COLOSSUS MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Quarter ended June 30, 2013

(Unaudited)

COLOSSUS MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in thousands of USD, except per Common Share amounts)

	Note	As at June 30, 2013	As at December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		**$10,586**	$63,590
Trade and other receivables		**1,541**	714
Prepaid expenses		**226**	534
Inventory		**3,914**	1,098
		16,267	65,936
Non-current assets			
Mining interests	6	**270,598**	213,706
Total assets		**$286,865**	$279,642
Liabilities			
Current liabilities			
Trade and other payables		**$15,817**	$13,219
Current income taxes payable		**1,171**	929
		16,988	14,148
Long-term liabilities			
Long-term debt	7	**58,310**	72,139
Unearned revenue	8	**75,000**	75,000
		133,310	147,139
Equity			
Share capital	9(b)	**259,816**	231,830
Contributed surplus	9(c)	**22,975**	20,367
Warrants	9(d)	**4,813**	4,813
Accumulated other comprehensive (loss)		**(36,019)**	(18,914)
Accumulated deficit		**(117,709)**	(122,432)
Equity attributable to shareholders		**133,876**	115,664
Non-controlling interest		**2,691**	2,691
Total equity		**136,567**	118,355
Total liabilities and equity		**$286,865**	$279,642
Going Concern	2		
Subsequent Event	14		

The condensed interim consolidated statement of financial position is to be read in conjunction with the accompanying notes

COLOSSUS MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (INCOME) LOSS (UNAUDITED)
(Expressed in thousands of USD, except per Common Share amounts)

	Note	Three months ended June 30,		Six months ended June 30,	
		2013	2012	**2013**	2012
Operating costs					
Exploration		**$1,035**	$4,401	**$1,735**	$8,426
Corporate administration		**4,947**	5,688	**9,686**	11,616
Loss from operating activities		**5,982**	10,089	**11,421**	20,042
Finance (income)/costs	10				
Finance income		**(11,258)**	(6,733)	**(16,475)**	(5,884)
Finance costs		**-**	952	**72**	1,256
Net loss (income) before income taxes		**(11,258)**	(5,781)	**(16,403)**	(4,628)
Income tax expense		**259**	-	**259**	-
Net loss (income) for the period		**$(5,017)**	$4,308	**$(4,723)**	$15,414
Net loss (income) per Common Share					
Basic and diluted loss per Common Share	11	**$(0.05)**	$0.04	**$(0.04)**	$0.15

The condensed interim consolidated statement of (income) loss is to be read in conjunction with the accompanying notes

COLOSSUS MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (INCOME)
(UNAUDITED)
(Expressed in thousands of USD, except per Common Share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Net loss (income) for the period	**$(5,017)**	$4,308	**$(4,723)**	$15,414
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Currency translation loss on foreign operations	**20,666**	12,145	**17,105**	10,467
Total comprehensive loss	**$15,649**	$16,453	**$12,382**	$25,881
Allocation of other comprehensive loss				
Owners of the Company	**20,666**	12,145	**17,105**	10,467
Non-controlling interest	**-**	-	**-**	-
Other comprehensive loss	**$20,666**	$12,145	**$17,105**	$10,467
Allocation of total comprehensive loss				
Owners of the Company	**15,649**	16,453	**12,382**	25,881
Non-controlling interest	**-**	-	**-**	-
Total comprehensive loss	**$15,649**	$16,453	**$12,382**	$25,881

The condensed interim consolidated statement of comprehensive loss is to be read in conjunction with the accompanying notes

COLOSSUS MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Expressed in thousands of USD, except per Common Share amounts)

