominal income related solely to interest on financial assets since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for exploration and development of its mineral properties or for required future property payments. Furthermore, additional financing may be required to continue the development of the Corporation's properties even if the Corporation's exploration and development program is successful. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Corporation's properties with the possible loss of the rights to such properties.

### ***Competitive Conditions***

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Corporation competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties in the future on terms it considers acceptable. The Corporation also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation.

The ability of the Corporation to acquire properties depends on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Corporation may affect the marketability of gold mined or discovered by the Corporation.

### ***General Economic Conditions***

The recent unprecedented events in global financial markets have had a profound impact on the global economy. Many industries, including the mining sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continuing slowdown in the financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Corporation.

### ***Exploration, Development and Operating Risks***

The exploration for, discovery and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of gold and other minerals may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site.

It is impossible to ensure that the exploration or development programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Corporation's operations and financial results.

Mining operations generally involve a high degree of risk. The operations of the Corporation are subject to all the hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, mining operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by the Corporation towards the search and evaluation of gold and other minerals will result in discoveries of mineral reserves and resources (as defined by applicable securities laws), or any other mineral occurrences.

### ***Title Risks***

Although the nature and extent of the interests of the Corporation in the properties in which it holds an interest has been reviewed by or on behalf of the Corporation, and title opinions have been obtained by the Corporation with regard to certain of such properties, there may still be undetected title defects affecting such properties. Title insurance generally is not available in Brazil, and the ability of the Corporation to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, the Corporation has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt.

Accordingly, the properties in which the Corporation holds an interest may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Corporation's operations. In addition, the Corporation may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The Corporation is not the registered holder of any of the exploration licenses and applications which comprise the Serra Pelada Project or the Rio Cristalino Property. The exploration license in respect of the Serra Pelada Project is held by a joint venture company controlled by the Corporation's 100% owned subsidiary, Colossus Brazil. The Corporation's interest in its properties, title to which is currently held by third parties except for Area A, is derived pursuant to option agreements and joint venture agreements relating to the respective properties. Any non-compliance with the terms of these agreements by the Corporation or Colossus Brazil could affect the ability of the Corporation and/or Colossus Brazil to earn their interests in the properties. Such terms include the satisfaction of the option payments due to property owners under such agreements, and the requirements to undertake minimum exploration

expenditures during certain periods. Failure to meet these requirements could result in a loss by the Corporation or its subsidiaries of the interest in the options, which could in turn have an adverse impact on the Corporation.

No assurances can be given that title defects to the properties in which the Corporation has an interest do not exist. The properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Corporation may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates. There is no guarantee that title to the properties will not be challenged or impugned.

There is no guarantee that any application for additional exploration licenses may be granted by the DNPM. The DNPM may refuse any application. Persons may object to the granting of any exploration license and the DNPM may take those objections into consideration when making any decision on whether or not to grant a license.

If and when exploration licenses are granted, they will be subject to various standard conditions including, but not limited to prescribed license conditions. Any failure to comply with the expenditure conditions or with any other conditions on which the licenses are held, can result in license forfeiture. Generally, the licenses are granted for a term of three years and further renewal of an exploration license is at the discretion of the DNPM and on such conditions as the DNPM may in its discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the licenses comprising the Serra Pelada Project and the Corporation's other non-material property. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Corporation.

A lawsuit has been brought by an individual in Brazil seeking the annulment of a general meeting at which certain members of the board of directors and officers of COOMIGASP were elected. If this individual is successful with this lawsuit a new election may be required and further lawsuits may be brought to nullify any prior activities or agreements entered into by the directors and officers, which may include the Serra Pelada Agreement. The Corporation does not believe that this result is likely due to numerous factors. The Corporation understands that the election of directors of Coomigasp was recently confirmed by the Court of Appeals in Para State. The Corporation is not a party to the lawsuit and continues to monitor developments as information becomes publicly available.

