MANAGEMENT'S DISCUSSION AND ANALYSIS

Three Months ended July 31, 2011

GENERAL

This discussion and analysis of the financial position and results of operations is intended to supplement the unaudited interim condensed consolidated financial statements of Colombian Mines Corporation (the "Company" or "Colombian") for the three months ended July 31, 2011 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company adopted IFRS on May 1, 2011 with a transition date of May 1, 2010. A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is set out in note 15 to these interim consolidated financial statements.

The MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the year ended April 30, 2011 prepared in accordance with Canadian GAAP, the related MD&A with reference to the reconciliation referred to above. All dollar amounts included therein and in the following management discussion and analysis ("MD&A") are in Canadian dollars except where noted. This MD&A has been prepared as of October 21, 2011.

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in the following 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 any 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.

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 (the "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 new strategic partners through joint-ventures or other associations to fund continued project development on non-key projects.

EXPLORATION REVIEW

Yarumalito Property

In October 2011 Colombian made the final option payment on Yarumalito in the amount of US$380,000 and now owns 100% of the property. The project is located on 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 similar to that found at Marmato as well as in other gold porphyry deposits along the prolific Cauca-Romeral Gold Belt. The Company's primary exploration focus at Yarumalito is bulk tonnage "gold porphyry" style mineralization, with a secondary focus on higher grade, structurally controlled epithermal mineralization contained in the Culebra – Poleala shear zone and related structures that have potential to become targets for selective underground mining.

The Company has attempted to accelerate the Yarumalito drill program by increasing the number of rigs to four. Difficult drilling conditions, weather related delays and problems with one drilling contractor have combined to delay drilling and will delay the completion an initial 43-101 compliant resource until the first quarter of 2012. The Company has submitted three composite bulk samples to McClelland Laboratories of Reno, Nevada for metallurgical testing, including column leach testing.

Drill hole modeling, surface geochemistry and the latest airborne geophysics will be used to guide drill hole placement and evaluate the potential of the gold system. With the completion of hole YAR-40 on July 1, 2011, Colombian Mines had completed 5,544.7 meters of additional drilling in calendar year 2011, for total diamond core drilling to date of approximately 12,978.7 meters. The resource evaluation work at La Escuela will require additional drilling this year. The extent of the drilling will be based on ongoing results and the drill rate achieved. Other targets have been identified that will require additional drilling once those targets are drill ready and rigs are available.

The Company completed a detailed, property wide, airborne magnetics and radiometric geophysical survey with nominal 80 meter ground clearance and 50 meter line spacing in April of this year. This survey provides important, property-wide coverage and is helping to better define the full extent of the magnetic anomaly associated with the Escuela gold zone. It also identified several other promising geophysical targets that are coincident with the latest gold and copper geochemical anomalies providing several exploration targets. The magnetic (geophysical) coverage helps identify increases in magnetic mineralization associated porphyry style mineralization, while also identifying magnetite destructive alteration such as that found in the higher grade shear zones. The magnetometry was augmented with concurrent radiometric data acquired during the same airborne survey and has also been helpful in identifying naturally occurring radiation associated with altered host rocks in the area.

The latest airborne data together combined with surface rock, soil, and MMI geochemistry has been incorporated into the geologic model to guide future drill planning. Recent mapping at Yarumalito will be combined with our updated database to create a new geologic model for the Yarumalito resource evaluation during early 2012.

El Dovio Property

Ongoing work at the Company's 100% controlled El Dovio high grade, gold rich poly metallic property has continued to return highly favorable results. The Company's efforts have expanded the estimated true width of mineralization from 2.4 meters, when we acquired the property, to over 48 meters for all mineralization in the main zone. Within the broader mineralized zone, high grade sulfide zones vary in width from 2 to 13 meters. Recent trench sampling results, included: Trench 1 results of 41 meters (30 m true width) assaying 2.6 g/T gold, 1.6% copper, 0.2% zinc and 9.7 g/T silver; and Trench 2 results of 45 meters (35 m true width) grading 5.6 g/T gold, 0.5% copper, 0.4% zinc, and 6.8 g/T silver.

