



Colossus Minerals Inc.

(A development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter Fiscal 2010 – January 31, 2010

Colossus Minerals Inc.

(A development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Quarter Ended January 31, 2010. Expressed in Canadian Dollars unless otherwise noted.

The following discussion and analysis of the Interim Consolidated Financial Statements of Colossus Minerals Inc. ("Colossus" or the "Company") for the three and six months ended January 31, 2010 (referred to as "Q2-2010") should be read in conjunction with the audited Consolidated Financial Statements and related Notes, and Management's Discussion and Analysis ("MD&A") for the year ended July 31, 2009. The comparative quarter is for the three and six months ended January 31, 2009 (referred to as "Q2-2009"). The Consolidated Financial Statements and related Notes (the "financial statements") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information, including the Company's Annual Information Form and press releases, has been filed electronically through the System for Electronic Document Analysis ("SEDAR") and are available online at www.sedar.com. The date of this MD&A is March 10, 2010. All figures are in Canadian dollars unless otherwise noted. R\$ refers to Reais, the currency of Brazil.

This MD&A contains forward-looking statements. For example, statements pertaining to the acquisition of construction or operating licenses are all forward-looking statements. As well, statements about the sufficiency of the Company's cash resources or the need for future financing are also forward-looking statements. All forward-looking statements, including forward-looking statements not specifically identified in this paragraph, are made subject to the cautionary language at the end of this document, and readers are directed to refer to that cautionary language when reading any forward-looking statements.

Highlights

During the second quarter ended January 31, 2010:

- Colossus announced the approval on December 17, 2009 of the final Serra Pelada exploration report by the Brazilian Department of Mining and Energy.
- The annual general meeting of shareholders of the Company was held on January 27, 2010 with all motions put forth at the meeting being approved by the shareholders.

Subsequent to the second quarter ended January 31, 2010:

- On February 3, 2010 the Company announced the filing of an updated National Instrument 43-101 compliant technical report in respect of the Serra Pelada property.
- The Company announced on March 9, 2010 that a preliminary environmental license has been issued for the Serra Pelada Project. The license contains all of the conditions for the issuance of the balance of the environmental permits required for the Serra Pelada Project, namely an installation license for construction and an operating license for operating activities.

Corporate Overview

The Company was formed in February 2006 for the purpose of acquiring, exploring and developing mineral properties in Brazil. The Company does not have any projects that generate revenue at this time. The Company's ability to carry out its business plan rests with its ability to secure equity and other financings. The Company's common shares were listed for trading on the Toronto Stock Exchange on February 13, 2008.

The Company has two 100% owned subsidiaries, Colossus Geologia e Participacoes Ltda. ("Colossus Brazil") and Mineracao Fazenda Monte Belo Ltda. ("MFMBL") and Colossus Brazil's 75% owned (51% owned as at July 31, 2009) subsidiary Serra Pelada Companhia de Desenvolvimento Mineral (formerly Serra Pelada Empresa de Desenvolvimento Mineral Ltda.) (referred to hereafter as "SPC") which holds the title to the Serra Pelada Property. The Serra Pelada Property is located in Para State, Brazil. The principal asset of MFMBL is the Rio Cristalino property.

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Property Acquisitions and Exploration Activity

Serra Pelada Project

On July 16, 2007 the Company, through its subsidiary Colossus Brazil, entered into a partnership agreement (the "Agreement") with Cooperativa de Mineracao dos Garimpeiros de Serra Pelada ("Coomigasp"), a private Brazilian entity, pursuant to which Colossus Brazil can earn an interest in SPC. The Company earned an initial 51% share in SPC by spending R\$6,000,000 on exploration and development. Colossus Brazil formally earned the 51% share of SPC in April 2009 with the acceptance by Coomigasp of spending to that date on the Serra Pelada Property.

On November 23, 2009 Colossus Brazil completed its remaining earn-in obligation for the full 75% interest in SPC by expending a further R\$12,000,000 pursuant to the terms of the Agreement. The 75% ownership interest in SPC was accepted by regulatory authorities in Brazil on November 17, 2009 with an effective date of September 24, 2009, being the date when the registration application was filed.

As required by the Agreement, Colossus Brazil has also funded R\$200,000 of consulting work for Coomigasp to evaluate the potential to mine the existing waste and tailings from the historical open pit mine. Coomigasp will continue to assume all liabilities for environmental cleanup related to the existing waste and tailings. SPC under the terms of the agreement with Coomigasp does not earn any interest in the existing waste and tailings from the historical open pit mine.

The Company has accounted for the acquisition of the initial 51% of SPC as at July 31, 2009 as an asset acquisition and consolidated SPC in its consolidated financial statements. A subsequent capital transaction during Q1-2010 has increased the ownership interest to 75% as at October 31, 2009. The non-controlling interest which represents Coomigasp's share of the net assets of SPC, is \$3.2 million as at January 31, 2010 (July 31, 2009 - \$2.9 million). The Company has also recorded a future income tax liability of \$13.0 million (July 31, 2009 - \$13.4 million) related to this investment which has been capitalized to mining interests.

