

**COLOMBIAN MINES CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**April 30, 2010**



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## **Auditors' Report**

To the Shareholders of  
Colombian Mines Corporation

We have audited the accompanying consolidated balance sheets of Colombian Mines Corporation as at April 30, 2010 and 2009 and the consolidated statements of operations and comprehensive loss and deficit and cash flows for the years then ended. These 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

***(Signed) Deloitte & Touche LLP***

Chartered Accountants  
July 28, 2010

**COLOMBIAN MINES CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in Canadian Dollars)  
AS AT APRIL 30, 2010 AND 2009

	2010	2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 4,225,970	\$ 1,498,665
Receivables	27,445	41,492
Prepaid expenses	161,241	11,958
	4,414,656	1,552,115
<b>Equipment</b> (Note 3)	198,224	244,851
<b>Mineral properties</b> (Note 4)	561,754	551,765
	\$ 5,174,634	\$ 2,348,731

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current**

Accounts payable and accrued liabilities	\$ 244,162	\$ 138,779
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**Shareholders' equity**

Capital stock (Note 5)	9,873,655	7,659,187
Contributed surplus (Note 5)	4,500,929	2,500,038
Deficit	(9,444,112)	(7,949,273)
	4,930,472	2,209,952
	\$ 5,174,634	\$ 2,348,731

**Nature and continuance of operations** (Note 1)

**On behalf of the Board:**

Signed: "*Nathan A. Tewalt*" Director      Signed: "*Richard Graham*" Director

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

**COLOMBIAN MINES CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT**

(Expressed in Canadian Dollars)

YEARS ENDED APRIL 30, 2010 AND 2009

	2010	2009
<b>EXPLORATION EXPENDITURES</b> (Note 4)	\$ 686,997	\$ 1,821,116
<b>ADMINISTRATIVE EXPENSES</b>		
Amortization	-	45,981
Administration and office costs	220,195	212,352
Investor relations and shareholder information	130,803	62,008
Professional fees	96,176	88,462
Stock-based compensation (Note 5)	283,689	-
Transfer agent and filing fees	32,650	34,479
Travel	4,519	5,555
	768,032	448,837
<b>Loss before other income and expense</b>	(1,455,029)	(2,269,953)
<b>OTHER ITEMS</b>		
Foreign exchange loss	(42,170)	(115,454)
Gain on sale of equipment	11,545	39,163
Write-off of capitalized mineral property	(58,071)	(309,670)
Interest income and other income	48,886	90,687
	(39,810)	(295,274)
<b>Net loss and comprehensive loss for the year</b>	(1,494,839)	(2,565,227)
<b>Deficit, beginning of year</b>	(7,949,273)	(5,384,046)
<b>Deficit, end of year</b>	(9,444,112)	(7,949,273)
<b>Basic and diluted loss per common share</b>	\$ (0.08)	\$ (0.14)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	18,979,736	18,448,090

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

**COLOMBIAN MINES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
YEARS ENDED APRIL 30, 2010 AND 2009

	2010	2009
<b>CASH FLOWS FROM (TO):</b>		
<b>OPERATIONS</b>		
Net loss for the year	\$ (1,494,839)	\$ (2,565,227)
Items not affecting cash:		
Amortization	82,597	147,749
Gain on sale of equipment	(11,545)	(39,163)
Write-off of capitalized mineral property	58,071	309,670
Stock-based compensation	283,689	-
Change in non-cash working capital items:		
Receivables	14,047	181,375
Prepaid expenses	(149,283)	217,306
Accounts payable and accrued liabilities	105,383	(25,850)
	(1,111,880)	(1,774,140)
<b>INVESTING</b>		
Mineral properties	(68,060)	(162,095)
Equipment	(79,618)	(16,858)
Proceeds on disposal of equipment	55,193	59,327
	(92,485)	(119,626)
<b>FINANCINGS</b>		
Shares issued for cash	3,931,670	883,500
	3,931,670	883,500
<b>Change in cash and cash equivalents during the year</b>	2,727,305	(1,010,266)
<b>Cash and cash equivalents at beginning of year</b>	1,498,665	2,508,931
<b>Cash and cash equivalents at end of year (Note 8)</b>	\$ 4,225,970	\$ 1,498,665