	Note	Three months ended June 30,		Six months ended June 30,	
		2013	2012	**2013**	2012
Share capital					
Balance, beginning of period		**$233,346**	$231,083	**$231,830**	$228,889
Exercise of stock options		**67**	309	**1,583**	2,503
Public financing	9(b)	**26,403**	-	**26,403**	-
Balance, end of period		**259,816**	231,392	**259,816**	231,392
Contributed surplus					
Balance, beginning of period		**21,731**	15,379	**20,367**	13,589
Exercise of stock options		**(24)**	(131)	**(573)**	(956)
Stock-based compensation		**1,268**	2,321	**3,181**	4,936
Balance, end of period		**22,975**	17,569	**22,975**	17,569
Warrants					
Balance, beginning of period		**4,813**	4,813	**4,813**	4,813
Balance, end of period		**4,813**	4,813	**4,813**	4,813
Accumulated other comprehensive loss					
Balance, beginning of period		**(15,353)**	(7,650)	**(18,914)**	(9,328)
Currency translation differences		**(20,666)**	(12,145)	**(17,105)**	(10,467)
Balance, end of period		**(36,019)**	(19,795)	**(36,019)**	(19,795)
Accumulated deficit					
Balance, beginning of period		**(122,726)**	(103,475)	**(122,432)**	(92,369)
Net (loss) income for the period		**5,017**	(4,308)	**4,723**	(15,414)
Balance, end of period		**(117,709)**	(107,783)	**(117,709)**	(107,783)
Equity attributable to shareholders		**133,876**	126,196	**133,876**	126,196
Non-controlling interest		**2,691**	2,691	**2,691**	2,691
Balance, end of period		**$136,567**	$128,887	**$136,567**	$128,887

The condensed interim consolidated statement of changes in equity is to be read in conjunction with the accompanying notes

COLOSSUS MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Expressed in thousands of USD, except per Common Share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Cash flows from operating activities				
Net (loss) income for the period	**$5,017**	$(4,308)	**$4,723**	$(15,414)
Items not affecting cash:				
Amortization	**170**	46	**323**	94
Stock-based compensation expense	**834**	1,923	**2,091**	4,144
Change in fair value of long-term debt	**(10,669)**	(6,342)	**(15,690)**	(5,184)
Mark to market on foreign exchange hedge	**(198)**	639	**(541)**	828
Deferred costs and other	**-**	20	**-**	700
Changes in non-cash working capital items:				
Trade and other receivables	**(11)**	(794)	**(893)**	(1,108)
Prepaid expenses	**182**	1,098	**278**	889
Inventory	**(1,946)**	-	**(3,162)**	-
Trade and other payables	**390**	(1,450)	**2,595**	1,026
Net cash used in operating activities	**(6,231)**	(9,168)	**(10,276)**	(14,025)
Cash flows from investing activities				
Expenditures on mining interests	**(39,853)**	(16,288)	**(68,247)**	(35,689)
Net cash used in investing activities	**(39,853)**	(16,288)	**(68,247)**	(35,689)
Cash flows from financing activities				
Proceeds from the exercise of stock options	**42**	178	**1,009**	1,547
Proceeds from public financing	**26,403**	-	**26,403**	-
Interest paid on gold-linked notes	**(3,661)**	-	**(3,661)**	-
Net cash provided by financing activities	**22,784**	178	**23,751**	1,547
Effects of exchange rate fluctuation on cash held	**1,806**	(1,971)	**1,768**	(207)
Net decrease in cash and cash equivalents	**(21,494)**	(27,249)	**(53,004)**	(48,374)
Cash and cash equivalents, beginning of period	**32,080**	82,154	**63,590**	103,279
Cash and cash equivalents, end of period	**$10,586**	$54,905	**$10,586**	$54,905

The condensed interim consolidated statement of cash flows is to be read in conjunction with the accompanying notes

1. NATURE OF OPERATIONS

Colossus Minerals Inc. (the "Company" or "Colossus") is a Canadian exploration and development company engaged in the acquisition and exploration of mineral properties. Since inception, the Company has focused on gold properties in Brazil. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "CSI" and on the OTCQX under the symbol "COLUF". The head office, principal address and records office of the Company, is One University Avenue, Suite 401, Toronto Ontario Canada, M5J 2P1.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012. The Company's significant accounting policies were presented in Note 6 of the consolidated financial statements for the year ended December 31, 2012, and have been consistently applied in the preparation of these condensed consolidated interim financial statements except as disclosed below. The reporting currency is United States Dollars ("USD") and all amounts disclosed are in USD unless otherwise indicated.

These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has historically relied on financing to fund the exploration and development of the Serra Pelada Mine. While the Company believes that, following the financing completed on August 13, 2013 (Note 15), it has the minimum amount of capital required to complete its underground infrastructure development, the dewatering program expansion, and to cover operating losses until initial production, the scale of these operating losses and those during ramp-up of production are dependent on the speed of ramp up, speed of underground development, success of the dewatering expansion, grade delivered to the mill, and precious metals prices at the time of delivery to global markets. The Company is currently investigating alternatives to strengthen its balance sheet to have further flexibility should other unforeseen circumstances or production delays occur. Any additional capital needed in 2013 or 2014 to fund the completion of development, unforeseen expenditures, and the ramp-up of production will depend on the Company's ability to obtain such capital through debt financing, equity financing, or other means.