Pursuant to the terms of the Agreement, Colossus Brazil was obligated to pay Coomigasp a series of premium payments based upon a gold reserve accepted and approved by the Departamento Nacional de Produção Mineral ("DNPM") of Brazil. Such premium payments ranged from a minimum of R\$40,800,000 (based on Colossus Brazil's 51% interest in SPC) for 20 tons of gold reserves to a maximum of R\$817,500,000 (if Colossus Brazil held a 75% interest) for 550 tons or greater of gold reserves. Advance payments were required to be made under the terms of the Agreement. As of January 31, 2010 advance payments in an amount of R\$6,300,000 have been paid to Coomigasp under the terms of the Agreement.

On November 8, 2009 the membership of Coomigasp approved an amendment (the third amendment) to the Agreement (the "Amended Agreement"). The effective date of the Amended Agreement is September 4, 2009. Pursuant to the terms of the Amended Agreement, Colossus Brazil is now required to make a monthly payment to Coomigasp of R\$350,000 and finance Coomigasp's portion of development costs until production commences. Reimbursement of funds advanced to Coomigasp under the terms of the Agreement and the Amended Agreement or paid upon behalf of Coomigasp for development of the project by Colossus Brazil will commence in the second year of production and will be payable in equal quarterly instalments over a two year period.

In addition to the above payments, Colossus Brazil will make life-of-mine premium payments to Coomigasp per kilogram of precious metal sold from mine production, payable in Brazilian Reais. The

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payments will range between R\$1,445 for production up to 2.03 million ounces of metal which is approximately US \$26 per ounce at an exchange rate of R\$1 = US \$0.5792 on January 31, 2010 and R\$900 for production exceeding 17.56 million ounces of metal for approximately US \$16 per ounce at the same exchange rate as noted above.

Exploration Activity

On February 3, 2010 the Company announced the filing of a National Instrument 43-101 compliant technical report in respect of the Serra Pelada Project. The report entitled "Technical Report on Recent Exploration at the Serra Pelada Gold-Platinum-Palladium Project in Para State, Brazil, for Colossus Minerals Inc." (the "Technical Report") was prepared by Vidoro Pty Ltd., an Australian based mining consulting company, which is independent of Colossus. The following material is an excerpt from the Technical Report summary that describes the activity of the Serra Pelada Project. The effective date of the Technical Report is January 31, 2010. The re-printing of this excerpt from the report does not imply acceptance in whole or in part by the Company.

Technical Report on Recent Exploration at the Serra Pelada Gold-Platinum-Palladium Project

Scope of Report

At the request of Dr. Vic Wall, Director, and Vice-President of Exploration for Colossus Minerals Inc. ("CMI"), Vidoro Pty Ltd ("Vidoro") was commissioned in October 2009 to prepare a Technical Report on the Serra Pelada Gold-Platinum-Palladium Project ("the Project" or "Serra Pelada") compliant with National Instrument 43-101. This report updates the previous report completed in December 2007 entitled "Technical Report on the Serra Pelada Gold-Platinum-Palladium Project in Para State, Brazil, for Colossus Minerals Inc." ("the 2007 Report").

Colossus Geologia e Participações Ltda. ("Colossus") is a limited liability Brazilian company that is a wholly-owned subsidiary of CMI. CMI is a company duly organized and existing under the laws of the Province of Ontario, Canada.

The scope of the inquiries and of the report included the following:

- An audit of drilling, sampling and assaying procedures currently employed by Colossus*
- A review of recent exploration and other work by Colossus in advancing the Project*
- A review of the deposit model in the light of new information generated by exploration carried out since 2007*
- An opinion of the proposed program and budget for future work at the Serra Pelada Gold-Platinum-Palladium Project*

Vidoro has not been requested to provide an Independent Valuation, nor has Vidoro been asked to comment on the Fairness or Reasonableness of any vendor or promoter considerations, and therefore no opinion on these matters has been offered.

Précis

This report is a review of the Serra Pelada Gold-Platinum-Palladium Project located near Marabá in Pará State, Brazil. Colossus holds a 75% interest in a joint venture company called "Serra Pelada Companhia de Desenvolvimento Mineral" ("SPCDM"). The other 25% is held by Cooperativa de Mineração dos Garimpeiros de Serra Pelada ("COOMIGASP"). A formal request for the transfer of title over the tenement

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covering Serra Pelada to SPCDM was accepted by Departamento Nacional de Produção Mineral ("DNPM") and the title transfer took effect on 14 September 2009.

Serra Pelada is located in the Carajás Mineral Province, an Archean nucleus that is part of the Amazon Craton. The Carajás Mineral Province is composed mostly of granites and greenstone belts and hosts the largest gold deposits in the Amazon Craton, including Serra Pelada and the Salobo and Igarahapé Bahia Cu-Au deposits.

The oldest rocks in the Carajás Basin are volcano-sedimentary rocks of the Itacaiúnas Supergroup that accumulated in the Late Archean about 2,700 Ma. The Itacaiúnas Supergroup is overlain unconformably by siliclastic marine platform sandstones and siltstones of the Águas Claras Formation and the late Archean Rio Fresco Group. The mineralization at Serra Pelada is hosted by metasedimentary rocks of the Rio Fresco Group. The lithologies include metaconglomerate, metasandstone, dolomitic carbonate and metasiltstone.