In August 2010, the Federal Public Attorney's office based in Para State, Brazil, brought an action against the Federal Government, the DNPM, Colossus, Coomigasp and SPCDM seeking nullification of: (i) Coomigasp's approval of the Partnership Agreement, (ii) the transfer of the mining licence in respect of the Serra Pelada Project and the DNPM approval of such transfer. The Court denied the interim measures sought in the action and has yet to hear arguments on the final measures sought. Management's analysis of the claim indicates that the suit is unsubstantiated and without merit. Colossus intends to vigorously defend itself against this claim.

### ***Uncertainty of Acquiring Necessary Permits***

The Corporation currently holds all consents which it requires in order to carry out its current drilling program on the Serra Pelada Project and the Rio Cristalino Property. In addition, the Corporation has recently received its Environmental Permit, Installation License and Mining Permit. An Operating License will be required before production can commence. Certain terms and conditions apply to the granting of these permits and licenses. The authorities granting the permits or licenses can revoke any permits or



licenses in the event of non-compliance. The Corporation will endeavour to meet all terms and conditions of any license or permit but there is always a possibility of political change which could result in the revocation, alteration or termination of any permit or license, the occurrence of which could adversely affect the operations of the Corporation.

### ***Government Regulation Risks***

The mining, processing, development and mineral exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Corporation are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, development, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Corporation.

### ***Risks Associated with Foreign Operations***

The Corporation's mineral interests are located in the Federative Republic of Brazil, which may be affected by varying degrees of political change and labour unrest, fluctuations in currency exchange rates, high rates of inflation, terrorism or expropriation. The Corporation's exploration and development activities may be affected by changes in government or judiciary, political instability and the nature of various government regulations relating to the mining industry. A change in government positions on foreign investment, mining concessions, land tenure, environmental regulation, or taxation could adversely affect the Corporation's business and/or its holdings, assets and operations in Brazil. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation. The Corporation's operations in Brazil will entail governmental, economic, social, medical and other risk factors common to all companies in the region.

### ***Results of Prior Exploration Work***

In preparing the various Serra Pelada technical reports, the authors of such reports relied on data generated by exploration work previously carried out by geologists employed by others. There is no guarantee that data generated by prior exploration work is 100% reliable and discrepancies in such data not discovered by the Corporation may exist. Such errors and/or discrepancies, if they exist, could impact on the accuracy of the various Serra Pelada technical reports.

### ***Additional Capital***

The development and exploration of the properties in which the Corporation currently holds an interest will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all such properties, or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation. In addition, any future financing may be dilutive to existing security holders of the Corporation.

### ***Infrastructure***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Corporation.

### ***Political Stability Risks***

The principal operations of the Corporation are currently conducted in Brazil and, as such, the operations of the Corporation are exposed to various levels of political, economic and other risks and uncertainties. These risks include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may adversely affect the operations or profitability of the Corporation. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Corporation.

### ***Government Royalties***

In Brazil, a royalty must be paid to the landowner if the surface rights do not belong to the mining titleholder. This royalty amounts to 50% of the financial compensation for the federal royalty levied by the Brazilian government, and which is currently at 1% of the net sales of gold and 0.2% of the net sales of other precious metals. This level and the level of any other royalties, payable to the Brazilian government and landowner in respect of the production of minerals, may be varied at any time as a result of changing legislation which could materially adversely affect the Corporation's results of operations.

### ***Environmental Risks and Hazards***

All phases of the Corporation's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

Environmental hazards may exist on the properties on which the Corporation holds an option, which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties. Previous mining by garimpeiros has occurred at the Serra Pelada Project and continues today on a more limited basis.

Government approvals, approval of indigenous people and permits are currently and may in the future be required in connection with the operations of the Corporation. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

### ***Environmental Licenses***

In order to be granted a mining concession on any property, the Corporation will be required to obtain environmental licenses with respect to such properties. The Corporation has recently obtained a preliminary environmental license for the Serra Pelada Project. The license contains all of the conditions for the issuance of the balance of the environmental permits required for the Serra Pelada Project, namely an installation license for construction, which has now been received, and an operating license for operating activities. In the event that the Corporation is unable to satisfy the conditions for the balance of the licenses, it may not be able to commence mining activities on its properties, which could have a material adverse effect upon the results of operations and financial condition of the Corporation.