The Company's ability to raise additional funds and its future performance are largely tied to the health of the financial markets and investor interest in the gold mining industry. Financial markets are currently volatile, and are likely to remain so throughout 2013 and 2014, reflecting ongoing concerns about the stability of the global economy, sovereign debt levels, global growth prospects and many other factors that may impact the Company's ability to raise additional funds to execute on its business plans.

Although the Company has been successful in raising funds to date to fund operations and the construction of the Serra Pelada Mine, there can be no assurance that adequate or sufficient funding will be available in the future on terms acceptable to the Company. These circumstances indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern.

These condensed consolidated interim financial statements do not include any adjustments to the carrying values of assets and liabilities or the balance sheet classifications used that would be necessary if the use of the going concern assumption was not appropriate.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has adopted the following new standards effective January 1, 2013 and has applied them to our results in accordance with the transitional provisions outlined in the respective standards.

IAS 1 – *Presentation of Financial Statements*

The Company adopted the amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") on January 1, 2013, with retrospective application. The amendments to IAS 1 require companies preparing financial statements under IFRS to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The Company has amended our consolidated statement of comprehensive loss (income) for all periods presented in these condensed interim consolidated financial statements to reflect the presentation changes required under the amended IAS 1. Since these changes are reclassifications within our statement of comprehensive income, there is no net impact on our comprehensive income.

IFRS 10 – *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* to replace IAS 27 – *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. The Company has conducted a review of its entities and has determined that the adoption of IFRS 10 did not result in any change to the consolidation status of any of its subsidiaries.

IFRS 11 – *Joint Arrangements*

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* to replace IAS 31 – *Interests in Joint Ventures*. IFRS 11 defines two types of joint arrangements: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venture recognizes its investment in a joint arrangement using the equity method. The Company has adopted IFRS 11 and has determined that there is no effect on our financial results or disclosures.

IFRS 12 – *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities* to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. IFRS 12 requires enhanced reporting of the nature of risks associated with the Company's interest in other entities and the effects of those interests on the Company's consolidated financial statements. The Company has adopted IFRS 12 and has determined there is no effect on our financial results. Any additional disclosures required by the new pronouncements will be included in our annual consolidated financial statements for the year ended December 31, 2013.

IFRS 13 – *Fair Value Measurement*

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company has adopted IFRS 13 on a prospective basis and have added additional disclosures on fair value measurement in note 12.

IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*

In October 2011, the IASB issued IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: (i) useable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. The Company has adopted IFRIC 20 and has determined that there is no effect on our financial results or disclosures.

The following accounting standard has been issued but is not currently effective:

IFRS 9 – *Financial Instruments*

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* with IFRS 9 – *Financial Instruments*. IFRS 9 establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 requires that financial assets be classified as amortized cost or fair value based on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes party to the contractual provisions of the instrument. In December 2011, the IASB issued an amendment to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Company is currently assessing the impact of adopting IFRS 9 on our consolidated financial statements, including the impact of early adoption.

4. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets, liabilities, revenues and expenses of the Company and its wholly-owned Brazilian subsidiaries, Colossus Mineração Ltda. ("Colossus Brazil"), Mineração Fazenda Monte Belo Ltda. and Grifo Geologia e Participações Ltda. and Colossus Brazil's 75% owned subsidiary Serra Pelada - Companhia de Desenvolvimento Mineral ("SPCDM") which holds the title to the Serra Pelada property.

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. The Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Transactions and non-controlling interests

Transactions related to non-controlling interests are treated as transactions with equity owners of the Company. For purchases of non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals of non-controlling interests are similarly computed and also recorded in equity.

The Company's expenditures on the Serra Pelada Mine are incurred by the Company's 100% owned subsidiary Colossus Brazil. Title to the Serra Pelada Mine is held by Colossus Brazil's 75% owned subsidiary SPCDM.

The accounting policies of the subsidiaries are consistent with the accounting policies of the Company.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Information about such judgments and estimation is contained in the accounting policies and/or the Notes to the financial statements and the key areas are summarized below.