**Supplementary cash flow information (Note 8)**

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Colombian Mines Corporation (the “Company” or “Colombian”) has mineral properties which are located in an emerging country and, consequently, may be subject to a higher level of risk compared to developed countries. Operations, the status and title of mineral property rights and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. The Company is in the process of exploring its mineral properties and has not yet determined whether they contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development, confirmation of the Company’s interest in the underlying claims and leases, and from future profitable production or proceeds from the disposition of the mineral properties.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). They include the accounts of the Company and its wholly-owned subsidiaries: Corporacion Minera de Colombia S.A., 0766888 BC Ltd., Colombian Investments (BVI) Ltd., Colombian Resources (BVI) Inc. and Colombian Holdings (BVI) Ltd. All significant inter-company balances have been eliminated.

### **Use of estimates**

The preparation of financial statements 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 reported amounts of revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates include recoverability of mineral properties, amortization periods for equipment, stock-based compensation, fair value of share purchase warrants, the valuation allowance recorded against future income tax assets and costs for site closure and reclamation. Actual results could differ from those estimates.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank deposits and short-term highly liquid investments with a period to maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### **Financial instruments**

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders’ equity. When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income (loss), and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized is removed from accumulated other comprehensive income (loss) and recognized in operations even though the financial asset has not been de-recognized. Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial

carrying value of such

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

instruments. The Company is required to classify its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair values:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from financial instruments (refer to note 11). Cash and cash equivalents have been designated as "held for trading" and measured at fair value. Receivables have been designated as "loans and receivables" and have been measured at amortized cost. Accounts payable have been designated as "other liabilities" and have been measured at amortized cost. The fair value of cash and cash equivalents approximates their cost due to their short-term maturity or capacity for prompt liquidation. The Company's cash equivalents can be converted into cash in ninety days or less.

### **Equipment**

Equipment is recorded at cost less accumulated amortization. The Company provides for amortization using the straight line method over three years for computer equipment and over five years for vehicles and all other equipment. The Company periodically compares the carrying value of equipment and vehicles to the estimated recoverable amounts, based on estimated future undiscounted cash flows, to determine whether there is an indication of impairment. Impairment would be indicated if the asset's carrying value exceeded the estimated recoverable amount and the asset would be written down to fair value.

### **Mineral Properties and exploration expenditures**

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent prices, issued for mineral properties pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property are capitalized. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

A mineral property acquired under an option agreement where payments are made at the sole discretion of the Company, is capitalized at the time of payment. Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, are recorded as recoveries at the time of receipt.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects. The amounts shown for mineral properties represent acquisition costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Asset retirement obligations**

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. As at April 30, 2010 and 2009, the Company's activities have not given rise to any asset retirement obligations.

**Income taxes**

Future income taxes are accounted for using the asset and liability method. Under this method, future income taxes are recognized for temporary differences between the financial statement carrying amounts and tax basis of the Company's assets and liabilities. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited, by the recording of a valuation allowance to the amount of the benefit that is more likely than not to be realized.

**Loss per share**

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under this method, the weighted average number of shares includes the potential net issuances of common shares for "in-the-money" options and warrants, assuming the proceeds are used to repurchase common shares at the average market price during the period. The effect of potential issuances of shares under options and warrants would be anti-dilutive if a loss is reported and therefore basic and diluted loss per share are the same.

**Foreign currency translation**

The Company's Colombian subsidiary is an integrated foreign operation and its financial statements are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Exchange gains and losses are recorded in the statement of operations.

**New Accounting Policy**

Effective May 1, 2009 Colombian adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaced CICA Handbook Section 3062, "Goodwill and Other Intangible Assets" and CICA Handbook Section 3450, "Research and Development Costs" and EIC-27 "Revenues and Expenditures during the Pre-Operating Period". The standard reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition: and clarifies the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that may not meet the definition criteria are eliminated. The adoption of this standard did not have a material impact on Colombian's consolidated financial statements.