### ***Costs of Land Reclamation***

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which the Corporation holds an option.

Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary

to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of the Corporation.

There is a potential future liability for cleanup of tailings deposited on the mining license areas during previous periods of mining and reprocessing. It is not possible to quantify at this time what the potential liability may be and detailed assessments need to be made to determine future land reclamation costs, if any, due to this potential liability.

### ***Reliance on Limited Number of Properties***

At this time, the Corporation holds an interest in a joint venture company that holds the exploration licenses in respect of the Serra Pelada Project and also has an interest in the Rio Cristalino Property. As a result, unless the Corporation acquires additional property interests, any adverse developments affecting these properties could have a material adverse effect upon the Corporation and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Corporation.

### ***No History of Mineral Production***

The Corporation has never had an interest in a mineral producing property. There is no assurance that commercial quantities of minerals will be discovered at any of the properties of the Corporation or any future properties, nor is there any assurance that the exploration programs of the Corporation thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property of the Corporation will ever be brought to a stage where mineral resources (as defined in NI 43-101) can profitably be produced thereon. Factors which may limit the ability of the Corporation to produce mineral resources from its properties include, but are not limited to, the price of the mineral resources which are currently being explored for, availability of additional capital and financing and the nature of any mineral deposits.

### ***Insurance and Uninsured Risks***

The business of the Corporation is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Corporation or others, delays in mining, monetary losses and possible legal liability.

Although the Corporation may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Corporation or to other companies in the mining industry on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which it may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### ***Hedging***

The Corporation does not have a hedging policy and has no current intention of adopting such a policy. Accordingly, the Corporation has no protection from a decline in mineral prices which could have a material adverse affect on the financial condition of the Corporation.

### ***Fluctuations in Metal Prices***

The consolidated financial results and exploration, development and mining activities of the Corporation may in the future be significantly and adversely affected by declines in the price of gold or other minerals. The price of gold or other minerals fluctuates widely and is affected by numerous factors beyond the control of the Corporation such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges.

Future significant price declines in the market value of gold or other minerals could cause continued development of the properties in which the Corporation has an option to be impracticable. Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient and the Corporation could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Corporation's mining properties is dependent upon the prices of gold and other minerals being adequate to make these properties economic.

In addition to adversely affecting the reserve estimates of the Corporation and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Exchange Rate Fluctuations***

Exchange rate fluctuations may affect the costs that the Corporation incurs in its operations. Gold and other minerals are generally sold in US dollars. Costs of the Corporation are incurred in US and Canadian dollars and Brazilian Reais. The appreciation of the US dollar or the Brazilian Real against the Canadian dollar can increase the cost of exploration and production in Canadian dollar terms, which could materially and adversely affect the Corporation's profitability, results of operations and financial condition.

### ***Key Executives***

The Corporation is dependent upon the services of key executives, including the directors of the Corporation and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Corporation, the loss of these persons or the inability of the Corporation to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

### ***Conflicts of Interest***

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Corporation should be made in accordance with their fiduciary duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders.

In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the Business Corporations Act (Ontario) and other applicable laws. The Corporation has also adopted a formal Code of Business Conduct and Ethics to govern the activities of its directors, officers and employees.

### ***Enforcement of Legal Rights***

In the event of a dispute arising from the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Corporation's assets are located outside of Canada, investors may have difficulty collecting from the Corporation any judgments obtained in the Canadian courts and predicated on the civil liability provisions of applicable securities laws in Canada. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Two of the directors of the Corporation and certain experts retained by the Corporation reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon such directors or experts. It may also not be possible to enforce against the Corporation, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

### ***Litigation***

From time to time, the Corporation may be involved in lawsuits. The outcomes of any such legal actions may have a material adverse affect on the financial results of the Corporation on an individual or aggregate basis. See also "Risk Factors - Title Risks".