The Serra Pelada Au-Pt-Pd mineralization is located in the hinge zone of a recumbent syncline. Dolomitic carbonate occurs at the base and is conformably overlain by meta-siltstones. The morphology of the mineralization broadly follows the contact between dolomitic carbonate and a carbon-altered meta-siltstone. The rocks have undergone supergene oxidation to depths in excess of 300m below surface.

In 1979, a farm worker found gold at Serra Pelada, within a tenement held by Companhia Vale do Rio Doce ("CVRD"). On 29 November 2007 CVRD announced a change of name to "VALE", and throughout this report the official name VALE will be employed. VALE began exploration drilling in the vicinity of Serra Pelada in 1980 immediately after the discovery was made. From the commencement of exploration until mid-1998, a total of 195 core holes were drilled by VALE inside the area being exploited by artisanal miners ("garimpeiros"), together with two metallurgical test holes. On 21 May 1980, the federal government of Brazil excised an area of 100 hectares from the tenement held by VALE. This area is now the tenement held by SPCDM.

Since November 2007, Colossus and its joint venture partner have carried out an intensive diamond core drilling program that has verified the continuation of high-grade Au-Pt-Pd mineralization below the base of the previously mined pit and for a distance of at least 500m beyond the old pit. More than 40 diamond core holes for 11,000m have been drilled by the joint venture, additional to the previous 40,000m in 200 holes drilled in the past by VALE. Colossus has submitted more than 6,000 samples for analysis, principally for Au, Pt and Pd, with additional multi-element suites of analyses being completed on selected intervals. The database to the end of December 2009 contained in excess of 163,000 assays from 61,000 samples.

Major milestones passed on the path to the granting of a mining concession to the joint venture include:

- Submission and approval of the Final Exploration Report
- Submission of a Mining Plan and ore resource estimate to the DNPM
- Submission of the Environmental Impact Study and Plan for Recovery of Degraded Areas ("EIA/Rima"), and the completion of public hearings into the EIA/Rima.

Conclusions

- The investment by Colossus in earning its 75% share of the Serra Pelada joint venture has been entirely justified by the excellent results achieved to date in the systematic drill testing of the deposit.

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- *Exploration by VALE to 2007 and by Colossus since November 2007 has identified potentially economic mineralization below the depth reached by past garimpeiro mining.*
- *The exploration by Colossus has been carried out to standards in excess of industry norms. In particular, the attention to sample security and chain of custody between the drill rig and the assay laboratory has been exemplary.*
- *The extraordinarily high grades achieved in some drill intersections, over many metres of contiguous samples, have been verified by Quality Assurance and Quality Control ("QA/QC") procedures adopted by Colossus and its laboratory contractors that are far more stringent than those normally used in exploration.*
- *Preliminary gravity separation studies indicate that >85% of the gold can be recovered quickly and cheaply into a gravity concentrate using a single-pass Falcon concentrator.*
- *Preliminary geotechnical and mining studies indicate that underground access by an exploration decline is technically feasible at Serra Pelada.*
- *Environmental studies to date indicate that neither mercury nor uranium is present in quantities that will require special measures to be implemented. The water in the pit is unusually clean, and meets the World Health Organization ("WHO") standards for potable drinking water. Drill core analyses to date of trace elements indicate that no deleterious elements are present in quantities that will present environmental problems. For example, arsenic levels are very low, generally <20ppm As, and the arsenic is present as oxide, a safer compound than sulphide.*
- *In Vidoro's opinion, the CAD \$25M budget for Serra Pelada proposed for 2010 by Colossus is sensible and justified given the advanced state of the Project.*
- *The excellent infrastructure in this historic mining district is a significant positive factor in the potential development of the Serra Pelada Project.*

The full text of the Technical Report can be accessed through SEDAR at www.sedar.com.

Future Objectives

The completion of the following objectives of the Company in 2010 on the Serra Pelada Project are intended to achieve the recommendations as noted above in the Technical Report:

- Complete the phase II drilling program;
- Develop a decline to access the Central Mineralized Zone and take a bulk sample of up to 10,000 tonnes;
- Start definition drilling underground from the decline;
- Complete metallurgical testing to guide the development of a process flow sheet; and
- Commence engineering and design of a mill facility.

Rio Cristalino Project

The principal asset of MFMBL is the Rio Cristalino low-grade molybdenum property. There have been no expenditures on this property during the first and second quarters of fiscal 2010. The Company has chosen to write down the project to a nominal value equivalent to the original acquisition cost in

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recognition of a decline in activity on the property. However, the property has not been abandoned and remains in good standing.

Results of operations for the quarter

The net loss and comprehensive loss for Q2-2010 is \$1.5 million (\$0.02 per share) as compared to \$2.6 million (\$0.06 per share) for Q2-2009. On a year to date basis, the net loss and comprehensive loss for fiscal 2010 is \$2.9 million (\$0.04 per share) as compared to a net loss for fiscal 2009 of \$3.4 million (\$0.08 per share).