**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Recent Accounting Pronouncements**

Recent accounting pronouncements which may impact the Company in the future are as follows:

**Business Combinations, Consolidated Financial Statements and Non-Controlling Interest**

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

These new sections effectively bring Canadian GAAP into line with IFRS. The Company does not expect to adopt these new CICA Handbook sections prior to May 1, 2011. At that point, the Company will begin reporting its financial results under IFRS and therefore does not expect that these new Handbook sections will have any impact on the Company's financial statements in the interim period.

**Convergence with international financial reporting standards ("IFRS")**

A decision of the CICA Accounting Standards Board (the "AcSB") will require the Company to report under International Financial Reporting Standards for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company will be required to restate for comparative purposes amounts reported for the year ended, April 30, 2011 and provide an opening balance sheet as at May 1, 2010 in accordance with IFRS. The Company has selected its optional exemptions from retrospective application of IFRS accounting policies and has been studying the impact that adoption of IFRS will have on its transition balance sheet. More detail on the Company's progress towards IFRS is provided in Colombian's Management's Discussion and Analysis.

**COLOMBIAN MINES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**APRIL 30, 2010 AND 2009**

**3. EQUIPMENT**

	April 30, 2010			April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office	\$ 78,498	\$ 44,423	\$ 34,075	\$ 73,259	\$ 29,400	\$ 43,859
Field	172,230	70,420	101,810	210,431	36,721	173,710
Vehicles	145,682	83,343	62,339	76,750	49,468	27,282
	\$ 396,410	\$ 198,186	\$ 198,224	\$ 360,440	\$ 115,589	\$ 244,851

**4. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES**

**Mineral Properties**

In the year ended April 30, 2010, the Company, made a US\$50,000 option payment on the Yarumalito property and a US\$15,000 option payment on the Gachala property and wrote off the capitalized cost of Otu property in the amount of \$58,071.

In the year ended April 30, 2009 the Company made an option payment of US\$50,000 on the Yarumalito property. In January 2009, the Company terminated its option agreement on the Guayabales property and wrote off the accumulated acquisition costs of \$309,670. The cumulative capitalized cost of the Company's mineral properties is as follows:

	April 30, 2010	April 30, 2009
Yarumalito	\$ 523,758	\$ 472,313
Gachala	37,996	21,381
Otu	-	58,071
	\$ 561,754	\$ 551,765

**COLOMBIAN MINES CORPORATION**  
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**4. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES (continued)**

**Yarumalito**

In August of 2009, Colombian renegotiated the Yarumalito agreement to revise the timing and the amounts of the remaining payments from those agreed upon in the February 2009, amendment. According to the most recent amendment of the Yarumalito option agreement, the following payments must be made in order to maintain the option in good standing.

<b>Date</b>	<b>U.S. Dollars</b>	<b>Status</b>	<b>Canadian equivalent outstanding at April 30, 2010</b>
On execution of agreement	\$ 40,000	Paid	\$ -
February 28, 2007	30,000	Paid	-
February 28, 2008	50,000	Paid	-
February 28, 2009	50,000	Paid	-
October 15, 2009	50,000	Paid	-
October 15, 2010	350,000	-	352,120
March 15, 2011	500,000	-	503,000
October 15, 2011	380,000	-	382,280
	<b>\$ 1,450,000</b>		<b>\$ 1,237,400</b>

**Gachala**

Colombian entered into an option agreement to acquire a 100% interest in the Gachala property located in the jurisdiction of the municipalities of Gachala and Ubala, Colombia in consideration of a cash payment of US\$20,000. In August 2009 Colombian renegotiated the option agreement. The total purchase price was reduced from US\$1,500,000 to US\$800,000 and the amount and timing of individual option payments were amended. The following payments must be made in order to maintain the option in good standing and complete the acquisition.