### ***Price Volatility of Publicly Traded Securities***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings.

### ***Tax Issues***

The Corporation's estimates regarding the exploration and development costs at the Serra Pelada Project have assumed current Brazilian tax rates, which may be increased in the future. Accordingly, the cost estimates may not represent an accurate statement of the Corporation's future tax costs.

### ***Dividends***

The Corporation has no earnings or dividend record and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

### ***Repatriation of Earnings***

Currently, Brazil has no limitation on profit or capital remittances to foreign shareholders provided that all applicable Brazilian taxes have been paid. However, there can be no assurance that restrictions on the repatriation of earnings in Brazil will not be imposed in the future.

## **LEGAL PROCEEDINGS**

Other than as set out herein, as of the date hereof, there are no legal proceedings, actual or contemplated, to which the Corporation or any subsidiary of the Corporation is a party or of which any of their respective property is the subject matter that are material to the Corporation.

A lawsuit has been brought by an individual in Brazil seeking the annulment of a general meeting at which certain members of the board of directors and officers of COOMIGASP were elected. If this individual is successful with this lawsuit a new election may be required and further lawsuits may be brought to nullify any prior activities or agreements entered into by the directors and officers, which may include the Serra Pelada Agreement. The Corporation does not believe that this result is likely due to numerous factors. The Corporation understands that the election of directors of Coomigasp was recently confirmed by the Court of Appeals in Para State. The Corporation is not a party to the lawsuit and continues to monitor developments as information becomes publicly available.

In August 2010, the Federal Public Attorney's office based in Para State, Brazil, brought an action against the Federal Government, the DNPM, Colossus, Coomigasp and SPCDM seeking nullification of: (i) Coomigasp's approval of the Partnership Agreement, (ii) the transfer of the mining licence in respect of the Serra Pelada Project and the DNPM approval of such transfer. The Court denied the interim measures sought in the action and has yet to hear arguments on the final measures sought. Management's analysis of the claim indicates that the suit is unsubstantiated and without merit. Colossus intends to vigorously defend itself against this claim.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of any director, executive officer, or any shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction during the three most recently completed financial years or during the current financial year which has materially affected or would materially affect the Corporation or a subsidiary of the Corporation.

## **TRANSFER AGENT AND REGISTRAR**

Equity Financial Trust Company, through its office at Toronto, Ontario, is the transfer agent and registrar for the Common Shares and listed Common Share purchase warrants.

## **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Corporation within the most recently completed financial year prior to the date hereof, or which were entered into prior to such date and are currently in effect and considered to be currently material:

- (a) Warrant Indenture relating to the Common Share purchase warrants of the Corporation issued on February 13, 2008;
- (b) Serra Pelada Agreement referred to under "Description of the Business";
- (c) Amended Agreement referred to under "Description of the Business – Year Ended July 31, 2010";
- (d) Vale Option Agreement referred to under "Description of the Business – Year Ended July 31, 2010"; and
- (e) CC Agreement referred to under ""Description of the Business – Year Ended July 31, 2010".

Each of these agreements has been filed and can be accessed online at [www.sedar.com](http://www.sedar.com).

## **INTERESTS OF EXPERTS**

The auditors of the Corporation, KPMG LLP, prepared the Auditors' Report to shareholders with respect to the consolidated balance sheets of the Corporation as at July 31, 2010 and July 31, 2009 and the consolidated statements of loss and comprehensive loss, changes in shareholder equity and cash flows for the year then ended. KPMG LLP is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The 2010 Serra Pelada Technical Report was authored by David G. Jones of Vidoro Pty Ltd. The author of the 2010 Serra Pelada Technical Report is a "qualified person" and was "independent" of the Corporation as those terms are defined in NI 43-101 at the time the report was filed. The author and his firm do not own any Common Shares.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found under the Corporation's profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

Additional information, including regarding directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's management information circular dated December 11, 2009 and filed on SEDAR on December 23, 2009, in respect of the annual general meeting of shareholders of the Corporation held on January 27, 2010. Additional financial information is also provided



in the Corporation's Financial Statements and Management's Discussion & Analysis for its most recently completed financial year.

