
COLOSSUS MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2007
(AUDITED)

September 28, 2007, except for Note 13 which is as of November 7, 2007

Auditors' Report

To the Shareholders of Colossus Minerals Inc.

We have audited the consolidated balance sheets of Colossus Minerals Inc. (A Development Stage Company) as at July 31, 2007 and 2006 and the related consolidated statements of operations and deficit and cash flows for the year ended July 31, 2007 and the period from February 9, 2006 (date of incorporation and inception) to July 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended July 31, 2007 and the period from February 9, 2006 (date of incorporation and inception) to July 31, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada

“McCarney Greenwood LLP”

McCarney Greenwood LLP
Chartered Accountants
Licensed Public Accountants

Colossus Minerals Inc.

Consolidated Balance Sheets

(A Development Stage Company)

| | July 31, 2007 | July 31, 2006 |
|--|------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 716,615 | \$ 375,699 |
| Short-term investment | 1,000,000 | - |
| Sundry receivables and prepaid expenses | 68,623 | 2,256 |
| Subscription receivable (Note 7(b)(iv)) | 200,000 | - |
| Loan receivable (Note 4) | - | 50,490 |
| | 1,985,238 | 428,445 |
| Furniture and equipment (Note 5) | 41,848 | - |
| Mining interests (Note 6) | 1,275,015 | 196,685 |
| | \$ 3,302,101 | \$ 625,130 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 204,652 | \$ 23,733 |
| Shareholders' equity | | |
| Share capital (Note 7) | 2,351,148 | 615,000 |
| Shares to be issued (Note 7(b)(iv)) | 200,000 | - |
| Warrants (Note 8(b)) | 913,100 | - |
| Contributed surplus (Note 8(c)) | 292,553 | - |
| Accumulated deficit | (659,352) | (13,603) |
| | 3,097,449 | 601,397 |
| | \$ 3,302,101 | \$ 625,130 |

The notes to these financial statements are an integral part of these statements.

Going concern (Note 1)

Approved by the Board "Ari Sussman" Director "David D'Onofrio" Director

Colossus Minerals Inc.

Consolidated Statements of Operations and Deficit

(A Development Stage Company)

| | Year ended July 31, 2007 | From February 9, 2006 to July 31, 2006 (Note 1) | Cumulative from the date of inception on February 9, 2006 to July 31, 2007 |
|---|-----------------------------|---|--|
| Expenses | | | |
| Stock-based compensation (Note 8(c)) | \$ 188,729 | \$ - | \$ 188,729 |
| Administrative and general | 124,562 | 2,678 | 127,240 |
| Write-down of mining interests (Note 6(d)) | 108,060 | - | 108,060 |
| Wages and salaries | 86,694 | 6,425 | 93,119 |
| Professional fees | 55,114 | 4,500 | 59,614 |
| Consulting | 52,637 | - | 52,637 |
| Transfer agent fees and expenses | 26,377 | - | 26,377 |
| Accounting and corporate services | 13,200 | - | 13,200 |
| Amortization (Note 5) | 4,985 | - | 4,985 |
| Bank charges and interest | 1,958 | - | 1,958 |
| Foreign exchange gain | (16,567) | - | (16,567) |
| | 645,749 | 13,603 | 659,352 |
| Operating loss for the period | \$ (645,749) | \$ (13,603) | \$ (659,352) |
| Deficit, beginning of period | (13,603) | - | - |
| Deficit, end of period | \$ (659,352) | \$ (13,603) | \$ (659,352) |
| Loss per share | \$ (0.05) | \$ (0.00) | |
| Weighted average number of common shares outstanding | 13,142,293 | 6,150,000 | |

The notes to these financial statements are an integral part of these statements

Colossus Minerals Inc.