General and administrative costs amounted to \$494,139 in Q2-2010 (Q2-2009 - \$207,775) and year to date amounted to \$1.1 million for fiscal 2010 (fiscal 2009 - \$468,529). Approximately 60% of the year to date general and administrative costs relate to activities of Colossus Canada and the remainder to Colossus Brazil. About 85% of the second quarter costs of \$494,139 are attributable to activities in Canada resulting from increased travel expenditures, mailing and distribution of shareholder information for the January 2010 annual general meeting and the corporate office relocation expenses.

Wages and salaries of \$471,647 in Q2-2010 (Q2-2009 - \$78,415) have increased significantly. An increase in staff levels as well as the payment of a bonus during January 2010 accounts for a significant portion of the cost increase between the two quarters. The bonus payment in January for Toronto staff amounted to \$160,000. During Q2-2009 there were three employees of Colossus Canada as compared to nine employees at the end of January 2010.

During Q2-2010, the Company recognized a foreign exchange gain of \$984,862 as compared to a foreign exchange loss of \$66,050 in the same period of fiscal 2009. The foreign exchange gain includes an unrealized component of \$1.3 million booked on translation of foreign currency denominated assets and liabilities of Colossus Brazil into Canadian dollars. Since the Company translates its foreign assets and liabilities into Canadian dollars utilizing the temporal accounting method, differences will arise in valuations resulting in unrealized gains or losses. The temporal method of currency translation is used for foreign operations that are dependent upon the parent company for financial support and thereby are considered as "integrated" with the parent company. Colossus follows the temporal method of translation of its foreign subsidiary as follows:

- (i) Monetary assets and liabilities are translated using the foreign currency rate at the consolidated balance sheet date.
- (ii) Non-monetary assets and liabilities are translated at historical rates.
- (iii) Revenues and expenses are translated at the average foreign currency exchange rate for the year.
- (iv) Exchange gains and losses arising from the translation are recorded directly in the consolidated Statements of Loss and Comprehensive Loss.

The Brazilian Real weakened relative to the Canadian Dollar from October 31, 2009 to January 31, 2010 thereby resulting in a gain on translation of the net monetary liabilities of the foreign operation. The net monetary liabilities are mainly comprised of future income tax liabilities. Translation of the non-monetary assets of the foreign operations at their historical translation rates generated a small foreign exchange loss.

Non-cash stock-based compensation cost of \$571,267 was expensed in Q2-2010 (Q2-2009 - \$444,164). The Company also capitalized \$87,495 of stock-based compensation costs to the Serra Pelada Property in Q2-2010. On a year to date basis \$147,764 of stock based compensation has been capitalized to the Serra Pelada Property in addition to the \$1.3 million charged to expense.

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The Company has chosen to write down the Rio Cristalino project by \$291,937 during Q2-2010 to a nominal value equivalent to the original acquisition cost in recognition of a decline in activity on the property. However, the property has not been abandoned and it remains in good standing. The write down of mining interests in Q2-2009 in an amount of \$1.7 million relates to the Sumidouro project. This project has been abandoned.

Interest income in Q2-2010 is \$21,669 as compared to \$69,324 in Q2-2009. The decrease in interest income reflects lower interest rates even though current cash balances are significantly higher in fiscal 2010 than in fiscal 2009.

Shares issued and outstanding

The issued and outstanding common shares of the Company totaled 81,495,338 as at January 31, 2010 (July 31, 2009 – 57,722,288). The total amount of common shares which would be outstanding if all options, warrants, and broker units at January 31, 2010 were exercised amounts to 98,624,268 shares (July 31, 2009 – 84,826,768 fully diluted shares).

On September 30, 2009 the Company announced a financing with a syndicate of underwriters. The underwriters agreed to purchase, on a bought deal basis, 11,000,000 common shares of the Company at a price of \$5.75 per common share with an over-allotment option to purchase up to an additional 1,500,000 common shares at \$5.75 per common share. The transaction closed on October 22, 2009. The Company issued an aggregate of 12,500,000 common shares for gross proceeds of \$71.9 million. A commission of 5.5% of the gross proceeds, in the amount of \$4.0 million, was paid to the underwriters. The underwriters also received, as additional compensation, 312,500 non-transferable broker warrants to purchase further common shares of the Company. Each broker warrant is exercisable for one common share at a price of \$5.89 for a period of 24 months from the closing date.

The Company's management has determined that the warrants have an estimated fair value of \$713,750 using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%; expected volatility – 85%; risk-free interest rate – 1.15%; and expected life – 2.0 years. This amount has been charged to share issue costs as additional compensation to the underwriters.

The Company had 21,792,400 warrants issued and outstanding at July 31, 2009. During Q2-2010 a total of 7,891,525 warrants were exercised for cash proceeds of \$17.6 million and a further 336,375 were issued. As of January 31, 2010 there are 12,166,850 warrants outstanding at a weighted average exercise price of \$1.88 per warrant.

