MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine Months ended January 31, 2013

GENERAL

This management's discussion and analysis of financial position and the results of operations is prepared as at March 19, 2013 and should be read in conjunction with the condensed consolidated interim financial statements of Colombian Mines Corporation (the "Company" or "Colombian") for the nine months ended January 31, 2013 and the related notes thereto.

Those condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in Canadian dollars except where noted. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

The Company has received $1.5 million from Teck Resources Limited ("Teck") for a private placement and has been reimbursed for US$380,000 of prior expenses incurred for Yarumalito. There are risks that Teck may not complete the option agreement, in which case the Company may have to raise additional funds from other sources or it may not have sufficient working capital to carry out its planned exploration programs.

Colombian has option agreements on the Nus and Venecia properties with Arcturus Ventures Inc. ("Arcturus") and Colombia Crest Gold Corp. ("Colombia Crest") respectively. The Company believes that its partners on these properties intend to complete their planned exploration programs. However, there are risks that: they will not be able to obtain permits for drilling or other activities, exploration results may not meet expectations or they may experience working capital constraints that restrict the amount of exploration work that they do. Any or all of these factors could reduce the amount of exploration work performed on these properties in the next reporting period.

Due to the risks and uncertainties identified above and elsewhere in this MD&A, actual results may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

DESCRIPTION OF BUSINESS

Colombian Mines Corporation was incorporated under the *Business Corporation Act* (B.C.) on May 16, 2006. The Company acquired all of the outstanding shares of Corporacion Minera Colombia S.A. ("Minera Colombia") on September 16, 2006 by way of a Share Exchange Agreement. Minera Colombia was formed in February 2006, and was conducting early stage exploration activities in Colombia.

The Company is an exploration company dedicated to the identification, acquisition and exploration of precious metal and base metal projects. The Company's strategy is to advance its key projects through prospecting, drilling and development stages and to seek strategic partners through joint-ventures or other associations to fund continued project development on non-key projects.

EXPLORATION REVIEW

Mercedes Property

The newest project in Colombian Mines pipeline is the Mercedes property, located near the town of Natagaima in Tolima Department. Paved roads provide access to Natagaima from Medellin, Bogota and Ibabue. The Company's reconnaissance has thus far returned bonanza grade mineralization to 49.8 grams gold per ton, 773 grams silver per tonne, and 26.4% copper from outcropping mineralization.

Mercedes is a very early stage exploration project with potential for large high grade gold, silver and copper mineralization. Geology and geochemistry indicate the mineralization may be an intermediate sulfidation epithermal system hosted in a belt of volcanic rocks that extend into Colombia from Argentina after passing through Peru and Ecuador. This belt hosts multiple world class intermediate sulfidation deposits including Kinross Gold's Fruta del Norte deposit in Ecuador with 11 million ounces of gold and 17 million ounces of silver and Anglo Gold's Cerro Vanguardia mine in Argentina with past production plus current reserves in excess of 16 million ounces of gold.

El Dovio Property

The Company's flagship project, Concession Contracts for the Company's El Dovio project are fully registered with the Registry of Mines in the name of the Company's wholly owned Colombian operating subsidiary, Corporación Minera de Colombia. The Ministry of the Environment issued the administrative order excluding the Sabana Blanca zone and surrounding area from the Pacific forest zone in October 2012. Under Colombian law the Company could not submit applications for water diversion and discharge permits until that administrative order had been issued and registered. Concurrent with the order and registration all applications for water diversion and discharge required for drilling were submitted. The environmental regulatory body for the Department of El Valle scheduled field visits to the property on December 15, 2012 as a part of the water permitting process. The Company anticipates it will receive the water diversion and discharge permits in a timely manner and will commence drilling on the Sabana Blanca, Brazo 1 and Granisales target zones during the second quarter of 2013.