Consolidated Statements of Cash Flows

(A Development Stage Company)

| | Year ended July 31, 2007 | From February 9, 2006 to July 31, 2006 (Note 1) | Cumulative from the date of inception on February 9, 2006 to July 31, 2007 |
|---|-----------------------------|---|--|
| Operating activities | | | |
| Operating loss | \$ (645,749) | \$ (13,603) | \$ (659,352) |
| Amortization | 4,985 | | 4,985 |
| Stock-based compensation | 188,729 | - | 188,729 |
| Write-down of mining interests | 108,060 | - | 108,060 |
| Changes in non-cash working capital items: | | | |
| Sundry receivable and prepaid expenses | (66,367) | (2,256) | (68,623) |
| Accounts payable and accrued liabilities | 180,919 | 23,733 | 204,652 |
| Cash flows (used in) from operating activities | (229,423) | 7,874 | (221,549) |
| Financing activities | | | |
| Shares issued for cash | 2,139,100 | 540,000 | 2,679,100 |
| Warrants issued for cash | 913,100 | - | 913,100 |
| Share issuance costs | (299,128) | - | (299,128) |
| Cash flows from financing activities | 2,753,072 | 540,000 | 3,293,072 |
| Investing activities | | | |
| Purchase of short-term investment | (1,000,000) | - | (1,000,000) |
| Loan receivable | 50,490 | (50,490) | - |
| Purchase of furniture and equipment | (46,833) | - | (46,833) |
| Acquisition of mining interests | (1,186,390) | (121,685) | (1,308,075) |
| Cash flows (used in) investing activities | (2,182,733) | (172,175) | (2,354,908) |
| Change in cash during the period | 340,916 | 375,699 | 716,615 |
| Cash, beginning of period | 375,699 | - | - |
| Cash, end of period | \$ 716,615 | \$ 375,699 | \$ 716,615 |
| Supplement schedule of non-cash transactions | | | |
| Share issue on service rendered (Note 7(b)(ii)) | - | 75,000 | 75,000 |

The notes to these financial statements are an integral part of these statements

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

1. Nature of operations and going concern

Colossus Minerals Inc. (the "Company") is a Canadian junior exploration company engaged in acquiring and exploring mineral properties for gold. Since inception ("February 9, 2006" and "date of incorporation"), the efforts of the Company have been devoted to the development of properties for production of gold in Brazil. To date, the Company has not earned any revenues from gold exploration and is considered to be in the development stage (as defined in accounting guideline AcG-11 of the CICA Handbook).

The exploration and development of gold mineral properties in Brazil involves significant financial risk. In the event these properties are determined to be commercially viable, additional financing will be required.

The Company has been dependant upon issuances of common shares to directors, officers, and shareholders to provide the funding necessary to meet its general operating expenses as they arise. The Company will require additional financing to continue to explore for gold in Brazil. There can be no assurance that such additional financing will be available.

These financial statements have been prepared on the basis that the Company is a going concern. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

2. Summary of significant accounting policies

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and are prepared on a basis consistent with the prior period. Outlined below are those policies considered particularly significant.

(a) Basis of consolidation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its wholly owned Brazilian subsidiary, Colossus Geologia e Participacoes Ltda ("Colossus Brazil"). All inter-company transactions and balances have been eliminated on consolidation.

(b) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the report period. The most significant estimates are related to the recoverability of exploration expenditures, stock-based compensation, and future tax assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

2. Summary of significant accounting policies (continued)

(c) Interest in Mineral Properties and Deferred Exploration Expenditures

The Company accounts for exploration property costs in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3061, "Property, plant and equipment" ("CICA 3061"), and abstract EIC 126, "Accounting by Mining Enterprises for Exploration Costs" ("EIC 126") of the Emerging Issues Committee. CICA 3061 provides for the capitalization of acquisition and exploration costs of an exploration property where such costs are considered to have the characteristics of property, plant and equipment.

Interest in mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of production method based on proven and probable reserves. If a property is subsequently determined not to be economic, the property and related deferred costs are written down to net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

EIC 126 provides that an exploration stage enterprise with initially capitalized exploration costs that has not objectively established mineral reserves and therefore does not have a basis for preparing a projection of the estimated future cash flow from a property, is not obliged to conclude that the capitalized costs have been impaired. However, EIC 126 references certain conditions that should be considered in determining subsequent write downs, such as changes or abandonment of a work program or poor exploration results, and management reviews such conditions to determine whether a write down of capitalized costs is required. When the carrying value of a property exceeds its net recoverable amount, provision is made for the impairment in value.