As at March 10, 2010, the share capital consisted of:

- 82,276,308 common shares issued and outstanding
- 4,910,000 common share purchase options outstanding at an average exercise price of \$2.12 maturing at various dates until February 19, 2015.
- 12,097,960 warrants outstanding at an average exercise price of \$1.91 maturing at various dates until December 6, 2011.

Shareholders Rights Plan

On October 1, 2009 the Board of Directors adopted a shareholder rights plan ("Rights Plan") effective October 1, 2009. The Rights Plan is designed to provide adequate time for shareholders of the Company and the Board of Directors to consider and evaluate any unsolicited take-over bid for the Company; to provide the Board adequate time to identify, develop and negotiate alternatives for maximizing

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shareholder value; to provide shareholders with an equal opportunity to participate in any take-over bid; to encourage the fair treatment of shareholders in the event of any bids for the Company; and, to ensure that any proposed transaction is in the best interest of the Company's shareholders. The Company is not aware of any pending or threatened take-over bid for the Company.

The Rights Plan was ratified by the Company's shareholders at the Annual and Special Meeting of Shareholders (the "Meeting") held on January 27, 2010.

Under the terms of the Rights Plan, one right (a "Right") was issued by the Company in respect of each outstanding common share of the Company at the close of business on October 1, 2009 and in respect of each common share of the Company issued thereafter (subject to the terms of the Rights Plan). The Rights issued under the Rights Plan become exercisable only if a person acquires or announces its intention to acquire 20% or more of the common shares of the Company without complying with the "permitted bid" provisions of the Rights Plan or without the approval of the Board of Directors of the Company.

Should such an acquisition occur, Rights holders (other than the acquiring person or related persons) can purchase common shares of the Company at a substantial discount to the prevailing market price (as defined in the Rights Plan) at the time the Rights become exercisable.

"Permitted bids" under the Rights Plan must be made by take-over bid circular to all holders of common shares of the Company and no common shares shall be taken up or paid for for a minimum of 60 days following the date of the bid. If, at the end of 60 days, at least 50% of the outstanding common shares, other than those owned by the offeror and certain related parties, have been tendered and not withdrawn, the bidder may take-up and pay for the shares but must extend the bid for a further 10 days to allow other shareholders to tender to the bid.

The Rights Plan is effective October 1, 2009, but must be re-confirmed at every third annual meeting of shareholders thereafter.

Financial condition

The Company's total assets at January 31, 2010 increased to \$152.2 million from \$67.0 million at July 31, 2009. The most significant reason for the increase was the \$71.9 million of cash raised through the bought deal financing in October 2009 and the exercise of warrants and options year to date in the amount of \$21.0 million. During Q2-2010, cash expenditures on mining interests and other investing activities of \$5.8 million includes approximately \$1.6 million for drilling activities and a further \$1.1 million for consultants. All of the expenditures on mining interests related to the Serra Pelada Property.

Cash and cash equivalents of \$99.7 million include \$98.9 million of cash invested in Canadian Chartered Bank investment accounts. The remaining balance is cash in Brazilian bank accounts. The investing strategy of the Company is to emphasize liquidity and to minimize risk, hence nominal rates of interest are earned on the invested funds.

The Company's current liabilities are \$1.0 million at January 31, 2010 compared to \$2.0 million at July 31, 2009.

The Company has no long-term financial liabilities, off balance sheet financing arrangements or material contingent liabilities or contractual obligations other than a future income tax liability primarily associated

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with the Serra Pelada Property in an amount of \$13.0 million and certain minimum payments due to Coomigasp under the terms of the Amended Agreement.

Liquidity and capital resources

From the date of its incorporation to January 31, 2010, the Company has raised total net proceeds of \$142.4 million through equity financings and warrant and stock option exercises.

At January 31, 2010 the Company had working capital of \$99.5 million compared to \$22.8 million as at July 31, 2009.

The ability of the Company to successfully acquire additional mineral projects or to fund exploration and development of current projects is conditional on its ability to secure financing when required. The Company proposes to meet additional financing requirements through equity financing. In light of the continually changing financial markets, there is no assurance that new funding will be available when required by the Company.

The Company will continue to be reliant on equity financings as it is still in the development stage without any revenue from operations. The Company's ability to raise additional funds and its future performance is largely tied to the financial markets related to mineral exploration companies. Current financial markets are likely to be volatile in Canada for the remainder of the calendar year and potentially into 2011, reflecting ongoing concerns about the stability of the global economy and global growth prospects.

Junior exploration companies world-wide have been hit particularly hard by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without the risk of excessive dilution to the present shareholders of the Company.

The Company's strategy is to spend its funds in a prudent manner while focusing and expanding its exploration efforts at the Serra Pelada Property. The Company currently has adequate funds to pursue all of its planned exploration activities and its near term development programme.

Related party transactions

The Company entered into the following transactions with related parties during the six month period ended January 31, 2010:

(i) The Company paid consulting fees in the amount of \$150,000 (2009 - \$75,000) to a company whose owner is an Officer of the Company. As at January 31, 2010, a balance of \$19,980 (July 31, 2009 - \$32,830) is due to this company and included in accounts payable and accrued liabilities.

