
**First Report to Court of
Duff & Phelps Canada
Restructuring Inc. as Proposal
Trustee of Colossus Minerals Inc.**

January 14, 2014

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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE PROPOSAL OF
COLOSSUS MINERALS INC,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO, WITH A HEAD OFFICE IN THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

JANUARY 14, 2014

1.0 Introduction

1. This report ("Report") is filed by Duff & Phelps Canada Restructuring Inc. ("D&P") in its capacity as proposal trustee ("Proposal Trustee") in connection with a Notice of Intention to Make a Proposal ("NOI") filed by Colossus Minerals Inc. (the "Company") on January 13, 2014 ("Filing Date") under Section 50.4 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("BIA").
2. The affidavit of John Frostiak, a director of the Company and the Company's Chairman of its Board of Directors, sworn January 13, 2014 (the "Frostiak Affidavit") and filed in support of this application, provides, *inter alia*, the Company's background, a description of its obligations, the history of those obligations and the reasons for the commencement of these proceedings. The Proposal Trustee has not repeated those details in this Report.
3. The principal purpose of these restructuring proceedings is to create a stabilized environment to enable the Company to pursue a restructuring of its financial position, business and operations by either completing: (i) a proposal under the BIA ("BIA Proposal") on the terms contemplated in the DIP Term Sheet (as defined below); or (ii) a transaction for its business and assets to be identified through a sale and investor solicitation process ("SISP") to be conducted by the Company and its financial advisor, Dundee Capital Markets, a division of Dundee Securities Ltd. ("Financial Advisor" or "Dundee"), under the supervision of the Proposal Trustee (the "SISP Team"). It is contemplated that the SISP and the BIA Proposal will be pursued contemporaneously and that the Company will implement either a sale transaction or BIA proposal.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) Report on the Company's cash flow projection for the period January 10, 2014 to March 7, 2014 and the Company's need for a debtor-in-possession financing facility between the Company and the DIP Lenders (as defined below) in the maximum principal amount of US\$4 million (with the possibility of increasing the maximum principal amount by an additional \$6 million for a total of \$10 million) ("DIP Facility"), as well as a charge in favour of the DIP Lenders over the Company's assets, properties and undertakings (collectively, the "Property") to secure repayment of the amounts borrowed by the Company under the DIP Facility;
 - b) Discuss the rationale for a charge in the amount of \$300,000 to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel, Chaitons LLP ("Chaitons"), and the Company's counsel, Fasken Martineau DuMoulin LLP ("Administration Charge");
 - c) Discuss the rationale for a charge in the amount of \$200,000 in favour of the Company's directors and officers for exposure that may arise as a director and officer after the filing of the NOI ("D&O Charge");
 - d) Discuss the SISP and the terms of Dundee's engagement letter ("Engagement Letter");
 - e) Discuss the Company's request for an extension of the stay of proceedings to March 7, 2014; and
 - f) Recommend that this Honourable Court make an order approving:
 - the Administration Charge;
 - the DIP Term Sheet and the DIP Charge;
 - the D&O Charge;
 - the SISP;
 - the Engagement Letter; and
 - the Company's request for an extension of the time required to file its proposal to March 7, 2014.

1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this Report is based on the Company's representative's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.
2. The Proposal Trustee also references its report on the Company's cash flow projections and underlying assumptions and notes that its review and commentary thereon was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 99-5 (Trustee's Report on Cash Flow Statement).

2.0 Cash Flow

1. The Company's cash flow and related assumptions for the period January 10, 2014 to March 7, 2014, together with Management's report on the cash-flow statement as required by Section 50.4(2)(c) of the BIA, are provided in Appendix "A".
2. The Company is a Canadian public company that operates primarily as a holding company and financing vehicle for its operating subsidiaries. The cash flow reflects that the Company does not presently carry on active business operations, and will not carry on active business during these proceedings. The primary use of the funding is for the costs of ongoing management in the Company's office in Toronto, advances to fund the costs of care and maintenance of the Brazilian mining operations which are carried out in the Company's direct and indirect Brazilian subsidiaries, and the payment of costs associated with these restructuring proceedings
3. The cash flow reflects that the Company is projected to require funding of approximately \$4.1 million¹ through to the period ending March 7, 2014.