(d) Asset Retirement Obligations

The Company is following the recommendations of the Canadian Institute of Chartered Accountants in accounting for asset retirement obligations. Under this standard, the fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The impact of adopting this accounting standard has no effect on these statements as of July 31, 2007 and 2006.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and money market investments with original maturities of three months or less and which are readily convertible into cash.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

2. Summary of significant accounting policies (continued)

(f) Stock-based Compensation Plan

The Company recognizes stock compensation expense for grants of options to officers, directors and employees in the financial statements based on the estimated fair value at the grant date. Stock based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to stock options under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from stock options to capital stock.

(g) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method of tax allocation, future income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantially enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

(h) Loss per Common Share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

(i) Furniture and equipment

Furniture and equipment is recorded at cost less accumulated amortization. Amortization is provided using the declining balance method using the following rates:

| | |
|-------------------------|-----|
| Computer equipment | 30% |
| Furniture and equipment | 20% |

Amortization is at one-half of indicated rates in the year of acquisition.

(j) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in operations in the current period.

Colossus Brazil is considered an integrated foreign operation therefore monetary items are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in operations in the current period.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

2. Summary of significant accounting policies (continued)

(k) Financial instruments, Equity and Comprehensive Income

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement and Handbook Section 3865, Hedges. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on or after October 1, 2006.

3. Acquisition of Colossus Brazil

On August 1, 2006, the Company acquired 399,999 common shares of Colossus Brazil. As a result, Colossus Brazil became a wholly-owned subsidiary of the Company. The purchase price has been allocated based on the net assets of Colossus Brazil acquired as follows:

Net asset acquired

| | |
|---------------------------------|------------|
| Cash and short term investments | \$ 50,746 |
| Loans receivable | 155,535 |
| | \$ 206,281 |

| | # of shares | Amount |
|---|-------------|------------|
| Consideration | | |
| Assigned by Mr. Demian Miranda Feitosa | 1 | \$ - |
| Assigned by Mr. Persio Mandetta | 998 | - |
| Paid by conversion of loans receivable R\$1,423,043 | 98,100 | 50,746 |
| Loans payable R\$300,900 | 300,900 | 155,535 |
| | 399,999 | \$ 206,281 |

On February 1, 2007, 200,000 additional shares were issued and acquired by the Company. On May 24, 2007, 900,000 additional shares were issued and acquired by the Company.

4. Loans receivable

The loan receivable is non-interest bearing, repayable on or before June 30, 2008 or converted into Colossus Brazil's capital stock at the discretion of any of the parties.

On August 1, 2006, Colossus Brazil was acquired by the Company as its subsidiary in Brazil and the loan receivable was converted to common shares of Colossus Brazil. See (Note 3) for details of the acquisition. Colossus Brazil was formed to facilitate the acquisition, exploration and development of gold mineral properties in Brazil. This loan was converted into common shares of Colossus Brazil in 2007.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

5. Furniture and equipment

| | July 31, 2007 | | | July 31, 2006 |
|-------------------------|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Computer equipment | \$ 6,040 | \$ 906 | \$ 5,134 | \$ - |
| Furniture and equipment | 40,793 | 4,079 | 36,714 | - |
| | \$46,833 | \$4,985 | \$41,848 | \$ - |

6. Mining interests

| | July 31 2007 | July 31 2006 |
|------------------|-----------------|-----------------|
| Sumidouro (a) | \$ 901,884 | \$ 196,685 |
| Natividade (b) | 200,445 | - |
| Serra Pelada (c) | 172,686 | - |
| Tapajos (d) | - | - |
| Total | \$1,275,015 | \$ 196,685 |