In the first half of 2011, the Company successfully re-opened the Sabana Blanca tunnel and conducted saw cut channel sampling. This work in the tunnel system returned significant values as reported in the Company's July news release that included a channel sample of a high grade gold-copper intercept of 21 meters with a gold equivalent grade of 15 g/T. This sample interval consisted of underground saw cut channel samples taken at 1 meter intervals that averaged 9.18 g/T gold, 2.46% copper, 2.04% zinc and 15.14 g/T silver. The Sabana Blanca tunnel work appears to expand the width of the mineralized trend by adding significant gold-copper and gold dominated zones to the footwall side of the previously identified trend.

Situated in the departments of El Valle and Choco, to the north of Cali, El Dovio is a gold rich, poly-metallic mineralized system hosted in chloritized, sheared and silicified volcanic rock of Cretaceous age. Genetically, the Company believes El Dovio may consist of both the bedded massive sulfide and the feeder zones to a gold rich Volcanogenic Massive Sulfide (VMS). Additional work is planned to gain a more thorough understanding of the deposit, identify additional zones of mineralization which may be present and help plan future drill programs.

The Company continues to expand its soil, rock and MMI geochemical coverage in the El Dovio area, while planning baseline geophysical studies prior to completing more comprehensive surveys on the Property during the second half of 2011. The environmental consulting firm of "Fundaparamos ONG" has been engaged, and is in the process of preparing an Environmental Assessment Report (EA) as required under Colombian law preparatory to securing drilling permits for El Dovio.

The Company anticipates it will have all necessary permits to drill at El Dovio at year end or early in the first quarter of 2012.

Rio Negro Property

This project, located in Santander Department southwest of the California Mining District, occurs along a southwest projection of the gold-bearing structures found in the California District. Field mapping by Company geologists at Rio Negro 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.

Rock chip channel sampling has delineated two new structural zones with grades and widths that may be amenable to underground mining. Results include 11.43 g/T Au over a 1.5 meter sample width and 9.59 g/T Au over 1.15 meters from vein structures with no prior prospecting or mining. Both samples represent an approximate true width of the structure at the surface. Additionally, multiple narrow, irregular structures in the same area have returned up to 23.75 g/T Au from veins hosted in substantially the same intrusive and metamorphic rocks that host the majority of mineralization in the California and Vetas Districts located roughly 23 kilometers northeast of Rio Negro.

As previously reported, vein structures continue to be found that are associated with two intersecting structural trends. The primary mineralized trend is northeast oriented, and is parallel to the major mineralized structures in the California District. Recognition of the importance of northeast veining and fault structures is leading Company geologists to examine similarly oriented linear topographic anomalies on the property that could represent new exploration targets. A second mineralized fault system trending north-northwest and paralleling the regionally extensive Bucaramanga Fault Zone is also being examined, with particular attention paid to areas where these structures intersect the northeasterly faults and vein zones.

Surface work planned for late 2010 and early 2011 at Rio Negro was delayed by unseasonably heavy rain and related access problems due to mud slides. Work at Rio Negro is currently suspended as the company's resources are currently being directed at Yarumalito and El Dovio.

Anori Property

The Anori project is located in the Department of Antioquia's Anori-Porce Mining District north of Medellin. The Anori property surrounds Mina Solferino, a small, operating underground gold mine recently optioned by Yamana Gold Corporation. In May 2010, the Company and Yamana Gold Inc. Yamana entered into an option agreement, subject to Colombian Mines securing a finalized Concession Contract from the Colombian government of Colombia (Ingeominas). As of May 9, 2010, the Company met all of its obligations and fulfilled all requirements to receive this contract, but the final contract had not been signed by the government of Colombia. The government has now signed the Anori Contract, and it has been registered in the Registry of Mines of Colombia. In March 2011, Yamana notified the Company of its intent to terminate the option agreement due in part to the Company's inability to secure the contemplated Concession Contract from Ingeominas, which had prevented Yamana from conducting drilling on the Anori property. On April 29, 2011, Yamana delivered official notification and a Letter of Termination of the Anori JV to the Company. Because the Company was unable to secure the Concession Contract Yamana was never able to conduct the contemplated exploration. Yamana's very limited preliminary reconnaissance of the Company's Anori license consisted of collecting two stream sediment samples, one outcrop sample and one float sample. During their reconnaissance, Yamana identified two areas of active artisanal mining. One was a placer operation and the other was identified as residual gold weathered out of bedrock. Yamana did not sample either of the active mining areas, nor did they sample an area of identified vein and stock work mineralization which was apparently outcropping.