The 100% owned El Dovio high grade, gold rich, poly metallic property lies approximately 120 kilometers north of Cali, Colombia in the Department of Valle de Cauca. The Company's efforts have expanded the known mineralized zone from an estimated true width of 2.4 meters, when the property was first assessed, to a broader mineralized zone of up to 68 meters containing multiple two to ten meter thick high grade zones. Individual samples in excess of 100 grams gold per metric tonne and 10% copper have been collected. Exploration efforts have identified new mineralization consisting of semi-massive chalcopyrite, pyrite and quartz on trend with the Sabana Blanca Zone in Quebrada El Silencio. Separate mineralized zones have been identified at Granizales some 500 to 600 meters southwest from Sabana Blanca and which trends at an acute angle to the Sabana Blanca Zone. Results from an expanded mobile metal ion ("MMI") soil geochemical program, identified a strong MMI anomaly approximately 1 kilometer in length coincident with the Sabana Blanca Zone, suggesting possible buried extensions of the mineralization currently known through mapping and channel sampling.

A second anomaly, the Brazo 1 zone, of similar dimension and magnitude, is located approximately 200 meters up slope from the main Sabana Blanca zone and is coincident with a favorable volcanic – sedimentary contact. Such contacts are known to be favorable geologic environments for the deposition of bedded volcanogenic massive sulfides ("VMS") deposits. Recent follow up work on this second anomalous zone discovered visually similar sulfide mineralization to that contained in the Sabana Blanca zone, where surface trench sampling results, included: 32.7 meters in Trench 1 assaying 4.45 g/T gold (Au), 2.65% copper (Cu), and 19.2 g/T silver (Ag); and Trench 2 assaying 4.7 g/T Au, 0.47% Cu and 6.2 g/T Ag and 0.5% zinc (Zn) over a 68 meter estimated true width. Results of diamond saw cut channels of this zone confirm similarities both in grade and style of mineralization with the Sabana Blanca zone and suggest a common source of mineralization.

Zinc, silver and copper are known to be readily leached from surface outcrops in moist, oxidizing environments such as that found at El Dovio. The distinctly higher grades seen in underground sampling support this and it is considered likely that drill results will contain elevated levels of these three elements relative to the surface sample results.

A composite bulk metallurgical sample from unoxidized mineralization from the Sabana Blanca adit delivered to McClelland Laboratories of Reno, Nevada returned in excess of 96% recovery for gold, silver and copper, and more than 94% recovery for zinc. This work confirms Sabana Blanca mineralization is readily recovered by conventional flotation processes indicating there are no likely problems in recovering the El Dovio mineralization, and support low cutoff grades for future resource estimates. Management considers El Dovio to be a key asset going forward.

Rio Negro Property

This 100% owned, 3,000 hectare project, is located in Santander Department, southwest of the California Mining District along a southwest projection of the gold-bearing structures found in the California District at the projected intersection with the regional Bucaramanga Fault. Field mapping by Company geologists confirmed the presence of metamorphic and intrusive rocks similar to those hosting

Angostura and La Bodega/Mascota in the California District 24 kilometers to the northeast. In the northern portion of the property, extensive areas of phyllic (quartz – sericite – pyrite) alteration are present together with enargite mineralization and strongly suggest the presence of porphyry at depth.

Recent reconnaissance mapping and sampling has identified a zone in discontinuous outcrops more than 2.5 kilometers long on strike parallel to the Bucaramanga fault composed of quartz – sulfide and sulfide rich quartz – clay breccias ranging from 6 to 30 meters in width. Importantly, initial sampling has returned anomalous gold within this zone.

Anori Property

The Company's Anori project is located in the Anori-Porce Mining District north of Medellin in the Department of Antioquia, where Spanish Colonial and pre-colonial gold production reportedly exceeded 2.5 million ounces. Colombian Mines has been awarded the Concession Contracts at Anori covering 7,000 hectares.

This large property completely surrounds an active artisanal mining operation where individual samples in excess of 80 grams gold per metric tonne have been collected and where the Company has sampled a true width of 17 meters assaying over 6 grams gold per metric tonne on a structure that trends directly into the Company's property. Gold mineralization is found in metamorphosed, sheared, silica flooded and quartz veined carbonaceous sediments along two distinct sets of structures, one trending east – west, and the other trending almost north - south. Several of the largest historic producing mines in the Anori area including Mina Violin and Mina La Constanzea are situated along one or more of these structures and on trend with the Company's Anori Property.