(a) Sumidouro project, Brazil

| | Year ended July 31, 2007 | From February 9, 2006 to July 31, 2006 | Cumulative from the date of inception on February 9, 2006 to July 31, 2007 |
|---------------------|-----------------------------|--|---|
| Property evaluation | \$ 197,394 | \$ 92,006 | \$ 289,400 |
| Option payments | 71,557 | 33,687 | 105,244 |
| Consulting | 207,285 | 32,258 | 239,543 |
| Transportation | 64,223 | 19,881 | 84,104 |
| Legal services | 134,443 | 10,245 | 144,688 |
| Mobilization | - | 5,027 | 5,027 |
| Assays | 30,297 | 3,581 | 33,878 |
| Total | \$ 705,199 | \$ 196,685 | \$ 901,884 |

On July 3, 2006 the Company entered into a letter of intent with Ouro Preto Mineracao Ltda, a wholly owned subsidiary of Hidefield Gold Plc ("Hidefield") to acquire a 51% interest in its Sumidouro Gold Project ("Sumidouro"), located in Minas Gerais, Brazil.

The terms of the transaction between the Company and Hidefield for the acquisition of Sumidouro are as follows:

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

6. Mining interests (continued)

(a) Sumidouro project, Brazil (continued)

- (i) The Company must pay Hidefield a non-refundable payment of US\$30,000 (CDN\$ 33,687 - paid);
- (ii) Pay a further US\$30,000 upon the completion of the intended initial public offering ("IPO") of the Company's shares on the Toronto Stock Exchange Venture Exchange ("TSX-V"). In the event the Company is unable to complete its IPO on the TSX-V before July 3, 2007 but has satisfied the minimum exploration expenditure obligations ("Expenditures"), then the Company may extend the term of the option by up to a maximum of 6 months by making further monthly payments to Hidefield in the amount of US\$1,000 per month up until the end of the month in which the IPO is completed ("Option Extension Payment"). Each Option Extension Payment shall be due and payable on the last day of each month;
- (iii) Incur expenditures of US\$250,000 within 12 months of the date of execution of the Definitive Agreement;
- (iv) Complete aggregate expenditures of US\$1,250,000 on exploration and development of Sumidouro within 3 years of the date of the execution of the Definitive Agreement in order to earn a 51% interest.

On September 29, 2006 the Company signed an extension of the Letter of Intent to extend the date to complete the Definitive Agreement until December 31, 2006. The Formal Agreement was signed by the parties on January 5, 2007.

(b) Natividade project, Brazil

| | Year ended July 31, 2007 | From February 9 to July 31, 2006 | Cumulative from the date of inception on February 9, 2006 to July 31, 2007 |
|---------------------|-----------------------------|-------------------------------------|--|
| Property evaluation | \$ 83,122 | - | \$ 83,122 |
| Option payments | 85,631 | - | 85,631 |
| Legal services | 31,692 | - | 31,692 |
| Total | \$ 200,445 | - | \$ 200,445 |

On August 15, 2006, the subsidiary of the Company, Colossus Brazil, entered into a Letter of Intent with Terra Goyana Mineradora Ltda ("TGM") to acquire up to a 70% interest in its two gold concessions, ("Natividade"), located in Brazil.

The Company has agreed to pay TGM amounts totaling US\$1,500,000 and incur expenditures on the property totaling US\$2,000,000 as follows:

- (i) Pay a non-refundable deposit to TGM of US\$20,000 (paid in August 2006);
- (ii) Pay a US\$50,000 (paid in October 2006) to TGM within 3 business days of the date of the definitive formal option agreement ("Formal Agreement") is executed;

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

6. Mining interests (continued)

(b) Natividade project, Brazil (continued)

(iii) Pay US\$130,000, US\$150,000 and US\$1,150,000 on the 1st, 2nd and 3rd anniversary of the execution of the Formal Agreement, respectively; and

(iv) Incur expenditures of US\$150,000, US\$500,000 and US\$1,350,000 on the 1st, 2nd and 3rd anniversary of the execution of the Formal Agreement, respectively. Excess expenditures incurred in the any given year will be credited to expenditures in the following year's periods.

The Letter of Intent provides a 90 day period for the Company to complete the due diligence review before signing the Formal Agreement. The Formal Agreement was signed by the parties on November 13, 2006.