<b>Date</b>	<b>U.S. Dollars</b>	<b>Status</b>	<b>Canadian equivalent outstanding at April 30, 2010</b>
On execution of agreement	\$ 20,000	Paid	\$ -
August 4, 2009	15,000	Paid	-
August 4, 2010	20,000	-	20,120
August 4, 2011	25,000	-	25,150
August 4, 2012	30,000	-	30,180
August 4, 2013	35,000	-	35,210
August 4, 2014 – 2026 (US\$50,000/yr.)	650,000	-	653,900
August 4, 2027	5,000	-	5,030
	<b>\$ 800,000</b>		<b>\$ 769,590</b>

**COLOMBIAN MINES CORPORATION**  
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**APRIL 30, 2010 AND 2009**

**4. MINERAL PROPERTIES AND EXPLORATION EXPENDITURES (continued)**

**Exploration Expenditures**

The Company incurred the following exploration expenditures (including amortization of \$82,597) during the year ended April 30, 2010. The majority of the expenditures included under regional and other for 2009 were for regional exploration work done in order to make applications for additional licenses and were not incurred on properties that were licensed to Colombian.

	Yarumalito	Gachala	Other	Total
Administration	\$ 100,556	\$ 14,675	\$ -	\$ 115,231
Assays	17,860	-	20,524	38,384
Consultants	68,587	5,346	88,476	162,409
Drilling	194,563	616	1,835	197,014
Field costs	42,327	4,031	12,333	58,691
Salaries	36,862	3,047	48,123	88,032
Taxes	2,688	42	2	2,732
Travel	7,151	72	11,244	18,467
Vehicle costs	2,202	33	3,802	6,037
	\$ 472,796	\$ 27,862	\$ 186,339	\$ 686,997

The Company incurred the following exploration expenditures (including amortization of \$101,768) during the year ended April 30, 2009.

	Yarumalito	Guayabales	Other	Total
Administration	\$ 159,115	\$ 254,207	\$ 344,796	\$ 758,118
Assays	37,725	39,518	60,052	137,295
Consultants	46,297	49,827	108,046	204,170
Drilling	-	284,944	-	284,944
Field costs	23,310	32,429	38,083	93,822
Legal	6,808	8,274	11,280	26,362
Salaries	54,365	68,257	119,145	241,767
Taxes	1,911	1,928	371	4,210
Travel	5,464	10,130	24,526	40,120
Vehicle costs	4,554	16,449	9,305	30,308
	\$ 339,549	\$ 765,963	\$ 715,604	\$ 1,821,116

**COLOMBIAN MINES CORPORATION**  
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**5. SHARE CAPITAL**

Authorized:

An unlimited number of common shares without par value

Issued and outstanding:

	Number of Shares		Stated Amount		Contributed Surplus
Balance April 30, 2008	17,565,761	\$	7,154,495	\$	2,121,230
Shares issued for cash	950,000		504,692		378,808
Balance April 30, 2009	18,515,761		7,659,187		2,500,038
Shares issued for cash	4,100,000		2,103,300		1,791,700
Brokers' warrants granted on March 2010 private placement	-		(117,362)		117,362
Share issue costs	-		(74,241)		(63,243)
Stock-based compensation	-		-		283,689
Shares issued on exercise of options	210,300		174,154		-
Reclassify contributed surplus on exercise of options	-		128,617		(128,617)
Balance April 30, 2010	22,826,061	\$	9,873,655	\$	4,500,929

On March 23, 2010 Colombian completed a private placement of 4,100,000 units at a price of \$0.95 per unit for gross proceeds of \$3,895,000. Each unit consists of one common share ("Share") and one non-transferable common share purchase warrant ("Warrant") to purchase another Share for \$1.20 for two years. If, after the expiry of all Canadian resale restrictions, the closing price of the Colombian's common shares on the TSX Venture Exchange is \$1.50 or greater for a period of 20 consecutive trading days, the Company may accelerate the expiry of the Warrants to 21 trading days after giving notice thereof. Finder's fees were payable in a combination of 6% cash and 6% broker warrants which totaled \$117,259 and 122,562 broker warrants. Colombian also paid \$20,225 in filing fees to the TSX Venture Exchange with respect to the private placement. The broker warrants were valued using a Black-Scholes option pricing model with the following assumptions: a life of one year, a risk-free interest rate of 1.48%, an expected volatility of 194% and a dividend yield of 0% which resulted in a value of \$117,362.