#### **GLOSSARY OF NON-TECHNICAL TERMS**

**"Amended Agreement"** means the agreement between the Corporation and COOMIGASP amending certain provisions of the Serra Pelada Agreement in respect of the Serra Pelada Project;

**"CC Agreement"** means the agreement entitled "Promise of Conveyance and Other Agreements" dated March 17, 2010 between COOMIGASP, Cooperativa de Mineração dos Garimpeiros de Serra Pelada, Serra Pelada, Companhia de Desenvolvimento Mineral, and Colossus Geologia e Participações Ltda, and "Rectification Term of the Promise of Conveyance and Other Agreements" dated April 6, 2010;

**"CFEM"** means Financial Compensation for the Exploitation of Mineral Resources, a Brazilian federal royalty payable on mining concessions;

**"CMZ"** means Central Mineralized Zone;

**"Colossus"** means Colossus Minerals Inc.;

**"Colossus Brazil"** means Colossus Geologica e Participações Ltda., a Brazilian subsidiary of the Corporation;

**"Common Share"** means a common share in the capital of the Corporation;

**"Corporation"** means Colossus Minerals Inc.;

**"COOMIGASP"** means COOMIGASP – Cooperativa de Mineração dos Garimpeiros de Serra Pelada;

**"CVRD"** means Companhia Vale do Rio Doce, a Brazilian mining company;

**"DNPM"** means the Brazilian Departamento Nacional de Produção Mineral (National Department of Mineral Production);

**"EIA"** means an environmental impact study;

**"Escrow Agreement"** means the escrow agreement to be entered into on or prior to Closing among the principals of the Corporation, the Corporation and Equity Financial Trust Company;

**"Financial Statements"** means the Corporation's audited financial statements as at July 31, 2010, together with the notes thereto;

**"IPO"** means initial public offering;

**"LI"** means Installation License;

**"Natividade Option Agreement"** means the option agreement dated November 13, 2006 among the Corporation, Colossus Brazil and Terra Goyana pursuant to which the option to purchase the Natividade Property was granted to Colossus Brazil;

**"Natividade Property"** means property comprised of two licenses, one that has been approved as an Application for Mining License and the second which is an Exploration License which is valid until June 2008 covering 10,000 hectares, in the State of Tocantins, Central Brazil;

**"NI 43-101"** means National Instrument 43-101 – Standards of Disclosure for Mineral Projects;

**"LO"** means Operational License;

**"LP"** means Previous License;

**"PAE"** means economic benefit plan;

**"PEL"** means Preliminary Environmental License;

**"Phoenix"** means Phoenix Gems Do Brasil Ltda.;

**"Phoenix Agreement"** means the partnership agreement dated September 18, 2007 between Colossus Brazil and Phoenix pursuant to which Phoenix has been granted a 15% interest in Colossus Brazil's interest in the Serra Pelada Project;

**"PRAD"** means the Rehabilitation Plan for Degraded Areas;

**"SEMA"** means Secretaria de Meio Ambiente;

**"Serra Pelada Agreement"** means the joint venture agreement dated July 16, 2007 between Colossus Brazil and COOMIGASP in respect of the Serra Pelada Project;

**"Serra Pelada Project"** means the property consisting of exploration license, 850.425/1990 covering 100 hectares located Para State, Brazil, the 700 hectares referred to in the Vale Option Agreement, and the 74 hectares referred to in the CC Agreement;

**"2010 Serra Pelada Technical Report"** means the report completed by Vidoor Pty Ltd. dated January 31, 2010 pursuant to the provisions of National Instrument 43-101 in respect of the Serra Pelada Project;

**"Stock Option Plan"** means the Corporation's stock option plan providing for the granting of incentive options to the Corporation's directors, officers, employees and consultants in accordance with the rules and policies of the Exchange;

**"Terra Goyana"** means Terra Goyana Mineradora Ltd., a Brazilian company that is the optionor of the Natividade Property;

**"Vale Option Agreement"** means the option agreement entitled the "Agreement for Area Evaluation, Mineral Exploration Works, and Option of Partial Acquisition of Mineral Rights" made between Vale S.A. and COOMIGASP, Cooperativa de Mineração dos Garimpeiros de Serra Pelada, dated March 19, 2010; and

**"WMZ"** means Western Mineralized Zone.

## GLOSSARY OF TECHNICAL TERMS

This glossary comprises a general list of common technical terms that are typically used by geologists. The list has been edited to conform in general to actual usage in the body of the AIF. Readers should refer to more comprehensive dictionaries of geology in printed form or available on the internet for a complete glossary.