(c) Serra Pelada project, Brazil

| | Year ended July 31, 2007 | From February 9 to July 31, 2006 | Cumulative from the date of inception on February 9, 2006 to July 31, 2007 |
|-----------------|-----------------------------|--|--|
| Consulting | \$ 76,618 | - | \$ 76,618 |
| Legal services | 16,993 | - | 16,993 |
| Option payments | 76,433 | - | 76,433 |
| Mobilization | 2,642 | - | 2,642 |
| Total | \$ 172,686 | - | \$ 172,686 |

On July 16, 2007 the Company entered into a contract of partnership with Cooperativa De Mineracao Dos Garimpeiros De Serra Pelada ("COOMIGASP") to acquire a 51% interest in the underground ore of its Serra Pelada gold project, located in Minas Gerais, Brazil, for an exploration investment of R\$6,000,000 (US\$3,206,000). The Company can increase its interest in the project to 75% with a further investment of R\$12,000,000 (US\$6,412,000).

Further payments to COOMIGASP are contingent on the Company's share of the proven gold reserve at the time of feasibility study. Payments commence at R\$80,000,000 (US\$42,745,000) for 20 tons of proven reserves and reach the maximum payout of R\$1,090,000,000 (US\$582,407,000) for 550 tons or greater of proven reserves. COOMIGASP will continue to assume both ownership and reclamation liability of the existing surface and flooded tailings.

The Company has agreed to fund R\$200,000 (US\$107,000) of consulting toward evaluating the potential of mining these existing tailings.

The Company and Phoenix Gems Do Brasil Ltda. ("Phoenix") entered into an agreement with respect to the Company's interest in Serra Pelada where Phoenix can earn up to a 15% share of the Company's interest. The Company must fund the first US\$1,000,000 of work on Serra Pelada. Thereafter, the companies must each fund their share of work or suffer dilution of their ownership share in Serra Pelada.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

6. Mining interests (continued)

(d) Tapajos project, Brazil

| | Year ended July 31, 2007 | From February 9 to July 31, 2006 | Cumulative from the date of inception on February 9, 2006 to July 31, 2007 |
|---------------------------|-----------------------------|--|--|
| Consulting | \$ 16,626 | - | \$ 16,626 |
| Legal services | 56,145 | - | 56,145 |
| Mobilization | 33,375 | - | 33,375 |
| Other projects | 1,914 | - | 1,914 |
| Write-off mining interest | (108,060) | - | (108,060) |
| Total | \$ - | - | \$ - |

The Company routinely explores new properties and engages a geologist to examine new prospects to assist the Company's management in determining whether the Company should invest in any of these properties. If the Company subsequently invests in a particular new property then the costs are reclassified from this account and capitalized to the new property. If the Company decides not to invest in that property, then the associated costs are written-off. During the year management has decided not to continue investing in certain properties. The costs associated with these properties have been written-off.

7. Share capital

(a) Authorized - Unlimited number of common shares

(b) Common shares issued

| | Number of common shares | Stated value |
|--|----------------------------|-----------------|
| Private placement (i) | 9,000,001 | \$ 540,000 |
| Share issued for services rendered (ii) | 1,250,000 | 75,000 |
| Balance at July 31, 2006 | 10,250,001 | 615,000 |
| Private placement (iii) | 3,785,000 | 757,000 |
| Warrants valuation-private placement (iii) | - | (586,675) |
| Private placement (iv) | 5,738,000 | 2,295,200 |
| Warrants valuation-private placement (iv) | - | (314,970) |
| Private placement agent's commission (iv) | 206,387 | 82,555 |
| Warrants valuation-agent's commission (iv) | - | (11,455) |
| Shares issuance costs | - | (485,507) |
| Balance, July 31, 2007 | 19,979,388 | \$ 2,351,148 |

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

7. Share capital (continued)

(i) During the period, the Corporation closed a non-brokered private placement of 9,000,001 common shares at a price of \$0.06 per common share for aggregate proceeds of \$540,000.