Mining Properties

The Company's recorded value of its mineral properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties including exploration risk, development risk, commodity price risk, operating risk, ownership risk, funding risk and currency risk, as well as environmental risk. The Company reviews and evaluates both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, commodity prices, foreign currency exchange rates, economic and legal environment in which the Company operates that are not within its control and affect the recoverability of the carrying amounts of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. All of these factors are potentially subject to significant risks and uncertainties and are considered when assessing impairment of mining properties. Accordingly, there is always the potential for a material adjustment to value assigned to mineral properties.

Stock-based Compensation

Equity settled transactions are measured by reference to fair value at grant date. Fair value has been determined using a Black-Scholes option pricing model which has its limitations. The Black-Scholes model relies on estimates of the future risk-free interest rate, future dividends payments, future share price volatility and the expected average life of the stock options all of which could have a significant impact on the determination of stock-based compensation expense and the valuation of the warrants. The Company believes this model adequately captures the features of the stock option awards and warrants and is appropriate to calculate their fair values. Stock-based compensation expense however is a non-cash item which has no impact on the cash resources of the Company.

6. MINING INTERESTS

Analysis of the carrying amounts by period end for mining interests is as follows:

(Expressed in thousands of USD)

	Depreciable Property		**Non-Depreciable Property**			
	Property and equipment	**Production equipment[(i)]**	**Land**	**Serra Pelada Mine[(ii)]**	**Exploration and Evaluation**	**Total**
Cost or deemed cost						
Balance at January 1, 2013	$4,157	$17,973	$4,961	$188,152	$1,701	$216,944
Additions	-	22,166	95	59,925	160	82,346
Effects of movements in exchange rates	(300)	(3,207)	(393)	(19,658)	(142)	(23,700)
Balance at June 30, 2013	$3,857	$36,932	$4,663	$228,419	$1,719	$275,590
Accumulated amortization						
Balance at January 1, 2013	$1,232	$2,006	-	-	-	$3,238
Depreciation for the period	1,089	1,062	-	-	-	2,151
Effects of movements in exchange rates	(163)	(234)	-	-	-	(397)
Balance at June 30, 2013	$2,158	$2,834	-	-	-	$4,992
Carrying amounts						
At January 1, 2013	$2,925	$15,967	$4,961	$188,152	$1,701	$213,706
At June 30, 2013	$1,699	$34,098	$4,663	$228,419	$1,719	$270,598

(i) At June 30, 2013, production equipment includes $nil for deposits on long lead assets that were in transit to the Serra Pelada Mine (December 31, 2012 - $2.4 million).

(ii) The Company's expenditures on the Serra Pelada Mine are incurred by the Company's 100% owned subsidiary Colossus Brazil. Title to the Serra Pelada Mine is held by Colossus Brazil's 75% owned subsidiary SPCDM.

7. LONG-TERM DEBT

(Expressed in thousands of USD)	June 30, 2013	December 31, 2012
Gold linked notes (a)	$52,717	$71,671
Equipment financing (b)	5,593	468
	$58,310	$72,139

(a) Gold Linked Notes

On November 8, 2011, the Company completed a bought-deal offering for gross proceeds of CAD $86,250,000 (the "Offering"). A total of 86,250 units (the "Units") of the Company were issued at a price of CAD $1,000 per Unit including an over-allotment option granted to the underwriters to purchase up to 11,250 additional Units at the same price per Unit. Each Unit consists of a face value CAD $1,000 principal amount unsecured gold-linked note (the "Notes") and 60 common share purchase warrants ("Warrants") of the Company. The Notes will mature December 31, 2016 and bear interest, accruing and calculated and payable semi-annually in arrears on June 30 and December 31 of each year at a rate of between 6% and 13% dependent on the simple average of the Bloomberg Composite New York Gold Price closing price. Each Warrant entitles the holder thereof to acquire one Common Share of Colossus at a price of CAD $8.50 until expiry at 5:00 pm on November 8, 2016. The Notes represent a financial liability with an embedded derivative for the interest rate mechanism which is linked to the Bloomberg Composite New York Gold Price closing price.

The Company received net proceeds from the Offering of $80.0 million, net of costs of $5.1 million.

The Company has elected to designate this financial liability as fair value through profit and loss. As a result, the Notes will be marked-to-market each reporting date with changes recognized in profit and loss. At June 30, 2013, the fair value of the Notes was determined to be $52.7 million (June 30, 2012 – $72.7 million). For the six months ended June 30, 2013, a mark-to-market gain of $15.6 million (June 30, 2012 – mark-to-market gain of $5.2 million) was recorded in the statement of loss.