Cerro de Cobre (Gachala) Property

Subsequent to the end of the quarter, the Company terminated its purchase agreement on the Cerro de Cobre property. This action was deemed necessary and advisable in part because the Cerro de Cobre property was a small legacy property and in part because the underlying owners had allowed certain title problems to accrue and were unwilling to work with the Company to cure these in a cost effective manner. The Company had long considered Cerro de Cobre to be a non-core asset in part because of its small size and in part because the mineralization was copper dominant with essentially no gold potential.

Joint Venture Properties

Yarumalito Property

In October 2011, the Company completed its purchase of the Yarumalito property and now owns an undivided 100% interest in the Yarumalito mineral licenses and the mineral licenses are registered in the name of the Company's Colombian operating subsidiary.

On June 1, 2012 the Company announced it had been granted consolidation of the Yarumalito mineral licenses into a single unified exploration license as allowed by the 2010 Colombian Mining Law. This consolidation simplifies management and exploration of the Yarumalito project going forward, extinguishes historical deficiencies and allows the entire property to be managed as a single integral mineral license, with up to an 11 year exploration period while streamlining permitting and reporting to regulatory agencies.

On March 2, 2012, the Company announced an agreement with Teck Resources Limited (Teck), with a potential commercial value of $15.5 million to the Company whereby Teck may earn an undivided Joint Venture interest in the Yarumalito project. The agreement was approved by the Company's shareholders on July 3, 2012 pursuant to an order by the TSX Venture Exchange (the Exchange) issued June 19, 2012. The Exchange subsequently approved the agreement. By spending not less than $10 million on exploration on the Yarumalito property and making staged cash payments and private placements totaling $5.5 million to the Company over the life of the Agreement Teck may earn up to a 70% undivided joint venture interest. The funds from the cash payments and private placements are unencumbered and will be used for general corporate purposes including the exploration of the Company's El Dovio project. The Company has also been reimbursed for certain prior expenses related to Yarumalito totaling US$380,000 from the Joint Venture funds. Colombian Mines is the manager of the Yarumalito program during Teck's initial earn in charging a management fee of 10% on all exploration expenses and the Company is 100% carried on all exploration costs until Teck has vested.

On March 11, 2013 the Company announced that the Consolidation Contract had been formally registered and that the Company had submitted the applications for water diversion and discharge necessary for drilling operations.

Since entering into the Joint Venture option agreement, the Company has completed conventional "B" horizon soil geochemical sampling over 90% of the property and has received approximately 75% of those results.

Subsequent to year-end the Company and Teck have held management meetings, selected drill targets and identified drill sites. Drilling will commence upon receipt of the necessary water permits.

The Yarumalito project is located along a section of the Andean Porphyry Belt referred to as the Cauca – Romeral Mineral Belt, approximately 10 kilometers north of Marmato Mountain; one of the oldest and largest producing lode gold mining complexes in Colombia. Gold mineralization at Yarumalito exhibits characteristics of typical porphyry mineralization similar to other gold porphyry deposits along the prolific Cauca-Romeral Gold Belt and has been overprinted by younger higher grade vein mineralization, where drilling has intersected values to 33.75 grams of gold per metric tonne over 1.9 meters.

Column leach tests on composite three bulk metallurgical samples from the Escuela zone submitted to McClelland Laboratories of Reno, Nevada have been finalized for Oxide, Mixed and Unoxidized mineral types. Results are better than expected, and leaching progressed very rapidly yielding over 90% of the recoverable metal in less than 30 days leaching. Overall recoveries of 91.6% of contained gold and 59% of contained silver at 12.5 mm (1.2 inch) crush in the oxide zone. Mineralization from the mixed oxide-unoxidized zone returned recoveries of 80.6% for gold and 44% for silver, while recovery in the unoxidized zone was 63.0% for gold and 56% for silver at a crush size of 1.7 mm (10 mesh) in 118 day leach cycles.

<u>Nus:</u>
Nus is located approximately 90 kilometers northeast of Medellin, Colombia in the Department of Antioquia within the Cisneros mining region. The properties are in part contiguous with B2Gold/AngloGold-Ashanti's Gramalote and La Trinidad gold resource properties where they are

currently scheduling production for 2016. Nus also shares a common boundary with Antioquia Gold's high grade, Cisneros gold project.