**"alteration"** means the change in the mineral composition of a rock, commonly due to hydrothermal activity;

**"Au"** means gold;

**"chlorite"** means a generally green or black secondary mineral often formed by metamorphic alteration of primary dark rock minerals, that appears as a spot of green and resembles mica;

**"CIM"** means Canadian Institute of Mining, Metallurgy and Petroleum;

**"conglomerate"** means a sedimentary rock formed by the cementing together of water-rounded pebbles, distinct from a breccia;

**"craton"** means a major part of the earth's crust that has been stable and little deformed for a long time;

**"dip"** means the angle at which any planar feature is inclined from the horizontal;

**"formation"** means primary formal unit of lithostratigraphic classification;

**"Group"** means a succession of two or more contiguous or associated formations with significant and diagnostic lithologic properties in common;

**"lithologies"** means the branch of geology that studies rocks: their origin and formation and mineral composition and classification;

**"Metasedimentary"** means originally sedimentary rocks which have been subsequently affected by the process of metamorphism;

**"Pd"** means palladium;

**"PGE"** means platinum group element;

**"plunge"** means the attitude of a line in a plane which is used to define the orientation of fold hinges, mineralized zones and other structures;

**"Pt"** means platinum;

**"quartz"** means a common silica mineral with the chemical formula  $\text{SiO}_2$ ;

**"sericite"** means a white, fine-grained mica, usually formed as an alteration product of various silicates in metamorphic rocks and the wall rocks of ore deposits.

## APPENDIX "A"

### COLOSSUS MINERALS INC. MANDATE OF THE AUDIT COMMITTEE

#### 1. **PURPOSE**

##### 1.1 **Purpose**

The primary purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Colossus Minerals Inc. (the "Company") is to assist the Board in its oversight of:

- (a) the integrity of the Company's financial statements and other related public disclosure documents;
- (b) the Company's internal controls over financial reporting;
- (c) the external auditor's qualifications, independence and performance; and
- (d) the Company's compliance with legal and regulatory requirements relating to financial statements and financial reporting.

#### 2. **ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE**

##### 2.1 **Establishment of the Audit Committee**

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

##### 2.2 **Appointment and Removal of Members of the Committee**

- (a) **Board Appoints Members.** The members of the Committee shall be appointed by the Board. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (b) **Vacancies.** The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.
- (c) **Removal of Member.** Any member of the Committee may be removed from the Committee by a resolution of the Board.

##### 2.3 **Number of Members**

The Committee shall consist of three or more Directors.

##### 2.4 **Independence of Members**

Each member of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements.

## 2.5 **Financial Literacy**

- (a) **Financial Literacy Requirement.** Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) **Definition of Financial Literacy.** "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

## 2.6 **Audit Committee Financial Expert**

- (a) **Attributes of an Audit Committee Financial Expert.** To the extent possible, the Board will appoint to the Committee at least one Director who has the following attributes:
  - (i) an understanding of generally accepted accounting principles and financial statements;
  - (ii) ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
  - (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
  - (iv) an understanding of internal controls and procedures for financial reporting; and
  - (v) an understanding of audit committee functions.
- (b) **Experience of the Audit Committee Financial Expert.** To the extent possible, the Board will appoint to the Committee at least one Director who acquired the attributes in (a) above through:
  - (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or such other qualification as the Board interprets such qualification in its business judgment);
  - (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
  - (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
  - (iv) other relevant experience.