(ii) A total of 1,250,000 common shares were issued to three officers and shareholders of the Company for property evaluation services rendered, which was capitalized in mining interest, at the amount of \$75,000. This was a related party transaction. This transaction was in the normal course of operations and were measured at the exchange value (the amount established and agreed to by the related parties), which approximates the arm's length equivalent value.

(iii) On December 13, 2006, the Company closed a private placement with a total of 3,785,000 units being issued at a price of \$0.20 per unit for total gross proceeds of \$757,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase an additional common share at a price of \$0.40 and expire in 5 years.

The warrants have an estimated fair value of \$586,675 which was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield - 0%; expected volatility - 120%; risk-free interest rate - 3.91%; and expected life - 5 years.

(iv) On July 7, 2007, the Company closed a private placement with a total of 6,238,000 units being issued at a price of \$0.40 per unit for total gross proceeds of \$2,495,200. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of \$0.55 and expires in 2 years following the Company's going public date. The net proceeds were allocated proportionately to the amounts recorded as share capital. These fees are included in issuance costs.

Of the 6,238,000 units being issued, 500,000 had not yet been issued as at July 31, 2007 pending receipt of payment. Subsequent to the year end the payment was received and the shares and warrants attached to them were issued.

The Company's management has determined that the warrants have an estimated fair value of \$314,970.

The agent received a commission of 206,387 units at \$0.40 and \$126,615 in cash. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of \$0.55 and expires in 2 years following the Company's going public date.

The Company's management has determined that the warrants have an estimated fair value of \$11,455.

The agent received a finder's fee of 353,300 agent options on June 25, 2007 and 68,750 agent options on July 6, 2007. These options are exercisable at a price of \$0.40 for a period of two years after the closing date. Each agent's option comprised one common share and one-half of one agent's warrant; and each agent's warrant are exercisable into one additional share at a price of \$0.55 per share.

The fair value of the agent's options were estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield - 0%; expected volatility - 118%; risk-free interest rate - 4.64% to 4.72%; and expected life - 2 years. As a result, the fair value of the agent's options was estimated as \$86,912 and \$16,912, respectively.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

8. Stock options, warrants and contributed surplus

(a) Stock options

The following summarizes the stock options that have been granted, exercised, forfeited, cancelled, or expired during the year ended July 31, 2007:

| | Number of Stock Options | Weighted Average Exercise Price (\$) |
|------------------------|-------------------------------|--|
| Balance July 31,2006 | - | |
| Issued (i) | 100,000 | 0.15 |
| Issued (ii) | 925,000 | 0.25 |
| Issued (iii) | 750,000 | 0.40 |
| Issued (Note 7(b)(iv)) | 353,300 | 0.40 |
| Issued (Note 7(b)(iv)) | 68,750 | 0.40 |
| Balance July 31,2007 | 2,197,050 | 0.33 |

As of July 31, 2007, the following stock options were outstanding:

| Expiry date | <u>Options Outstanding</u> | | | <u>Options Exercisable</u> | |
|-------------------|----------------------------|---|---|----------------------------|---|
| | Number of options | Weighted average remaining contractual life (years) | Weighted Average Exercise Price (\$) | Number of options | Weighted Average Exercise Price (\$) |
| June 7, 2011 | 100,000 | 3.85 | 0.15 | 66,667 | 0.15 |
| December 15, 2011 | 925,000 | 4.38 | 0.25 | 462,500 | 0.25 |
| June 29, 2012 | 750,000 | 4.92 | 0.40 | - | 0.40 |
| June 25, 2009 | 353,300 | 1.90 | 0.40 | 353,300 | 0.40 |
| July 6, 2009 | 68,750 | 1.93 | 0.40 | 68,750 | 0.40 |
| | 2,197,050 | 4.06 | 0.33 | 951,217 | 0.31 |

(i) On October 5, 2006, the Company granted 100,000 stock options to the manager of Colossus Brazil for his consulting services. The exercise price of the options is \$0.15 per share and the expiry date is June 7, 2011.