¹ As the DIP Facility is in US dollars, the DIP Facility should be sufficient to fund this amount, which is in Canadian dollars.

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4. Based on the Proposal Trustee's review of the cash flow, there are no material assumptions which seem unreasonable in these circumstances. The Proposal Trustee's report on the cash-flow statement as required by Section 50.4(2)(b) of the BIA is attached as Appendix "B".

2.1 DIP Facility

1. The Company's cash balances are presently immaterial and the Company is not presently generating any revenue. Absent additional financing, the Company does not have the ability to continue to fund its operations, nor the costs of its Brazilian subsidiaries, nor the costs of these proceedings.
2. Sandstorm Gold Ltd. ("Sandstorm") and certain Noteholders (jointly the "DIP Lenders") have agreed to fund the Company during these proceedings pursuant to the terms of the DIP term sheet, a copy of which is attached as Exhibit "J" to the Frostia Affidavit ("DIP Term Sheet"). The significant terms of the DIP Term Sheet are as follows:²
 - a. Committed Amount: US\$4,000,000. The Company may increase the amount of availability under the DIP Facility by up to an additional US\$6,000,000 (for a maximum aggregate credit amount under the DIP Credit Facility of up to US\$10,000,000) within 10 days of the Closing Date, being the date 10 days after the Court approves the DIP Term Sheet, if the DIP Lenders agree and accept such additional commitments;
 - b. Initial Advance and Definitive Documentation: The DIP Lenders are prepared to make an initial advance of \$500,000 following approval of the DIP Term Sheet and execution of the Support Agreement (defined below). Subsequent advances are contingent on, *inter alia*, the Company entering into the definitive documentation contemplated by the DIP Term Sheet, including a DIP Credit Agreement, contractual security and a secured guarantee from a Brazilian subsidiary;
 - c. Administrative Agent and Collateral Agent: Sandstorm ("DIP Agent");
 - d. Maturity Date: the earliest of: (i) the date that is 12 weeks after the commencement of these proceedings unless extended on terms satisfactory to the DIP Lenders; (ii) the effective date of the BIA Proposal being sanctioned by the Court; and (iii) the date upon which these proceedings are terminated;

² Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

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- e. Security and Priority: a Court ordered charge on the assets of the Company ranking in priority to all other claims and encumbrances, except for the Administration Charge, D&O Charge, certain permitted priority charges, and contractual guarantees and security from the Subsidiaries;
 - f. Interest: 20.0% per annum, payable monthly in arrears;
 - g. Mandatory Repayments: mandatory repayments of the DIP Facility are required in certain circumstances, including from: (i) extraordinary receipts greater than \$100,000; and (ii) any sale or disposition of assets for amounts greater than \$100,000 out of the ordinary course of business;
 - h. Conditions to the DIP Facility, and to borrowing under the DIP Facility, include:
 - i. entry of an order by this Court approving the DIP Term Sheet;
 - ii. the absence of events of defaults under the DIP Facility;
 - iii. Court approval of the SISP;
 - iv. that the Company pursue the BIA proposal and an arrangement under the *Ontario Business Corporations Act* pursuant to which the claims of all creditors, including the claims of Sandstorm and the Noteholders and the claims of the DIP Lenders will be converted to equity as contemplated in the DIP Term Sheet;
 - v. that upon implementation of the BIA Proposal the Sandstorm Agreement (as defined in the Frostiak Affidavit) will be cancelled and Sandstorm will be given a 2% net smelter royalty on production from the Serra Pelada property, such royalty to be paid 100% by the Company;
 - vi. that the Company and certain other parties will execute a support agreement ("Support Agreement") in which they will agree, *inter alia*, to support the BIA Proposal (a copy of the Support Agreement is provided in Exhibit "L" to the Frostiak Affidavit); and

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- vii. that Sandstorm, in its capacity as collateral agent and acting on behalf of the DIP Lenders, be granted a priority court-ordered charge on all the existing and after acquired real and personal property of the Company as security for amounts advanced under the DIP Facility (the “DIP Charge”), ranking ahead of all other charges other than the Administration Charge and the D&O Charge;³
 - i. Events of default: Includes customary events of default in the judgment of the DIP Lenders for similar debtor in possession financings (“Events of Default”); and
 - j. Remedies: Upon the occurrence of an Event of Default, the right of the Company to receive any advance may be terminated on notice from the Agent with consent of the DIP Lenders. If an Event of Default occurs, upon three business days’ notice from the Agent, all indebtedness of the Company will become immediately due and payable. Subject to order from this Court, upon the occurrence of an Event of Default, the DIP Agent and the DIP Lenders can enforce and realize on their collateral.