(ii) The Company paid consulting fees in the amount of \$141,750 (2009 - \$90,000) to a company owned by an Officer and Director of the Company.

These transactions are in the normal course of operations and are measured at the exchange value being the amount established and agreed to by the related parties, which approximates the arm's length equivalent value. Amounts due are unsecured and non-interest bearing.

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Summary of Quarterly Results

<u>Year ended July 31, 2010</u> (all amounts expressed in \$)	<u>Q1</u>	<u>Q2</u>			<u>Total</u>
Total revenues	-	-			-
Net loss and comprehensive loss for the period	1,398,895	1,472,139			2,871,034
Basic and diluted net loss per share	0.02	0.02			0.04
<u>Year ended July 31, 2009</u> (all amounts expressed in \$)	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Total revenues	-	-	-	-	-
Net loss and comprehensive loss for the period	808,522	2,616,307	1,023,556	972,653	5,421,038
Basic and diluted net loss per share	0.02	0.06	0.02	0.01	0.11
<u>Year ended July 31, 2008</u> (all amounts expressed in \$)	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Total revenues	-	-	-	-	-
Net loss and comprehensive loss for the period	299,977	440,955	602,189	975,384	2,318,505
Basic and diluted net loss per share	-	0.02	0.02	0.03	0.07

Trends

The Serra Pelada Property is the Company's most significant asset and this property will continue to be the focus of most of the exploration work undertaken in fiscal 2010. The net loss has been increasing over the last eight quarters, reflecting exploration write downs and greater administration costs to support expanding exploration activities and public company expenses since February 2008. In the second fiscal quarter of 2009 the loss for the period reflected a \$1.7 million write-off for the abandonment of the Sumidouro Property. In the fourth fiscal quarter of 2009, the loss for the period reflected a \$753,569 charge against the Natividade Property. Other corporate activities and expenditures relating to the support of Serra Pelada and requirements of becoming a public company will continue in 2010.

Disclosure Controls and Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has completed an evaluation of the design and operating effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that as at

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the end of the period covered by this management's discussion and analysis, the Company's internal controls over financial reporting were operating effectively.

Management has also evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as part of the fiscal year end procedures for 2009. Based on this evaluation and review of procedures conducted during Q1-2010, management has concluded that the Company's disclosure controls and procedures continue to be effective in ensuring that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

There have been no changes in the Company's internal control over financial reporting during Q2-2010 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Future Accounting Changes

Business Combinations - Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011 with concurrent early adoption permitted. Section 1582 establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

Financial Instruments

In May 2009 the CICA amended Section 3862, "Financial Instruments – Disclosures" which requires additional disclosure of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements (Level 1, Level 2 and Level 3 inputs as defined in the standard). The amendments are applicable for years ending after September 30, 2009. These disclosures will be included in the annual financial statements for the year ended July 31, 2010.

International Financial Reporting Standards ("IFRS") Implementation Plan

The AcSB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the first quarter ended October 31, 2011 for the fiscal year ending July 31, 2012.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies

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may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	To be completed during fiscal 2010-Q3
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout fiscal 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	May 31 – July 31 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	May 31 – October 31 2010
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2010

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of recoverable value on its mineral properties, future taxes and the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recorded value of its mineral properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership, funding, and currency risk, as well as environmental risk. All of these factors are potentially subject to significant change that is out of the Company's control, however such changes are not

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determinable. Failure to conduct additional work on its exploration properties could result in the loss of exploration rights. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties.

The factors affecting stock-based compensation and valuation of stock-based securities include the use of a Black-Scholes option pricing model which has its limitations. Estimates for input factors such as stock option life or share price volatility could have a significant impact on the determination of stock-based compensation expense. Stock-based compensation expense however is a non-cash item which has no impact on the cash resources of the Company.

Capital management

The Company considers its capital structure to consist of share capital, warrants, contributed surplus and accumulated deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of properties for valuable minerals. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As at January 31, 2010, total shareholders' equity (managed capital) was \$152.2 million (July 31, 2009 - \$48.6 million).

The properties in which the Company currently has an interest are in the exploration stage and as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management as at January 31, 2010. The Company is not subject to externally imposed capital requirements.

Risks factors affecting financial instruments

The risk factors and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the inability of a counterparty to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand, either with banks or in short term dated Government of Canada treasury bills, bank guaranteed investment certificates or bank managed investment accounts. Financial instruments included in accounts receivable consist of sales tax receivables from government authorities in Canada and deposits held with suppliers. Management believes that credit risk with respect to financial instruments included in cash and accounts receivable is low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of January 31, 2010, the Company has a cash balance of \$99.7 million (July 31, 2009 - \$24.6 million) available to settle current liabilities of \$1.0 million (July 31, 2009 - \$2.0 million). Most

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of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest rate risk

The Company has cash balances and does not have any interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks and Government of Canada treasury bills or in bank managed investment accounts. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments.