Arcturus Ventures (TSX-V: AZN) has the right to earn up to a 90% interest in the Nus property. Arcturus has completed preliminary rock chip sampling and property wide airborne magnetic and radiometric surveys of the three contract areas comprising the property package.

Venecia:
Venecia is a large prospective porphyry target contiguous with Bellhaven's La Mina porphyry approximately 30 kilometers north of Yarumalito. The property is situated along the Cauca-Romeral Mineral Belt in the Department of Antioquia, approximately 80 kilometers south of Medellin. Rock chip and preliminary soil geochemistry by the Company identified several areas of anomalous gold-copper mineralization.

Colombia Crest Ltd (TSX-V: CLB) has an option to earn a maximum 75% joint venture interest in Venecia. Colombia Crest has completed rock and soil geochemical programs, property wide airborne magnetic, radiometric surveys, airborne Ztem and a Phase I drilling program of 18 drill holes totaling 6,574 meters. This work identified what is now called the Arabia porphyry complex. Drilling has been completed and results confirm the discovery of a mineralized porphyry system of merit.

Other:
The Company is continually engaged in discussions with companies interested in entering into joint venture or option agreements from our portfolio of properties. Colombian will continue to conduct geochemical, geophysical, mapping and rock sampling programs to assess the target potential of applications and contracts in our Colombian property portfolio and management will continue to actively seek suitable JV partners for certain of the Company's properties. Continuing strong gold, silver and copper prices, improving physical security in Colombia, and on-going discovery success in the country, continue to generate interest in our portfolio from companies seeking to enter Colombia through either joint venture or property purchase opportunities.

Mr. Robert G. Carrington, P.Geo., a Qualified Person as defined by National Instrument 43-101 and President of the Company, has reviewed and verified the technical information that forms the basis of the above technical disclosure on Colombian exploration activities.

RESULTS OF OPERATIONS

Three Months Ended January 31, 2013

Colombian recorded a net loss of $543,937 (2012 - $1,105,293) for the three months ended January 31, 2013. The loss was lower in 2013 due to lower exploration expenditures partially offset by higher share-based compensation. Exploration costs were lower for Yarumalito and El Dovio. Yarumalito costs were lower because in 2013 most of the costs incurred were paid for by Teck Resources Ltd., Colombian's partner on the project. For El Dovio costs were lower because the Company was waiting for drill permits and did not conduct much exploration activity on the property during the current quarter. Share-based compensation costs were higher in 2013 because the Company granted 687,500 options in the quarter, most of which vested immediately. For 2012 there were no option grants in the quarter, only accruals for some options that had been granted in the prior quarter.

Nine Months Ended January 31, 2013

Colombian recorded a net loss of $1,766,407 (2012 - $3,784,102) for the nine months ended January 31, 2013. The net loss was lower in 2013 due to lower exploration costs, lower share-based compensation and lower investor relations and shareholder information costs. Exploration costs were lower due to reduced expenditures on Yarumalito and El Dovio as described above for the three months ended January 31, 2013. Share-based compensation was lower in 2013 because only 762,500 options were granted compared to 1,561,000 in 2012. Investor relations and shareholder information costs were lower in 2013 due to a lower activity level as a consequence of lower cash resources at the beginning of the year.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased to $1,498,824 at January 31, 2013 from $1,069,861 at April 30, 2012, due to the completion of the private placement with Teck and due to the receipt of a US$380,000 option payment from Teck relating to the Yarumalito property, partially offset by ongoing exploration and administration expenses. Teck entered into an option agreement with Colombian on the Yarumalito property in July and is funding an exploration program of $1.5 million. As a result, the Company will focus its exploration efforts on the El Dovio property and carry out early stage exploration on some of its other prospects.

Colombian expects that it will have sufficient capital resources to fund its administrative and some of its exploration expenditures for the next 12 months as a result of reducing operating and administrative costs. However, Colombian will likely require additional financing in order to fund all of its administration and exploration activities for the next twelve months.

EXPLORATION COMMITMENTS

Colombian had a commitment on its option agreement on the Gachala property however in February 2013 the Company decided to terminate that option agreement. As a result there are no further spending commitments on that property.