2.2 DIP Facility Recommendation

1. The Proposal Trustee has considered the factors set out in Section 50.6(5) of the BIA with respect to the granting of a Court order for interim financing and a charge related thereto. The Proposal Trustee respectfully recommends that the Court make the order sought by the Company for the following reasons:
 - a. The Company’s single largest creditor, being Sandstorm, supports the Company’s restructuring efforts;
 - b. The DIP Facility enhances the prospect of the Company successfully completing its restructuring;
 - c. The Company is facing an imminent liquidity crisis. It is without liquidity to fund operations. The Company and its subsidiaries operations will cease and the Company will have virtually no prospect of making a viable proposal if it does not obtain financing;

³ The court ordered charges sought by the Company are to rank subordinate to the security interest of Dell Financial Services Canada Ltd. (“Dell”) and GE VFP Canada Limited Partnership (“GE”), assuming same are validly perfected. Dell and GE’s security relates to the financing and leasing of equipment to the Company.

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- d. Without the DIP Facility, the Company will not be able to fund the care and maintenance activities required to preserve the mining assets of its subsidiaries. In the absence of a basic level of care and maintenance at the mine site, there is a substantial risk of damage to the assets and a corresponding loss of value, as more fully detailed in the Frostiak Affidavit;
 - e. No creditor of the Company appears to be materially prejudiced by the DIP Facility;
 - f. The terms of the DIP Facility appear to be reasonable in the circumstances and consistent with the terms of debtor-in-possession financing facilities in similar proceedings;
 - g. The rate of interest appears reasonable in the circumstances given the risk inherent in these proceedings; and
 - h. In the Proposal Trustee's view, the restructuring process is likely to fail without funding under the DIP Facility, to the material detriment of its stakeholders.

3.0 Administration Charge

- 1. The Company is seeking an Administration Charge in the amount of \$300,000 in respect of the fees and expenses of the Proposal Trustee, the Proposal Trustee's legal counsel, Chaitons, and the Company's legal counsel. An Administration Charge is common in restructuring proceedings and is, in the Proposal Trustee's view, appropriate in the present case due to the Company's lack of liquidity. The professionals covered by the Administration Charge require the benefit of this charge to secure payment of their fees and expenses.
- 2. It is the Proposal Trustee's understanding that Sandstorm and the Noteholders do not oppose the Administration Charge.

4.0 Directors' Charge

1. The Company is seeking a D&O Charge in the amount of \$200,000 for any liabilities the directors and officers may incur from and after the commencement of the restructuring proceedings. The Proposal Trustee understands that the Company will be, upon the making of the first advance under the DIP facility and disbursement in accordance with the Cash Flow, current on all pre-filing obligations for which directors may be personally liable. The cash flow contemplates that all such amounts will continue to be paid in the ordinary course thereafter from DIP advances. However, the proposed charge provides a contingency in the event that certain obligations arise during the restructuring proceedings or insufficient funds are advanced under the DIP Facility. The D&O Charge would only be available to the Directors and Officers in the event that their existing insurance policy does not provide coverage.
2. As set out in the Frostiak Affidavit, there are numerous exclusions and limitations of coverage under the Company's directors' and officers' insurance policy which may leave the directors and officers with exposure for post-filing obligations. In addition, the Frostiak Affidavit states that there are also contractual indemnities which have been given to the directors and officers of the Company. The Company does not have sufficient funds to satisfy those indemnities should the directors and/or officers become exposed for unpaid post-filing obligations for which they may be personally liable.
3. Based on the foregoing, the Proposal Trustee has been advised that the directors and officers of the Company have indicated that they are not prepared to continue in such capacity unless the Court grants an order providing them with a charge on the Property in the maximum amount of \$200,000 as security for the potential obligations and liabilities they may incur after the Filing Date.
4. The D&O Charge is proposed to rank behind the Administration Charge and before the DIP Charge.
5. The Proposal Trustee is of the view the Directors' Charge is reasonable in these circumstances.