Foreign currency risk

The Company's functional currency is the Canadian dollar and the majority of the Company's cash is held in Canadian dollars. The majority of the Company's transactions in Brazil are denominated in Brazilian Reals and US dollars. The Company converts Canadian dollars to foreign currencies as needed at market rates.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of gold, platinum, palladium and certain other metals.

Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying values for accounts receivable and prepaid expenses and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The Company has designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Sensitivity analysis

The Company has, for accounting purposes, designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Receivables and prepaid expenses are classified as loans and

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receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. As at January 31, 2010, the carrying and fair value amounts of the Company's financial instruments are not materially different.

Sensitivity of period earnings to a 10% increase or decrease in interest or foreign exchange rates on cash holdings is as follows:

- (i) The Company holds most of its cash in low risk, secure Canadian dollar investments at Canadian banks. The Company also holds cash in Brazil, in interest bearing bank accounts.

Interest Rates

Currency of Cash Holding	January 31, 2010 Cash	Quarter Average Interest Rate Jan. 31, 2010	Quarter Effect of 10% Change in Interest Rate
Canadian dollar	\$98,828,762	0.05% per annum.	+/- \$12,354
Brazilian real	831,415	5.00% per annum.	+/- \$946
Cash on Balance Sheet	<u>\$99,660,177</u>		

Exchange Rates

Foreign Currency of Holding	January 31, 2010 Amount	Foreign Currency per Canadian Dollar Exchange Rate Jan. 31, 2010	Effect of 10% Change in Exchange Rate
Brazilian real	\$831,415	1.8491	+/- \$68,816

- (ii) The Company has a foreign currency denominated future income tax liability. A 10% movement in the foreign exchange rate could impact the financial statements by approximately \$1.4 million.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them.

As of January 31, 2010 the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

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Risks and Uncertainties

Limited Operating History

The Company has a limited history of operations, is in the early stage of development and could be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

No History of Earnings

The Company has limited financial resources, has earned nominal revenue since commencing operations (revenues); has no source of operating cash flow and there is no assurance that additional funding will be available to it for exploration and development of its mineral properties or for required future property payments. Furthermore, additional financing may be required to continue the development of the Company's properties even if the Company's exploration program is successful. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible loss of such properties.

Competitive Conditions

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may be unable to acquire attractive properties in the future on terms it considers acceptable. The Company also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

The ability of the Company to acquire properties depends on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Company may affect the marketability of gold mined or discovered by the Company.

General Economic Conditions

The recent unprecedented events in global financial markets have had a profound impact on the global economy. Many industries, including the mining sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continuing slowdown in the financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company.

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Exploration, Development and Operating Risks

The exploration for, discovery and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of gold and other minerals may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site.

It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations and financial results.

Mining operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by the Company towards the search and evaluation of gold and other minerals will result in discoveries of mineral reserves and resources (as defined by applicable securities laws), or any other mineral occurrences.

Title Risks

Although the nature and extent of the interests of the Company in the properties in which it holds an interest has been reviewed by or on behalf of the Company, and title opinions have been obtained by the Company with regard to certain of such properties, there may still be undetected title defects affecting such properties. Title insurance generally is not available in Brazil, and the ability of the Company to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, the Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt.

Accordingly, the properties in which the Company holds an interest may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's operations. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The Company is not the registered holder of any of the exploration licenses and applications which comprise the Serra Pelada Property or the Rio Cristalino Property. The exploration license in respect of

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the Serra Pelada Property is held by a joint venture company controlled by Colossus Brazil. The Company's interest in its properties, title to which is currently held by third parties, is derived pursuant to option agreements and joint venture agreements relating to the respective properties. Any non-compliance with the terms of these agreements by the Company or Colossus Brazil could affect the ability of the Company and/or Colossus Brazil to earn their interests in the properties. Such terms include the satisfaction of the option payments due to property owners under such agreements, and the requirements to undertake minimum exploration expenditures during certain periods. Failure to meet these requirements could result in a loss by the Company and/or Colossus Brazil of its interest in the options, which could in turn have an adverse impact on the Company.

No assurances can be given that title defects to the properties in which the Company has an interest do not exist. The properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates. There is no guarantee that title to the properties will not be challenged or impugned.

There is no guarantee that the applications for exploration licenses currently pending will be granted by the DNPM. The DNPM may refuse any of the applications. Persons may object to the grant of exploration licenses and the DNPM will take objections into consideration when making the decision on whether or not to grant the license.