QUARTERLY INFORMATION

	2013	2012	2012	2012
Quarter Ended	**Jan. 31**	**Oct. 31**	**Jul. 31**	**Apr. 30**
Exploration expenditures	$ 278,947	$ 221,496	$ 479,877	$ 539,897
Administrative and other items	264,990	208,367	312,730	184,469
Net loss for the period	(543,937)	(429,863)	(792,607)	(724,366)
Net loss per Share (Basic and Diluted)	(0.02)	(0.01)	(0.02)	(0.02)

	2012	2011	2011	2011
Quarter Ended	**Jan. 31**	**Oct. 31**	**Jul. 31**	**Apr. 30**
Exploration expenditures	$ 916,927	$ 706,302	$ 998,992	$ 1,026,334
Administrative and other items	188,366	800,666	172,849	39,849
Net loss for the period	(1,105,293)	(1,506,968)	(1,171,841)	(1,104,017)
Net loss per Share (Basic and Diluted)	(0.03)	(0.05)	(0.04)	(0.04)

For the quarter ended January 31, 2013 the net loss was higher than the prior quarter due to slightly higher exploration expenditures and higher share-based compensation costs. Share-based compensation costs were higher because 687,500 options were granted in the January quarter compared to only 75,000 options granted in the October quarter.

For the quarter ended October 31, 2012 the net loss was lower than the prior quarter due to lower exploration expenditures, investor relations expenditures and lower share-based compensation.

For the quarter ended July 31, 2012 the net loss was slightly higher than for the prior quarter because Colombian received option revenue in the prior quarter but none in the current quarter.

For the quarter ended April 30, 2012 the net loss was lower than in the prior quarter due to lower exploration expenses.

For the quarter ended January 31, 2012 the net loss was lower than for the prior quarter due to lower share-based compensation partially offset by higher exploration expenditures.

For the quarter ended October 31, 2011 the net loss was higher than for the prior quarter due to share-based payments, investor relations expenses and a foreign exchange loss on the Company's Colombian operation.

For the quarter ended July 31, 2011 the loss was slightly higher than for the prior quarter because in the April 30 quarter Colombian received revenue from property payments which reduced the loss reported in that quarter.

For the quarter ended April 30, 2011 the loss was lower than for the prior quarter due to revenue received for property payments.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements or obligations that are not disclosed in the financial statements.

RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

For the nine months ended January 31, 2013	Salary or Fees	Share-Based Payment	Total
Management Compensation	$ 195,140	$ 13,737	$ 208,877
Directors' Compensation	-	86,472	86,472
Seabord Services Corp. (two officers in common)	125,100	-	125,100
	$ 320,240	$ 100,209	$ 420,449

For the nine months ended January 31, 2012	Salary or Fees	Share-Based Payment	Total
Management Compensation	$ 249,528	$ 186,947	$ 436,475
Directors' Compensation	-	40,204	40,204
Seabord Services Corp	112,500	-	112,500
	$ 362,028	$ 227,151	$ 589,179

Related party assets and liabilities	Service or item	January 31, 2013	April 30, 2012
Amounts due from:			
Seabord Services Corp.	Deposit	$ 10,000	$ 10,000
Amounts due to:			
Management	Management fees and expenses	26,596	51,698
Seabord Services Corp.	Management fees and expenses	115	-

Seabord Services Corp., ("Seabord") is a management services company that provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to Colombian Mines. Related party transactions are measured at the exchange amount which is the amount agreed to by related parties.

MANAGEMENT COMPENSATION

For the nine months ended January 31, 2013 Colombian incurred $195,140 in management fees to a company controlled by the President and CEO of the Company and the President of Corporacion Minera de Colombia S.A. Of this amount $114,267 was for Colombian's President and CEO and $80,873 was for the President of Corporacion Minera de Colombia S.A. The Chief Financial Officer and the Corporate Secretary are provided by Seabord and therefore Colombian does not compensate them directly.

CHANGES IN ACCOUNTING STANDARDS

All of the new and revised standards described below may be early-adopted. However, the Company is still assessing the impact of these standards and will not early-adopt them.