5.0 SISP

1. The Company intends to carry out the SISP in order to fully assess its restructuring options, including a sale of the Property or an alternative proposal under the BIA.
2. The Company, Sandstorm and the Noteholders have agreed to the terms of the SISP, including the retention of Dundee as Financial Advisor.

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3. The terms of the SISP are set out below:
- a. The SISP Team, consisting of the Company and the Financial Advisor, under the supervision of the Proposal Trustee, will compile a list of prospects and send a teaser letter to those prospects⁴;
 - b. Any prospect that signs a CA will be given access to information to perform diligence, including access to a data room;
 - c. Any party that is interested in making an offer – either a purchase or an investment – is required to submit a non-binding letter of intent (“LOI”) by Friday, February 14, 2014. The LOI will be required to contain basic information about the contemplated transaction, including its financial terms, and interested parties will be required to provide evidence regarding their ability to close a transaction;
 - d. The SISP Team will review the LOIs, if any, and determine whether any should be pursued. If so, the SISP team will negotiate a binding agreement with the interested party/parties. The SISP permits the SISP Team to consider one or more opportunities;
 - e. The deadline for a binding agreement is Friday, February 21, 2014;
 - f. The SISP is to be conducted in consultation with Sandstorm, as DIP Agent. DIP Agent approval is required before rejecting/accepting offers;
 - g. The Company will have the right to reject any and all offers, including the best offer, subject to DIP Agent approval;
 - h. Any transaction is to be consistent with standard insolvency terms and conditions, i.e., without significant representations and warranties, and on an “as is, where is” basis; and
 - i. Any transaction is subject to approval of the Court.

⁴ It is not contemplated that a confidential information memorandum (“CIM”) will be prepared as the information that is commonly provided in such a document is available from public sources, including the Company's website and on SEDAR. Additionally, given the urgency of this situation and the resulting SISP timelines, the SISP Team is of the view that the process will not allow for the delays which would result from preparing a CIM.

5.1 Financial Advisor's Engagement Letter

1. The Company entered into the Engagement Letter with Dundee on November 27, 2013. A copy of the engagement letter is attached to the Frostiak Affidavit as Exhibit "N". It is intended that Dundee's engagement will continue on the terms of the Engagement Letter during the BIA proceedings. To ensure that Dundee will be entitled to receive the compensation it is entitled under the Engagement Letter, the Company is seeking an order approving the Engagement Letter and directing that the amounts payable thereunder are not claims that may be compromised pursuant to a BIA Proposal, any plan of arrangement or compromise ("Plan") filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, or any other restructuring, and that no such Plan, BIA Proposal or restructuring shall be approved that does not provide for the payment of all amounts due to Dundee pursuant to the terms of the Engagement Letter.
2. A summary of the Financial Advisor's fees is as follows:
 - a. if, during the term of the engagement, any investment (or a series of investments) in a debt facility for the Company is made by a third party, where that investment is sourced by, or in any way arises out of the services performed by, the Financial Advisor (an "Investment") or the Company announces or enters into an agreement in respect of an Investment, which is substantially completed, a fee of 5% of the amount of the Investment shall apply. This fee shall be payable upon closing and substantial funding of the Investment. The Investment Fee will not apply to funds raised by or for the Company generated from any Arias Resource Capital Fund or Sandstorm Gold Ltd;
 - b. In respect of a completed advisory transaction, except as noted below, a fee of 2.5% of the Transaction Value (defined below) payable in cash at the time of closing of the proposed transaction ("Proposed Transaction"). An advisory transaction is: a sale to a third party of or a portion all of the assets or securities of the Company, the formation of a strategic alliance or joint venture with a third party, a net smelter return or off-take agreement, an ISDA or forward agreement, and/or another similar transaction. For the purposes of the Engagement Letter, "Transaction Value" shall mean (i) the aggregate cash consideration and fair market value of any securities or other non-cash consideration paid to or by the Company or to its security holders in connection with the Proposed Transaction, (ii) the amount of all debt that is assumed or acquired by the purchaser in connection with the Proposed Transaction, including but not limited to rights, property, and the net present value of future receipts or benefits received and/or obligations assumed. Without limiting the generality of the foregoing, the advisory fee shall not, among other things, apply in

respect of any debts, liabilities, payments or deliveries due to Noteholders and Sandstorm; and

- c. The Financial Advisor is not seeking a fee guarantee, including a work or signing fee.