The options have an estimated value of \$12,600 which will be expensed as they vest (1/3 in four months, 1/3 in eight months and 1/3 in twelve months from the date of grant). The fair value was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield - 0%; expected volatility - 120%; risk-free interest rate - 3.91%; and expected life - 5 years. During the year ended July 31, 2007, \$11,608 was expensed and charged to contributed surplus.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

8. Stock options, warrants and contributed surplus (continued)

(ii) During the year, the Company granted 925,000 stock options to the directors, officers and consultants of the Company. The exercise price of the options is \$0.25 per share and the expiry date is December 15, 2011.

The options have an estimated value of \$151,700 which will be expensed as they vest (1/4 in three months, 1/4 in six months, 1/4 in nine months and 1/4 in twelve months from the date of grant). The fair value was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield - 0%; expected volatility – 120%; risk-free interest rate – 3.91%; and expected life - 5 years. During the year ended July 31, 2007, \$131,157 was expensed and charged to contributed surplus.

(iii) During the year, the Company granted 750,000 stock options to the directors, officers and consultants of the Company. The exercise price of the options is \$0.40 per share and the expiry date is June 29, 2012.

The options have an estimated value of \$264,750 which will be expensed as they vest (1/4 in three months, 1/4 in six months, 1/4 in nine months and 1/4 in twelve months from the date of grant). The fair value was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield - 0%; expected volatility – 135%; risk-free interest rate – 4.63%; and expected life - 5 years. During the year ended July 31, 2007, \$45,964 was expensed and charged to contributed surplus.

(b) Warrants

As at July 31, 2007, the Company had the following warrants issued and outstanding:

| | BLACK-SCHOLES VALUE (\$) | EXERCISE PRICE (\$) | NUMBER OF WARRANTS | EXPIRY DATE |
|--------------------------|-----------------------------|------------------------|--------------------------|--------------------------------|
| Balance July 31,2006 | - | | | |
| Granted (Note 7(b)(iii)) | 586,675 | 0.40 | 3,785,000 | December 6, 2011 |
| Granted(Note 7(b)(iv)) | 326,425 | 0.55 | 2,972,193 | Two years after date of IPO |
| Balance July 31,2007 | 913,100 | | 6,757,193 | |

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

8. Stock options, warrants and contributed surplus (continued)

(c) Contributed surplus

The total of contributed surplus summarized as follows:

| | | |
|-------------------------------|----|---------|
| Balance July 31,2006 | \$ | - |
| Stock-based compensation | | 188,729 |
| Finder's fees (Note 7(b)(iv)) | | 103,824 |

| | | |
|----------------------|----|---------|
| Balance July 31,2007 | \$ | 292,553 |
|----------------------|----|---------|

9. Related party transactions not disclosed elsewhere

The Company entered into the following transactions with related parties:

(i) The Company paid consulting fees in the amount of \$79,200 which were capitalized in properties to a company whose owner was appointed the Vice-President and a director of the Company on December 15, 2006. As at July 31, 2007 a balance of \$15,310 is due to this company and is included in accounts payable and accrued liabilities.

(ii) The Company paid consulting fees in the amount of \$38,382 to a company owned by the President and director of the Company. These fees were capitalized as mining interests.

(iii) The Company paid consulting fees in the amount of \$17,553 to the manager of the Brazilian subsidiary. It has also paid \$52,279 to a company owned by the manager of the Brazilian subsidiary.

(iv) The Company has entered into an employment agreement with the CEO and the director of the Company at \$3,000 per month, which was amended to \$4,000 per month on December 1, 2006. During the period, an amount of \$44,000 (2006 – \$6,000) was charged and included in wages and salaries.

(v) The Company paid consulting fees in the amount of \$11,250 to a company whose owner was appointed Vice-President and director of the Company on December 15, 2006.

(vi) The Company paid consulting fees in the amount of \$9,000 to the CFO. As at July 31, 2007 a balance of \$1,590 is due to the CFO and is included in accounts payable and accrued liabilities.