On June 30, 2013, $3.7 million (June 30, 2012 - $3.8 million) of interest payable was paid based on an interest rate of 9% (June 30, 2012 – 9%). This interest cost has been capitalized as part of the costs of qualified mining interests (Note 6).

(b) Equipment Financing

In the second quarter 2013, the Company received the remaining additional pieces of equipment at the mine that were purchased under financing arrangements. These financing arrangements were completed in 2012. All equipment that was financed by the Company has arrived at the mine as is currently available for use. The equipment has principal payments outstanding of $7,491,000. Of this amount, $1,898,000 will be repaid over the period ending June 30, 2014 and has been recorded in Trade and Other Payables. The remaining $5,593,000 repayments will be made monthly through December 2017 and have been recorded in Long-Term Debt. Scheduled interest payments are $496,000 in the twelve months ending June 30, 2014 and $1,149,000 thereafter.

8. UNEARNED REVENUE

On September 19, 2012, the Company entered into a precious metals purchase agreement with Sandstorm Gold Ltd. ("Sandstorm") to sell refined platinum, palladium and gold produced from the Company's 75% owned Serra Pelada property. In return for delivering life of mine payable metal equal to 35% of both platinum and palladium and 1.5% of gold, the Company received an upfront deposit of $75.0 million. In addition to the upfront deposit, Sandstorm will also pay the Company a purchase price equal to the lesser of $400 per ounce of gold, $200 per ounce of platinum, and $100 per ounce of palladium and the prevailing market price. The upfront deposit was recorded as unearned revenue. The percentages of payable metals to be sold by the Company to Sandstorm are calculated based on 100% of payable metals derived from production at Serra Pelada; however, the Company will deliver all metals due under this agreement from its 75% of the Serra Pelada Mine.

The Company has a minimum requirement to produce 260,000 gold-equivalent ounces of payable metals within 48 months after receiving the upfront deposit of $75.0 million. If the Company does not meet the minimum requirements, Sandstorm has the discretion to request a reimbursement of the unused portion of the upfront deposit. In addition, Colossus has guaranteed certain minimum annual deliveries for the initial 10 year period, commencing in 2013. The Company's obligations under the agreement are secured by the Company's interest in its principal subsidiaries as well as by certain assets of Colossus Brazil. The amount secured is limited to $10.0 million until the Company's outstanding Notes have been repaid. In addition, the Company has guaranteed the performance by Colossus Brazil of its obligations under the agreement with Sandstorm. The initial term of the contract is 40 years (the "Term"), subject to successive 10-year renewals (the "Extended Term") at the discretion of Sandstorm. If, by the expiry or earlier termination of the Term or the Extended Term, if applicable, the Company has not sold and delivered payable metals to Sandstorm sufficient to repay the upfront deposit of $75.0 million, it will have to reimburse the unpaid portion to Sandstorm.

Under the agreement, the Company has the right to purchase up to 50% of Sandstorm's obligation to purchase metals for $48.8 million. The Company may exercise this option either as a single purchase or in 10% increments of $9.8 million until April 1, 2015.

Unearned revenue relates to the upfront deposit received from Sandstorm for the future delivery and sale of payable metals at contracted prices. Once deliveries of payable metals are made to Sandstorm, the Company recognizes a portion of the unearned revenue as sales based on the difference between the prevailing market price at time of delivery and the purchase price specified in the agreement.

9. EQUITY

(a) Authorized — Unlimited number of Common Shares

Fully paid Common Shares, which have no par value, carry one vote per Common Share and carry a right to dividends.

(b) Share capital

(Expressed in thousands of USD, except per Common Share amounts)

	Number of Common Shares	**Carrying Value**
Balance December 31, 2012	106,395,901	$231,830
Exercise of stock options	582,500	1,583
Public financing (i)	17,968,750	26,403
Balance June 30, 2013	**124,947,151**	**$259,816**

(i) On June 12, 2013, the Company closed a bought deal financing pursuant to which a total of 17,968,750 common shares of the Company (the "Offered Shares"), including those issued pursuant to the exercise, in full, of an over-allotment option granted to the Underwriters, were issued and sold at a price of CAD$1.60 per Offered Share for aggregate gross proceeds of CAD$28,750,000 (the "Offering"). The Underwriters were paid a cash commission by the Company equal to 5.0% of the gross proceeds of the Offering, which was netted again the value of the equity issued.