## 3. **COMMITTEE CHAIRMAN**

### 3.1 **Board to Appoint Chairman**

The Board shall appoint the Chairman from the members of the Committee who are unrelated directors (or, if it fails to do so, the members of the Committee shall appoint the Chairman of the Committee from

among its members). The designation of the Committee's Chairman shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chairman is not so made, the Director who is then serving as Chairman shall continue as Chairman until his or her successor is appointed.

#### **4. COMMITTEE MEETINGS**

##### **4.1 Quorum**

A majority of the members of the Committee shall constitute a quorum.

##### **4.2 Time and Place of Meetings**

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly. The Chairman shall designate from time to time a person who may, but need not, be a member of the Committee to act as Secretary of the Committee.

##### **4.3 In Camera Meetings**

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with each of:

- (a) management;
- (b) the external auditor; and
- (c) the internal auditor, if any should be appointed.

##### **4.4 Right to Vote**

Each member of the Committee shall have the right to vote on matters that come before the Committee.

##### **4.5 Invitees**

The Committee may invite Directors, officers and employees of the Company or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The external auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Company's expense.

##### **4.6 Regular Reporting**

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

#### **5. AUTHORITY OF COMMITTEE**

##### **5.1 Retaining and Compensating Advisors**

The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any

advisors employed by the Audit Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

## 5.2 **Subcommittees**

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

## 5.3 **Recommendations to the Board**

The Committee shall have the authority to make recommendations to the Board but shall have no decision-making authority other than as specifically contemplated in this mandate.

# 6. **REMUNERATION OF COMMITTEE MEMBERS**

## 6.1 **Remuneration of Committee Members**

Members of the Committee and the Chairman shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

## 6.2 **Directors' Fees**

No member of the Committee may earn fees from the Company or any of its subsidiaries other than Directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company.

## **Specific Duties and Responsibilities**

# 7. **INTEGRITY OF FINANCIAL STATEMENTS**

## 7.1 **Review and Approval of Financial Information**

- (a) **Annual Financial Statements.** The Committee shall review and discuss with management and the external auditor, the Company's audited annual financial statements and related MD&A together with the report of the external auditor thereon and, if appropriate, recommend the audited annual financial statements and related MD&A to the Board for approval.
- (b) **Interim Financial Statements.** The Committee shall review and discuss with management and the external auditor and, if appropriate, recommend the Company's interim unaudited financial statements and related MD&A to the Board for approval.
- (c) **Material Public Financial Disclosure.** The Committee shall review and discuss with management:
  - (i) the Company's earnings press releases, as well as the type of financial information to be provided to analysts and rating agencies; and
  - (ii) press releases or other relevant public disclosures containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information).

- (d) **Procedures for Review.** The Committee shall be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this mandate) and shall periodically assess the adequacy of those procedures.
- (e) **General.** The Committee shall review and discuss with management and the external auditor:
  - (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - (ii) major issues as to the adequacy of the Company's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies;
  - (iii) analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - (iv) the effect on the Company's financial statements of regulatory initiatives, as well as off-balance sheet transaction structures, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Company;
  - (v) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;
  - (vi) any financial information or financial statements in prospectuses and other offering documents;
  - (vii) any other relevant reports or financial information submitted by the Company to any governmental body, or the public; and
  - (viii) funding and financial statements of the Company's pension plans, if any.

## **8. EXTERNAL AUDITOR**

### **8.1 External Auditor**

- (a) **Authority with Respect to External Auditor.** As a representative of the Company's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In the discharge of this responsibility, the Committee shall:
  - (i) have sole responsibility for recommending to the Board the firm to be proposed to the Company's shareholders for appointment as external auditor for the above-described purposes as well as the responsibility for recommending such external auditor's compensation and determining at any time whether the Board should recommend to the



Company's shareholders whether the incumbent external auditor should be removed from office;

- (ii) review the terms of the external auditor's engagement to conduct reviews on a quarterly basis and an annual audit of the Company's financial statements, discuss the audit fees with the external auditor and be solely responsible for approving such audit fees; and
- (iii) require the external auditor to confirm in its engagement letter each year that the external auditor is accountable to the Board and the Committee as representatives of shareholders.