5.2 Recommendation - SISP

1. The Proposal Trustee respectfully recommends that the Court approve the SISP for the following reasons:
 - a. In the view of the Proposal Trustee, the SISP provides an appropriate mechanism to expose the Company's business and assets to the market for a reasonable period of time, in these circumstances;
 - b. The process timelines can be extended with the consent of Sandstorm;
 - c. The SISP is intended to identify both interested buyers and investors; and
 - d. The Financial Advisor has experience in the industry, and will benefit from input and advice from Company management and the Proposal Trustee.

5.3 Recommendation – Success Fee and Engagement Letter

1. The Proposal Trustee has considered numerous factors relevant to the successful completion of the SISP, including:
 - a. the time and effort required to carry out the SISP;
 - b. the absence of a guaranteed fee payable to the Financial Advisor, such as a work fee or signing fee;
 - c. the complexity of the Company's business and operations, and of completing a transaction in these circumstances; and
 - d. a preliminary range of values for the Company's business and assets.
2. The Proposal Trustee respectfully recommends that the Court approves the Financial Advisor's fee and Engagement Letter, for the following reasons:
 - a. The Financial Advisor has industry experience;
 - b. The Financial Advisor is not seeking a fee guarantee;

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- c. The Proposal Trustee is of the view that it is appropriate to incentivize the Financial Advisor to carry out the SISP and the contemplated success fees are reasonable in the circumstance, particularly given the risks associated with completing a transaction within the timelines contemplated;
 - d. Sandstorm has consented to the terms of the Financial Advisor's agreement; and
 - e. The Proposal Trustee believes that the success fee is reasonable in the circumstances.

6.0 Company's Request for an Extension

- 1. The Company is seeking an extension to March 7, 2014 to file its proposal. The Company is doing so at this time for the following reasons:
 - a. to provide stakeholders with certainty regarding the process, including parties located in Brazil who are unfamiliar with the Canadian restructuring process;
 - b. to provide it with the time required to carry out the SISP; and
 - c. to avoid the cost of a further motion to seek an extension.
- 2. The Proposal Trustee supports the Company's rationale as detailed in 6.1 above and has also considered:
 - a. that the Company is acting in good faith and with due diligence;
 - b. the extension should not adversely affect or prejudice creditors as the Company is projected to have sufficient funds to pay post-filing services and supplies in the amounts contemplated by the Cash Flow;
 - c. the extension is supported or not opposed by the major stakeholders, including Sandstorm; and
 - d. funding is limited – eliminating a further Court attendance solely to consider an extension of the stay of proceedings will preserve capital needed for these proceedings.

7.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(f) of this Report.

* * *

All of which is respectfully submitted,

Duff & Phelps Canada Restructuring Inc.

**DUFF & PHELPS CANADA RESTRUCTURING INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
COLOSSUS MINERALS INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

Colossus Minerals Inc
 Projected Statement of Cash Flow
 For the period January 10, 2014 to March 7, 2014
 (\$C, unaudited)

ISC; unaudited)