On May 27, 2008, the Company completed a non-brokered private placement of 950,000 units at a price of \$1.00 per unit for gross proceeds of \$950,000. Each unit consists of one common share and one non-transferable common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share until May 27, 2010 at a purchase price of \$1.20 per share. A finder's fee of \$66,500 was paid in connection with the placement. The warrants were valued at 42.9 cents each using a Black-Scholes option pricing model with the following assumptions: an expected life of two years; a risk-free interest rate of 3.02%; an expected dividend yield of 0%; and an expected volatility of 87%. The finders' fees were allocated pro-rata to the common shares and the warrants based on their respective values.

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**5. SHARE CAPITAL (Continued)**

**Stock options**

The Company adopted a stock option plan (the "Plan") pursuant to the policies of the TSX Venture Exchange. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined at the time of grant. During the years ended April 30, 2010 and 2009 the change in stock options was as follows:

	Number of Shares	Weighted Average Exercise Price
Balance as of April 30, 2008	1,648,000	\$1.00
Expired / forfeited	(176,000)	1.00
Balance as of April 30, 2009	1,472,000	1.00
Granted	609,000	0.69
Exercised	(210,300)	0.83
Expired/forfeited	(481,000)	0.86
Balance as of April 30, 2010	1,389,700	\$0.98

During the year ended April 30, 2010, 371,000 stock options expired or were forfeited that had an exercise price of \$1.00 and a further 110,000 options expired or were forfeited that had an exercise price of \$0.38. During the year ended April 30, 2009, 176,000 options expired or were forfeited that had an exercise price of \$1.00.

The following table summarizes information about the stock options which were outstanding and exercisable at April 30, 2010:

Date Granted	Number Outstanding	Number Vested	Exercise Price	Weighted Average Remaining Life in Years
December 3, 2007	949,000	949,000	\$1.00	2.93
October 20, 2009	82,700	82,700	0.38	4.48
January 5, 2010	143,000	47,667	0.88	4.69
April 14, 2010	215,000	85,000	1.21	4.96
	1,389,700	1,164,367	\$0.98	3.51

**Stock-based compensation**

For the year ending April 30, 2010 the Company granted 609,000 stock options to certain directors, officers, employees and consultants with exercise prices ranging from \$0.38 to \$1.21 per option. The options were valued using a Black-Scholes option pricing model with the following weighted average grant date assumptions: a stock price of \$0.79, a risk-free interest rate of 1.88%, a volatility of 202%, an option life of 4 years and a dividend yield of 0%. This resulted in a

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weighted average grant day fair value of \$0.75 per option. The Company recorded total stock-based compensation for

**5. SHARE CAPITAL (Continued)**

the year of \$283,689, which included accruals for unvested options. The offsetting amount was credited to contributed surplus.

**Warrants**

During the years ended April 30, 2010 and 2009 the change in warrants outstanding was as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at April 30, 2008	3,643,200	\$1.00
Issued	950,000	1.20
Expired	(2,243,200)	1.00
Balance as at April 30, 2009	2,350,000	1.08
Issued	4,100,000	1.20
Expired	(1,400,000)	1.00
Balance as at April 30, 2010	5,050,000	\$1.20

On March 23, 2010 the Company issued 4,100,000 common share purchase warrants in conjunction with a private placement. The common share purchase warrants entitle the holder to purchase one common share of the Company at a price of \$1.20 and expire on March 23, 2012. On May 27, 2010 950,000 common share purchase warrants with an exercise price of \$1.20 expired unexercised. As at April 30, 2010, the details of outstanding share purchase warrants were as follows:

	Number of Warrants	Exercise Price	Expiry Date
May 27/08 Private Placement	950,000	\$1.20	May 27, 2010
March 23/10 Private Placement	4,100,000	1.20	March 23, 2012
	5,050,000		

**COLOMBIAN MINES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
**APRIL 30, 2010 AND 2009**

**6. INCOME TAX**

The Canadian statutory federal income tax rate for the year ended April 30, 2010 was 29.5% (2009 – 30.5%). A reconciliation of income tax recovery at statutory rates compared to reported income tax recovery is as follows:

	2010		2009	
Loss for the year	\$	(1,494,839)	\$	(2,565,227)
Expected income tax recovery	\$	(441,018)	\$	(782,394)
Non-deductible expenses		137,387		101,126
Other		18,662		66,043
Valuation allowance		284,969		615,225
Total income tax recovery	\$	-	\$	-

The significant components of the Company's future income tax assets and liabilities at April 30, 2010 are as follows:

	2010		2009	
Future income tax assets:				
Equipment	\$	29,994	\$	17,611
Non-capital loss carry forwards		768,261		443,306
Mineral properties		849,773		1,267,397
Share issuance costs		174,816		137,927
Future income tax assets		1,822,844		1,866,241
Valuation allowance and other adjustments		(1,822,844)		(1,866,241)
Net future income tax assets	\$	-	\$	-

The Company has available non-capital losses in Canada, for deduction against future taxable income, of approximately \$2,088,000. These losses, if not utilized, will expire through to 2030. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

**7. RELATED PARTY TRANSACTIONS**

During the year ended April 30, 2010, the Company paid \$142,800 (2009 - \$45,200) to Seabord Services Corp. ("Seabord"), a management services company which has two officers in common, for administrative services which include: a chief financial officer, a corporate secretary, accounting staff and office space. As at April 30, 2010, the Company had deposits with Seabord in the amount of \$10,000 (2009 - \$11,327) which were included in prepaid expenses. As at April 30, 2010, \$25,239 (2009 - \$7,592) was owed to related parties which was included in accounts payable. The amounts charged represent management's estimate of the fair value of the services provided. These transactions were in the normal course of operations.



**8. SUPPLEMENTARY CASH FLOW INFORMATION**

During the year the Company received \$85,737 (2009 - \$53,701) for interest. During the year the Company did not make any cash payments for income taxes or interest. At year-end the Company's cash equivalents were composed of \$ 4,163,404 (2009 - \$118,665) in cash and \$ 62,566 (2009 - \$1,380,000) in term deposits.

**9. SEGMENTED INFORMATION**

The Company operates in a single business segment, mineral exploration. The Company is currently conducting exploration activities in only one geographic area which is Colombia.

**10. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. Colombian relies mainly on equity issuances to raise new capital. The Company's business model is to enter joint venture agreements on certain properties which will enable it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company estimates exploration expenditures to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. The Company currently has sufficient capital to cover its administrative costs and fund some exploration programs for the next twelve months.

**11. MANAGEMENT OF FINANCIAL RISK**

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

(a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Colombia. The Company funds cash calls to its subsidiary company outside of Canada in

**11. MANAGEMENT OF FINANCIAL RISK (continued)**

US dollars and a portion of its expenditures are also incurred in Colombian pesos. The greatest risk is the exchange rate of the Canadian dollar relative to the Colombian peso and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At April 30, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in Colombian pesos:

	<b>Colombian Pesos</b>
Cash and cash equivalents	180,589,100
Receivables	255,129,300
Accounts payable and accrued liabilities	(141,518,600)
Net exposure	294,199,800

Based on the above net exposure as at April 30, 2010 and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the Colombian peso would result in an increase / decrease of approximately \$14,900 in the loss from operations. The Colombian peso exchange rate at April 30, 2010 was 1,973 Colombian pesos to the Canadian dollar and the net peso exposure amounts to \$149,136.

(b) Credit Risk

The Company's cash and cash equivalents are mainly held through a large Canadian financial institution and at April 30, 2010 are mainly cash in guaranteed investment certificates and accordingly credit risk is minimized. The Company's receivables are mainly expenditure recoveries from third parties.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in note 10. As a result of the current economic climate the Company may have difficulty in raising new equity financing with acceptable terms. The result is that there is increased liquidity risk and the Company will have to closely monitor its cash resources in order to mitigate this risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held mainly in interest guaranteed investment certificates with a major Canadian bank and therefore there is currently minimal interest rate risk.