Cerro de Cobre (Gachala) Property

Located near Bogota in the Department of Boyaca, the Cerro de Cobre property is under an option agreement whereby Colombian can acquire a 100% interest excepting the right to produce emeralds. Surface and underground rock sampling on the property have identified chalcopyrite mineralized carbonate breccias grading approximately 2% to 3% copper over a distance of more than 500 meters along strike, with grades and widths sufficient to warrant further exploration. A strong MMI soil anomaly was identified adjacent to the existing prospect area. Follow up geochemistry has expanded this anomaly and defined a larger and stronger extension which crosses the Rio Guavia canyon to the north. These results identify a copper anomaly well over one kilometers long and suggest that the covered and relatively unexplored northern portion of the Property may host potential for the discovery of additional copper mineralization in the same carbonate host rocks proximal to the fold hinge line of the regionally extensive El Diamante Anticline.

Colombian mines also completed a topographic survey on the Property that is providing a map base for further work on the Property. The Company has submitted all required reports and is waiting granting of environment permits to drill at Cerro de Cobre. The Company continues to seek a joint venture partner pursuing copper opportunities in Colombia. On August 4, 2011 the Company made an option payment on the property in the amount of US$25,000.

Other Properties

The Company has completed joint venture - option agreements, on the Nus and Venecia gold exploration properties in Colombia. Arcturas Ventures has the right to earn up to a 90% interest in the Nus property, located approximately 85 kilometers northeast of Medellin near the B2Gold/AngloGold-Ashanti Gramalote gold resource. The Company also completed an option agreement with Colombia Crest Gold Corp. for the Venecia gold-copper property, located on the Cauca-Romero Mineral Belt, south of Medellin.

The Company is engaged in preliminary discussions with several other companies interested in entering into joint venture or option agreements for certain of Colombian Mines properties. While these companies have expressed interest and most have signed Confidentiality Agreements and visited the properties, there can be no assurance that any will result in consummating a venture agreement at this time.

Colombian will continue to conduct geochemical, geophysical, mapping and rock sampling programs to assess the target potential of its property portfolio of applications and contracts in Colombia. Field crews will continue to explore select properties, while management will actively seek suitable JV partners on those properties beyond the scope of the Company's current business model and budget. A continuation of positive trends, including a strong gold price, regional stability in Colombia, and on-going discovery success in the country have further increased interest in the Company's exploration portfolio by those companies seeking 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 July 31, 2011

Colombian recorded a loss of $1,171,841 (2010 - $1,020,955) for the three months ended July 31, 2011. The loss was higher in 2011 due to higher exploration expenditures and a foreign exchange loss compared to a foreign exchange gain in the comparative period. The exploration costs were higher mainly due to a higher degree of activity on the Yarumalito property. A large portion of those costs were for drilling and assays as the Company is in the process of developing a resource estimate for this property.

LIQUIDITY AND CAPITAL RESOURCES

Working capital decreased to $4,242,063 at July 31, 2011 from $5,364,362 at April 30, 2011, due to funds used in operations and the purchase of equipment. The Company currently has sufficient capital to cover its administration costs and property payments for the next twelve months but will have to raise additional capital in order to conduct all of the planned exploration activity.