(i) IFRS 9 *Financial Instruments* (2010)

IFRS 9 (2010) is a revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carries over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at FVTPL; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in OCI rather than within profit or loss.

This standard is applicable to annual periods beginning on or after January 1, 2015. This standard supersedes IFRS 9 (2009). However, for annual reporting periods beginning before January 1, 2015, an entity may early-adopt IFRS 9 (2009) instead of applying this standard.

(ii) IFRS 11 *Joint Arrangements*

IFRS 11 Replaces IAS 31 *Interests in Joint Ventures*. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then to account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to their interest in a joint operation (including their share of any such items arising jointly).

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 *Investments in Associates and Joint Ventures* (2011). Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted.

IFRS 11 is applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, it must be adopted together with IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

(iii) IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

Significant judgments and assumptions - such as how control, joint control, significant influence has been determined;
Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on;
Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarized financial information);
Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IFRS 12 lists specific examples and additional disclosures, which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

This standard is applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011).

(iv) IFRS 13 Fair Value Measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

This IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value and requires disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a “fair value hierarchy” based on the nature of the inputs:

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g., whether it is recognized in the financial statements or merely disclosed) and the level in which it is classified.

This standard is applicable to annual reporting periods beginning on or after January 1, 2013.

(v) *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1)

Amends IAS 1 *Presentation of Financial Statements* to revise the way OCI is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e., either as a single "statement of profit or loss and comprehensive income", or a separate "statement of profit or loss' and a 'statement of comprehensive income" – rather than requiring a single continuous statement as was proposed in the exposure draft.
- Require entities to group items presented in OCI based on whether they are potentially re-classifiable to profit or loss subsequently, i.e., those that might be reclassified and those that will not be reclassified.
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

This amendment is applicable to annual reporting periods beginning on or after July 1, 2012.

FINANCIAL INSTRUMENTS

Financial Risk Management
Colombian's strategy with respect to cash is to safeguard this asset by investing any excess cash in very low risk financial instruments such as term deposits or by holding funds in the highest yielding savings accounts with major Canadian banks. By using this strategy the Company preserves its cash resources and is able to marginally increase these resources through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

Foreign 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 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. The Company is exposed to currency risk through assets and liabilities denominated in Colombian pesos. However a 10% change in the exchange rate of the Colombian peso to the Canadian dollar would result in only a nominal increase or decrease to the loss from operations.

Credit Risk
The Company's cash and cash equivalents are mainly held through large Canadian financial institutions and are mainly held in term deposits and accordingly, credit risk is minimized.

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 11 (b) of the condensed consolidated interim financial statements. The Company's objective is to ensure that there are sufficient committed financial resources to meet its business requirements for a minimum of twelve months.

Interest Rate Risk
Interest rate risk is the risk that the fair value or 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 term deposits and therefore there is currently minimal interest rate risk.

RISKS AND UNCERTAINTIES

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

Colombian is currently earning an interest in certain of its properties through option agreements and acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making property payments, incurring exploration expenditures on the properties and can include the satisfactory completion of pre-feasibility studies. If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write-off the previously capitalized costs related to that property.

The market prices for silver, gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Financing and Share Price Fluctuation Risks

Colombian has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies such as Colombian, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on Colombian's ability to raise additional funds through equity issues.

Political and Currency Risks

The Company is operating in a country that has had a stable political environment. Changing political situations may affect the manner in which the Company operates. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration expenditures in Colombian pesos or in US dollars. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the US dollar or the Colombian peso could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, Colombian is subject to a number of risks and hazards, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and result in a decline in the value of the securities of the Company. Some work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

Environmental Risks and Hazards

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect Colombian's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

Competition

Colombian will compete with many companies and individuals that have substantially greater financial and technical resources than the Company, for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

OUTSTANDING SHARE DATA

There are 35,441,761 common shares issued and outstanding and 3,480,000 stock options issued and outstanding to directors, officers, employees and consultants of the Company with exercise prices ranging from $0.35 to $1.21 and which expire from April 2, 2013 through to July 3, 2015. The Company also has 1,425,000 share purchase warrants outstanding with an exercise price of $0.90 and an expiry date of July 20, 2014.