(b) **Independence.** The Committee shall satisfy itself as to the independence of the external auditor. As part of this process the Committee shall:

- (i) Require periodic confirmation from the external auditor that it is in compliance with applicable CPAB (Canadian Public Accountability Board) rules;
- (ii) require the external auditor to submit on a periodic basis to the Committee, a formal written statement delineating all relationships between the external auditor and the Company and that the Committee is responsible for actively engaging in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor and for recommending that the Board take appropriate action in response to the external auditor's report to satisfy itself of the external auditor's independence; and
- (iii) review and approve the policy setting out the restrictions on the Company hiring partners, employees and former partners and employees of the Company's current or former external auditor.

(c) **Issues Between External Auditor and Management.** The Committee shall:

- (i) review any problems experienced by the external auditor in conducting the audit, including any restrictions on the scope of the external auditor's activities or access to requested information;
- (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the external auditor; and
- (iii) review with the external auditor:
  - (A) any accounting adjustments that were proposed by the external auditor, but were not made by management;
  - (B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement;
  - (C) any management or internal control letter issued, or proposed to be issued by the external auditor to the Company; and
  - (D) the performance of the Company's internal audit function and internal auditors, if any.

(d) **Non-Audit Services.**

- (i) The Committee shall either:

- (A) pre-approve any non-audit services provided by the external auditor or the external auditor of any subsidiary of the Company to the Company (including its subsidiaries); or
    - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service, and the procedures do not include delegation of the Committee's responsibilities to management.
  - (ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Audit Committee at its first scheduled meeting following such pre-approval.
  - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the external auditor which were not recognized by the Company at the time of the engagement as being non-audit services.
- (e) **Evaluation of External Auditor.** The Committee shall evaluate the external auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:
- (i) review and evaluate the performance of the lead partner of the external auditor;
  - (ii) obtain the opinions of management and of the persons responsible for the Company's internal control function with respect to the performance of the external auditor; and
  - (iii) obtain and review a report by the external auditor describing:
    - (A) the external auditor's internal quality-control procedures;
    - (B) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditor's firm, and any steps taken to deal with any such issues; and
    - (C) all relationships between the external auditor and the Company (for the purposes of assessing the external auditor's independence).
- (f) **Review of Management's Evaluation and Response.** The Committee shall:
- (i) review management's evaluation of the external auditor's audit performance;
  - (ii) review the external auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;
  - (iii) receive reports from management and receive comments from the external auditor, if any, on:
    - (A) the Company's principal financial risks;
    - (B) the systems implemented to monitor those risks; and

- (C) the strategies (including hedging strategies) in place to manage those risks; and
- (iv) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

## **9. INTERNAL CONTROL AND AUDIT FUNCTION**

### **9.1 Internal Control**

In connection with the Company's internal control function, the Committee shall:

- (a) in consultation with the external auditor and management, review the adequacy of the Company's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of any material deficiencies and controls;
- (b) review management's response to significant internal control recommendations of the external auditor; and
- (c) review the internal control report prepared by management, including management's assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting.

## **10. OTHER**

### **10.1 Risk Assessment and Risk Management**

The Committee shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

### **10.2 Whistle Blowing**

The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### **10.3 Expense Accounts**

The Committee shall review and make recommendations on an annual basis with respect to expense accounts submitted by Senior Executives, and expense account policy and rules relating to the standardization of the reporting on expense accounts.

#### 10.4 **Disclosure Committee**

The Committee shall, from time to time, appoint the members of the Company's Disclosure Committee.

#### 11. **Annual Performance Evaluation**

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Corporate Governance & Compensation Committee for assessing the performance of the Committee.

#### 12. **Mandate Review**

The Committee shall review and assess the adequacy of this mandate annually and recommend to the Board any changes it deems appropriate.

#### 13. **INTERPRETATION**

##### 13.1 **Interpretation**

The provisions of this mandate are subject to the provisions of the Company's by-laws and to the applicable provisions of the *Business Corporations Act* (Ontario) (the "Act"), and any other applicable legislation.

Approved by the Board of Directors

May 12, 2010