EXPLORATION COMMITMENTS

Colombian has commitments on its option agreements on the Yarumalito and Gachala properties. The Company made the US$25,000 that was due on August 4, 2011 and paid the final payment of US$380,000 on the Yarumalito property in October of 2011. The next option payment due on Gachala is for US$30,000, which is due on August 4, 2012. The Company can terminate this option agreement and relinquish its interest in the Gachala property at any time without penalty.

QUARTERLY INFORMATION

	2011	2011	2011	2010
Quarter Ended	**July 31**	**Apr. 30**	**Jan. 31**	**Oct. 31**
Exploration expenditures	$ 998,992	$ 1,026,334	$ 918,628	$ 925,605
Administrative and other items	172,849	39,849	239,509	374,191
Net loss for the period	(1,171,841)	(1,104,017)	(1,158,137)	(1,299,796)
Net loss per Share (Basic and Diluted)	(0.04)	(0.04)	(0.05)	(0.06)

	2010	2010 (1)	2010 (1)	2009 (1)
Quarter Ended	**Jul. 31**	**Apr. 30**	**Jan. 31**	**Oct. 31**
Exploration expenditures	$ 920,504	$ 393,022	$ 123,049	$ 104,112
Administrative and other items	100,451	393,657	217,965	153,056
Net loss for the period	(1,020,955)	(786,679)	(356,922)	(257,168)
Net loss per Share (Basic and Diluted)	(0.04)	(0.04)	(0.02)	(0.01)

(1) These figures were prepared in accordance with Canadian GAAP and are not required to be restated to IFRS.

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.

For the quarter ended January 31, 2011 the loss was lower than in the prior quarter due mainly to lower stock-based compensation.

For the quarter ended October 31, 2010 the loss was higher than in the prior quarter due mainly to higher stock-based compensation.

For the quarter ended July 31, 2010 the net loss was higher than in the prior quarter due to increased exploration expenses as the result of a drilling program at Yarumalito and resumption of activity on other properties. Administrative and other items were lower in the current quarter due to reduced costs for stock-based compensation, investor relations and professional fees.

The net loss for the quarter ended April 30, 2010 was higher than for the prior quarter because of increased exploration expenditures and higher stock-based compensation expense. Exploration expenditures increased as management hired back staff in Colombia and re-commenced its exploration efforts, particularly on the Yarumalito property.

The net loss for the quarter ended January 31, 2010 was higher than for the prior quarter due to higher investor relations costs partially offset by lower stock-based compensation. The higher investor relations costs were due to an increased activity level in advance of a private placement.

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 three months ended July 31, 2011	Salary or Fees	Termination Benefits	Share-based Payments	Total
Management Compensation	87,560	-	-	87,560
	$ 87,560	$ -	$ -	$ 87,560

For the three months ended July 31, 2010	Salary or Fees	Termination Benefits	Share-based Payments	Total
Management Compensation	$ 96,852	$ -	$ -	$ 96,852
	$ 96,852	$ -	$ -	$ 96,852

Related party assets and liabilities	Service or item	July 31, 2011	April 30, 2011	May 1, 2010
Amounts due to:				
Management	Management fees & Expenses	$ 69,904	$ 90,469	$ 25,239

Seabord Services Corp., ("Seabord") is a management services company which has two officers in common. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to Colombian Mines. The Chief Financial Officer is an employee of Seabord and is not paid directly by Colombian Mines. These transactions are measured at the exchange amount which is the amount agreed to by related parties. During the three months ended July 31, 2011 the Company paid or accrued $37,500 (2010 - $37,500) for these services.

MANAGEMENT COMPENSATION

For the three months ended July 31, 2011 Colombian paid or accrued to the Chief Executive Officer $28,674 and paid or accrued to a company controlled by the President of the Company and the President of Corporacion Minera de Colombia S.A., $58,886 for management services. The Chief Financial Officer and the Corporate Secretary are provided by Seabord and therefore Colombian does not compensate them directly.

NEW ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

For fiscal years beginning on or after January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information the effective transition date for Colombian is May 1, 2010. The three months ended July 31 31, 2011 is the Company's first reporting period under IFRS. Notes 2 and 15 to the condensed consolidated interim financial statements provide more detail on the significant Canadian GAAP to IFRS differences, accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards and optional exemptions for significant or potentially significant issues that have an impact on the Company's financial statements on transition to IFRS.