(c) Contributed surplus

(Expressed in thousands of USD)	**Carrying Value**
Balance December 31, 2012	$20,367
Stock-based compensation[(i)]	3,181
Stock options exercised	(573)

Balance June 30, 2013	**$22,975**

(i) Stock-based compensation of $1.1 million was capitalized to Mining Interests during the six months ended June 30, 2013 (during the six months ended June 30, 2012 — $0.8 million).

(d) Warrants

(Expressed in thousands of USD)	Number of Warrants	Weighted Average Exercise Price (CAD$)	Carrying Value
Balance December 31, 2012	5,175,000	$8.50	$4,813
Balance June 30, 2013	**5,175,000**	**$8.50**	**$4,813**

(e) Stock options

The following summarizes the stock options that have been granted, exercised, or cancelled during the six months ended June 30, 2013 and June 30, 2012:

	June 30, 2013		June 30, 2012	
	Number of Stock Options	**Weighted Average Exercise Price (CAD$)**	**Number of Stock Options**	**Weighted Average Exercise Price (CAD$)**
Opening balance	8,290,000	$5.32	5,897,200	$5.46
Issued	2,325,000	3.69	2,080,000	4.92
Exercised[(i)]	(582,500)	1.76	(779,700)	1.98
Cancelled	(976,250)	5.34	(326,250)	7.89
Ending balance	9,056,250	$5.13	6,871,250	$5.58
Stock Options exercisable at period end	6,305,000	$5.62	4,430,000	$5.50

(i) The weighted-average share price on the date of exercise during the period ended June 30, 2013 was CAD $3.92 (June 30, 2012 – CAD $6.17).

As of June 30, 2013, there are 3,438,465 stock options available for grant (December 31, 2012 — 2,349,590).

During the period ended June 30, 2013, the Company granted 2,325,000 stock options to employees, officers and directors. The stock options have a weighted average grant date fair value of CAD $1.25 which was determined using a Black-Scholes pricing model.

The weighted average exercise price of the stock options was CAD $3.69. The stock options vest over either a 12 or 18 month period and have a contractual life of five years from the date of grant. The stock options have a Black-Scholes weighted average volatility of 49.7%, risk free interest rate of 1.2%, forfeiture rate of 15.2% and expected life of 3.0 years.

During the period ended June 30, 2012, the Company granted 2,080,000 stock options to employees, officers and directors. The stock options have a weighted average grant date fair value of CAD $1.92 which was determined using a Black-Scholes pricing model.

The weighted average exercise price of the stock options was CAD $4.92. The stock options vest over either a 12 or 18 month period and have a contractual life of five years from the date of grant. The stock options have a Black-Scholes weighted average volatility of 57.5%, risk free interest rate of 1.1%, forfeiture rate of 10.8% and expected life of 2.8 years.

10. FINANCE INCOME AND FINANCE COSTS

(Expressed in thousands of USD)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Finance income				
Interest income	**$14**	$184	**$47**	$493
Change in fair value of long-term debt	**10,624**	6,342	**15,645**	5,184
Other finance income	**620**	207	**783**	207
Total finance income	**$11,258**	$6,733	**$16,475**	$5,884
Finance costs				
Mark-to-market loss of derivative liabilities	**$-**	$639	**$-**	$828
Other finance costs	**-**	313	**72**	428
Total finance costs	**$-**	$952	**$72**	$1,256

11. LOSS PER COMMON SHARE

The following table sets forth the computation of basic and diluted loss per Common Share:

(Expressed in thousands of USD, except per Common Share amounts)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Numerator:				
Net loss (income) for the period	**$(5,017)**	$4,308	**$(4,723)**	$15,414
Denominator:				
Weighted average number of Common Shares(i)	**110,519,958**	105,944,144	**108,619,178**	105,890,491
Basic and diluted loss (income) per Common Share	**$(0.05)**	$0.04	**$(0.04)**	$0.15

(i) Stock options and warrants were not included in the computation of diluted loss per Common Share as their inclusion would be anti-dilutive in the three and six months ended June 30, 2012.

12. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value estimates are made at the measurement 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.