These transactions are in the normal course of operations and are measured at the exchange value (the amount established and agreed to by the related parties), which approximates the arm's length equivalent value.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

10. Income taxes

Future tax assets are as follows:

| | Year ended July 31, 2007 | From February 9 to July 31, 2006 |
|---|-----------------------------|--|
| Future tax assets: | | |
| Non-capital losses carryforwards | \$ 168,869 | \$ 4,913 |
| Deferred financing costs | 86,436 | |
| Total future tax assets | 255,305 | 4,913 |
| Valuation allowance for future tax assets | (255,305) | (4,913) |
| Net future tax assets | \$ - | \$ - |

The Company has provided a valuation allowance equal to the future tax assets because it is not presently more likely than not that they will be realized.

The Company's actual income tax expense for the period ended is made up as follows:

| | Year ended July 31, 2007 | From February 9 to July 31, 2006 |
|---|-----------------------------|--|
| Operating loss | \$ (645,749) | \$ (13,603) |
| Income tax (recovery) at combined Federal and Provincial rates of 36.12 % | (233,245) | (4,913) |
| Non-deductible stock-option compensation | 68,169 | - |
| Deferred share issued costs deducted | (21,609) | - |
| Miscellaneous | 1,921 | - |
| Difference between Canadian and foreign tax rates | 26,583 | - |
| Tax benefit not recognized | 158,181 | 4,913 |
| Actual income tax expense | \$ - | \$ - |

As at July 31, 2007, the Company has non-capital losses of approximately \$542,000 (2006-\$14,000). No benefit from these amounts has been recorded in the financial statements. The non-capital losses will expire as follows:

| | |
|------|------------|
| 2026 | \$ 14,000 |
| 2027 | 528,000 |
| | \$ 542,000 |

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

11. Segmented information

The Company operates primarily in one reportable operating segment, being the development of properties for production of gold in Brazil. Segmented assets on a geographic basis are as follows:

| | July 31 2007 | July 31 2006 |
|---------|-----------------|-----------------|
| Canada | \$ 2,027,086 | \$ 428,445 |
| Brazil | 1,275,015 | 196,685 |
| Balance | \$ 3,302,101 | \$ 625,130 |

12. Financial instruments

(i) Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying values for short-term investment, sundry receivables and prepaid expenses, subscription receivable, loan receivable, and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

(ii) Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of gold.

13. Subsequent events

(i) On September 7, 2007, the Company granted 235,000 stock options to the directors, officers and consultants of the Company. The exercise price of the options is \$1.00 per share and the expiry date is September 7, 2012.

The options have an estimated value of \$76,845 which will be expensed as they vest (1/4 in three months, 1/4 in six months, 1/4 in nine months and 1/4 in twelve months from the date of grant). The fair value was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield - 0%; expected volatility - 136%; risk-free interest rate - 4.20%; and expected life - 5 years.

(ii) On November 5, 2007, the Company entered into an Exchange Agreement with Maple Minerals Development and Exploration Inc. ("Maple") a 100% wholly owned subsidiary of Mega Uranium Ltd ("Mega"). As per the agreement, Maple shall transfer the 499,100 common shares (or 100%) it holds of Mineracao Fazenda Monte Belo Ltda (a company duly incorporated and existing under Brazilian laws) to the Company and the Company shall issue 125,000 of its common shares to Mega.

Colossus Minerals Inc.

Notes to Consolidated Financial Statements

(A Development Stage Company)

July 31, 2007 and 2006

(iii) On November 7, 2007, the Company closed a private placement with a total of 1,645,000 units being issued at a price of \$1.00 per unit for total gross proceeds of \$1,645,000. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of \$1.50 and expires in 2 years following the Company's going public date.

The Company's management has determined that the warrants have an estimated fair value of \$263,200.

(iv) The company intends to file a prospectus for an initial public offering with TSX in early 2008.

14. Commitments

All of the Company's mining interests are subject to option payments. The Company may cease work on any project at any time, avoiding such option payments.

The Company leases office space under a sublease and services agreement expiring November 30, 2008 at the rate of \$3,125 per month.