Transitional Effect on Financial Statements

Deferred Income Taxes

Under GAAP Colombian recognized a future income tax liability on the acquisition of mineral properties where the fair value of these properties exceeded their tax values in a transaction which was not a business combination and affected neither accounting profit or loss nor taxable profit or loss. IFRS does not permit the recognition of deferred taxes on such transactions. From May 1, 2010 forward the Company has reduced ”Exploration and evaluation” assets by $107,796 with an offsetting reduction in deficit.

Share Based Payments

Under GAAP share based compensation for consultants to Colombian had measurement dates which differed from those of employees where the options had vesting conditions and this affected the amount of share based compensation reported for consultants as compared to employees. Under IFRS the definition of employee is much broader than for GAAP such that persons previously categorized as consultants under GAAP are categorized as employees under IFRS. The Company has revised its Black-Scholes option pricing model inputs for persons who were previously considered to be consultants and for IFRS reporting has used the same inputs as were used for employees. This has resulted in changes to the amount of share based compensation recognized and additionally to the amount to the amount of contributed surplus reclassified to share capital on the exercise of those share options. The Company has taken the exemption provided under IFRS 2 Share Based Payments and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested at May 1, 2010. Therefore the Company has revised its estimate of share based compensation only for those options that had not vested at May 1, 2010 and any subsequent grants up to April 30, 2011. There have been no share option grants in the quarter ended July 31, 2011.

Adjustments for the following amounts have been made to the comparative financial information presented in the Company’s first IFRS compliant financial statements relating to “Share based payments”.

Statements of Financial Position

May 1, 2010 - the Share based payment reserve has been reduced by $11,006.

July 31, 2010 - the Share based payment reserve is increased by $30,235.

April 30, 2011 – Share capital has been reduced by $538 and the Share based payment reserve has been increased by $36,335.

Statements of Loss and Comprehensive Loss

There was an increase in the amount of share based payments as follows:

Year ended April 30, 2011 - $46,803

Three months ended July 31, 2010 - $41,241

There was no significant impact on the statement of cash flows.

NEW ACCOUNTING STANDARDS

The following are IFRS changes that have been issued by the International Accounting Standards Board, which may affect the Company, but are not yet effective:

IAS 12, Income taxes, was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is assessing the effect of the changes to IAS 12 on its financial results and financial position.

IAS 27, Separate Financial Statements, replaced the existing IAS 27 “Consolidated and Separate Financial Statements”. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 27 on its financial results and financial position.

IAS 28, Investments in Associates and Joint Ventures, was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 28 on its financial results and financial position.

IFRS 9, Financial Instruments, was issued in November 2009 and is the first step to replace current IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the effect of IFRS 9 on its financial results and financial position; however any changes are not expected to be material.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation—Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 10 on its financial results and financial position.

IFRS 11, Joint Arrangements, establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 11 on its financial results and financial position.

IFRS 12, Disclosure of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 12 on its financial statement disclosures.

IFRS 13, Fair Value Measurements, defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 13 on its financial results and financial position.

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 Colombian pesos 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 July 31, 2011, 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 or US financial institutions and at July 31, 2011 are mainly held in savings accounts 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 13 (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 high-risk political environment; however the current political situation appears to be stable. 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 32,591,761 common shares issued and outstanding and 2,582,000 stock options issued and outstanding to directors, officers, employees and consultants of the Company with exercise prices ranging from $0.38 to $1.21 and which expire from December 3, 2012 through to September 3, 2015. The Company also had the following share purchase warrants outstanding:

	Number of Warrants	Exercise Price	Expiry Date
March 23/10 Private Placement	4,100,000	$1.20	March 23, 012
March 2/11 Private Placement	627,900	$0.70	March 2, 2013
March 2/11 Private Placement	4,855,000	$1.15	March 2, 2013
	9,582,900		