All of the Company’s financial assets and liabilities are carried at fair value. The carrying values for trade and other receivables, trade and other payables and accrued liabilities, approximate their fair value because of the short term nature of these instruments. The Company has elected to measure its long-term debt at fair value. The Notes are traded on the Toronto Stock Exchange under the symbol “CSI.NT”. Fair value of the Notes is determined using the weighted average of the quoted market price of the Notes for the five days prior to June 30, 2013 that the debt was traded.

The fair value and carrying value of the Company's financial instruments at June 30, 2013 and December 31, 2012 are as follows:

(Expressed in thousands of USD)	Fair Value		Carrying Value	
	2013	**2012**	**2013**	**2012**
Assets:				
Cash and cash equivalents	$10,586	$63,590	$10,586	$63,590
Trade and other receivables	1,541	714	1,541	714
	$12,127	$64,304	$12,127	$64,304
Liabilities:				
Trade and other payables	$15,817	$13,219	$15,817	$13,219
Long-term debt	58,310	72,139	58,310	72,139
	$74,127	$85,358	$74,127	$85,358

The fair value hierarchy, which reflects the significance of the inputs, is used in making the measurements of fair value of financial assets and liabilities. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable and are supported by little or no market activity.

The fair value of the Company's financial instruments is classified into the fair value hierarchy at June 30, 2013 as follows:

(Expressed in thousands of USD)

Fair Value Measurements at June 30, 2013				
	Level 1 Input	**Level 2 Input**	**Level 3 Input**	**Aggregate Fair Value**
Assets:				
Cash and cash equivalents	$10,586	-	-	$10,586
Liabilities:				
Long-term debt	$58,310	-	-	$58,310

13. RELATED PARTY DISCLOSURE

The Company entered into the following transactions with related parties during the period:

(i) The Company paid consulting fees in the amount of $171,433 (June 30, 2012 — $111,881) to a company owned by a former officer of the Company for business development services. As at June 30, 2013, a balance of $nil (June 30, 2012 — $31,850) is due to this company.

(ii) The Company paid consulting fees in the amount of $38,096 (June 30, 2012 — $111,881) to a company owned by a former officer of the Company for geological services. As at June 30, 2013, a balance of $nil (June 30, 2012 — $18,399) is due to this company.

These transactions are in the normal course of operations and are measured at the exchange value being the amount established and agreed to by the related parties. Amounts due are unsecured and non-interest bearing.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the construction of the Serra Pelada Mine located in the State of Pará, Brazil. The Company has a head office in Toronto, Canada. Segmented information on a geographic basis is as follows:

(Expressed in thousands of USD)

As at June 30, 2013	**Canada**	**Brazil**	**Total**
Current assets	$8,995	$7,272	$16,267
Non-current assets	33,230	237,368	270,598
Current liabilities	2,154	14,834	16,988
Long-term liabilities	52,717	80,593	133,310

(Expressed in thousands of USD)

As at December 31, 2012	**Canada**	**Brazil**	**Total**
Current assets	$58,496	$7,440	$65,936
Non-current assets	23,248	190,458	213,706
Current liabilities	2,550	11,598	14,148
Long-term liabilities	71,671	75,468	147,139

15. SUBSEQUENT EVENT

On July 24, 2013 Colossus announced it had entered into an underwriting agreement with a syndicate of underwriters to sell 44,000,000 units (the “Units”) of the Company at a price of CAD $0.75 per Unit with aggregate gross proceeds of CAD $33,000,000. Each Unit consists of one common share (“Unit Share”) and one half of a common share purchase warrant (“Warrant”). Each whole Warrant will entitle the holder thereof to purchase one common share of the Company (“Warrant Share”) at a price of CAD $0.90 per Warrant Share at any time prior to 5:00 p.m. (Toronto time) on or before the date that is 24 months from the closing date of the Offering (“Closing Date”). The Warrants will be governed by a warrant indenture that provides for, among other things, standard anti-dilutive provisions and other terms and conditions customary for such agreements.

In addition, the Company granted the Underwriters an over-allotment option (the “Over-Allotment Option”) exercisable in whole or in part at the sole discretion of the Underwriters for a period of 30 days from and including the Closing Date, to purchase additional Unit Shares and/or Warrants, such number of additional Unit Shares and/or Warrants not to exceed 15% of the aggregate number of Unit Shares and Warrants sold on the Closing Date pursuant to the Offering.

The Offering closed on August 13, 2013 and the full over-allotment option was exercised, with the Company receiving gross proceeds of CAD $37,950,000.