		Week Ending								
	Note	17-Jan-14	24-Jan-14	31-Jan-14	7-Feb-14	14-Feb-14	21-Feb-14	28-Feb-14	7-Mar-14	Total
Disbursements (Brazil)										
Colossus Mineraçao Ltda										
Payroll (Brazil)	2.1	-	-	257,336	30,727	96,021	-	239,507	28,598	652,190
License payments	2.2	559,957	-	-	29,596	159,362	-	-	29,596	778,511
Utilities	2.3	9,676	-	9,676	135,457	9,676	-	9,043	135,457	308,984
Security	2.4	-	-	-	182,128	-	-	-	91,064	273,191
Operations	2.5	15,936	20,489	22,766	54,069	14,798	14,798	14,798	54,069	211,723
Sundry disbursements		122,936	-	3,400	-	31,872	-	3,400	-	161,609
		708,505	20,489	293,178	431,977	311,729	14,798	266,748	338,784	2,386,208
Canadian payroll	3	125,232	-	162,948	-	13,500	-	162,948	-	464,628
Information Technology		13,700	13,700	13,700	13,700	13,700	13,700	13,700	13,700	109,603
Insurance		-	-	-	-	100,000	-	-	-	100,000
Other	4	400	147,121	400	400	400	400	400	400	149,921
Rent		-	-	-	20,728	-	-	-	20,728	41,456
Total disbursements		847,838	181,310	470,226	466,805	439,329	28,898	443,796	373,612	3,251,815
Net cash flow before the undemoted		(847,838)	(181,310)	(470,226)	(466,805)	(439,329)	(28,898)	(443,796)	(373,612)	(3,251,815)
Professional fees										
Professional fees	5	200,000	97,143	97,143	97,143	97,143	97,143	97,143	97,143	880,000
Net cash flow		(1,047,838)	(278,453)	(567,369)	(563,948)	(536,472)	(126,041)	(540,939)	(470,755)	(4,131,815)
Opening bank balance		-	(1,047,838)	(1,326,291)	(1,893,660)	(2,457,608)	(2,994,080)	(3,120,121)	(3,661,060)	-
Net cash flow		(1,047,838)	(278,453)	(567,369)	(563,948)	(536,472)	(126,041)	(540,939)	(470,755)	(4,131,815)
Dip funding required		(1,047,838)	(1,126,291)	(1,893,660)	(2,457,608)	(2,994,080)	(3,120,121)	(3,661,060)	(4,131,815)	(4,131,815)

COLOSSUS MINERALS INC

Per:

Date:

12 January 2014

DUFF & PHELPS CANADA RESTRUCTURING INC
 TRUSTEE UNDER THE NOTICE OF
 INTENTION TO MAKE A PROPOSAL

Per:

Date:

January 14/14

Colossus Minerals Inc.
Notes to Projected Statement of Cash Flow
For the Period Ending March 7, 2014
(\$C; Unaudited)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash flow of Colossus Minerals Inc. ("Colossus") and its subsidiaries (the "Colossus Group") for the period ending March 7, 2014 ("Projection") in respect of its proposal proceedings under the Bankruptcy and Insolvency Act ("BIA").

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by management of Colossus Group.

Colossus Group transacts in US dollars, Brazilian Real and Canadian dollars. The projection is presented in Canadian dollars assuming a US dollar conversion rate of 1.07:1 (CND/USD) and a Brazilian Real conversation rate of .45/1 (CND/R).

Probable Assumptions

- 2.1 Represents payroll costs for 59 individuals to be retained by Colossus Brazil, the minimum number of employees required for care and maintenance of the mine.
- 2.2 Represents payments required under license agreements to: (i) Coomigasp - in connection with the Serra Pelada mining property; and (ii) Coomic - in connection with the Cutia mining property. Default on these payments could result in loss of title to these properties.
- 2.3 Represents the expected electricity costs to, among other things, pump water out of the mine.
- 2.4 Represents the costs of site security.
- 2.5 Represents operational costs for the mine, including food for employees, bus services and maintenance costs.
3. Represents Canadian payroll and source deductions, including all accrued payroll and vacation pay owing to Colossus' terminated employees. All accrued wages and vacation pay owing to terminated employees is scheduled to be paid in the week ending January 17, 2014.
4. Represents sundry disbursements, including the costs of the 43-101 resource report and office supplies.
5. Represents the professional fees of the proposal trustee and its counsel, Colossus' counsel and Sandstorm's counsel.

**Report on Cash Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA)**

The management of Colossus Minerals Inc. ("Colossus") has developed the assumptions and prepared the attached statement of projected cash flow of Colossus for the period ending March 7, 2014.

The probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of Colossus and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 5.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of probable assumptions set out in Notes 2 to 5. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario, this 12th day of JANUARY, 2014.

COLOSSUS MINERALS INC.



Per:

Appendix “B”

January 13, 2014

**Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of projected cash-flow of Colossus Minerals Inc. as of the 13th day January, 2014, consisting of a weekly cash flow statement for the period January 10, 2014 to March 7, 2014, has been prepared by the management of the insolvent person for the purpose described in Note 1, using the probable assumptions set out in Notes 2-5.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. We have reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection; or
- (b) the projection does not reflect the probable assumptions.

We note that there are no hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated this 13th day of January, 2014.

DUEF & PHELPS CANADA RESTRUCTURING INC.
TRUSTEE

Per: Bobby Kofman