If exploration licenses are granted, they will be subject to various standard conditions including, but not limited to prescribed license conditions. Any failure to comply with the expenditure conditions or with the other conditions on which the licenses are held, can result in license forfeiture. Generally, the licenses are granted for a term of three years and further renewal of an exploration license is at the discretion of the DNPM and on such conditions as the DNPM may in its discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the licenses comprising the Serra Pelada Property and the Company's other non-material property. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

An ongoing lawsuit has been brought by an individual in Brazil seeking the annulment of the general meeting at which the members of the board of directors and officers of Coomigasp were elected. If this individual is successful with this lawsuit a new election may be required and further actions may be brought to nullify any prior activities or agreements entered into by the directors and officers, which may include the Serra Pelada Agreement. The Company does not believe that this result is likely due to numerous factors including the merits of the current lawsuit and the fact that the Serra Pelada Agreement was approved not only by management of Coomigasp but also the members (shareholders) of Coomigasp at a general meeting. Furthermore, in January 2009, Coomigasp held another annual general meeting of its members to elect its board of directors. This meeting was overseen by an independent court appointed monitor. At this meeting, a new board of directors was elected who have since re-affirmed the Serra Pelada Agreement. However, if the Serra Pelada Agreement is nullified this would have a material adverse affect on the Company. The Company is not a party to the lawsuit and does not have any information with respect to the developments of the suit, except those that are publicly available.

Uncertainty of Acquiring Necessary Permits

Although the Company currently holds all consents which it requires in order to carry out its current drilling program on the Serra Pelada Property and the Rio Cristalino Property, the Company cannot be certain that it will receive the necessary permits on acceptable terms to conduct further exploration and to

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develop its properties. The failure to obtain such permits, or delays in obtaining such permits, could increase the Company's costs and delay its activities, and could adversely affect the operations of the Company.

Government Regulation Risks

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, development, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

Risks Associated with Foreign Operations

The Company's mineral interests are located in the Federative Republic of Brazil, which may be affected by varying degrees of political change and labour unrest, fluctuations in currency exchange rates, high rates of inflation, terrorism or expropriation. The Company's exploration and development activities may be affected by changes in government or judiciary, political instability and the nature of various government regulations relating to the mining industry. A change in government positions on foreign investment, mining concessions, land tenure, environmental regulation, or taxation could adversely affect the Company's business and/or its holdings, assets and operations in Brazil. Any changes in regulations or shifts in political conditions are beyond the control of the Company. The Company's operations in Brazil will entail governmental, economic, social, medical and other risk factors common to all countries in the region.

Results of Prior Exploration Work

In preparing the Serra Pelada Technical Report, the authors of such report relied on data generated by exploration work previously carried out by geologists employed by others. There is no guarantee that data generated by prior exploration work is 100% reliable and discrepancies in such data not discovered by the Company may exist. Such errors and/or discrepancies, if they exist, could impact on the accuracy of the Serra Pelada Technical Report.

Additional Capital

The development and exploration of the properties in which the Company currently holds an interest will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all such properties, or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, any future financing may be dilutive to existing security holders of the Company.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena,

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sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

Political Stability Risks

The principal operations of the Company are currently conducted in Brazil and, as such, the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties. These risks include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Government Royalties

In Brazil, a royalty must be paid to the landowner if the surface rights do not belong to the mining titleholder. This royalty amounts to 50% of the financial compensation for the federal royalty levied by the Brazilian government, and which is currently at 1% of the net sales of gold and 0.2% of the net sales of other precious metals. This level and the level of any other royalties, payable to the Brazilian government in respect of the production of minerals may be varied at any time as a result of changing legislation which could materially adversely affect the Company's results of operations.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, 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 is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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Environmental hazards may exist on the properties on which the Company holds an option, which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Previous mining by garimpeiros has occurred at the Serra Pelada Property and continues today on a more limited basis.

Government approvals, approval of indigenous people and permits are currently and may in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

Environmental Licenses

In order to be granted a mining concession on any property, the Company will be required to obtain environmental licenses with respect to such properties. The Company has recently obtained a preliminary environmental license for the Serra Pelada Project. The license contains all of the conditions for the issuance of the balance of the environmental permits required for the Serra Pelada Project, namely an installation license for construction and an operating license for operating activities. In the event that the Company is unable to satisfy the conditions for the balance of the licenses it may not be able to commence mining activities on its properties, which could have a material adverse effect upon the results of operations and financial condition of the Company.

Costs of Land Reclamation

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which the Company holds an option.

Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of the Company.

Reliance on Limited Number of Properties

At this time, the Company holds an interest in a joint venture company that holds the exploration licenses in respect of the Serra Pelada Property as well as an interest in the Rio Cristalino Property. As a result,

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unless the Company acquires additional property interests, any adverse developments affecting these properties could have a material adverse effect upon the Company and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Company.

No History of Mineral Production

The Company has never had an interest in a mineral producing property. There is no assurance that commercial quantities of minerals will be discovered at any of the properties of the Company or any future properties, nor is there any assurance that the exploration programs of the Company thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where mineral resources (as defined in NI 43-101) can profitably be produced thereon. Factors which may limit the ability of the Company to produce mineral resources from its properties include, but are not limited to, the price of the mineral resources which are currently being explored for, availability of additional capital and financing and the nature of any mineral deposits.

Insurance and Uninsured Risks

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, 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 will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Hedging

The Company does not have a hedging policy and has no current intention of adopting such a policy. Accordingly, the Company has no protection from a decline in mineral prices which could have a material adverse affect on the financial condition of the Company.

Fluctuations in Metal Prices

The consolidated financial results and exploration, development and mining activities of the Company may in the future be significantly and adversely affected by declines in the price of gold or other minerals. The price of gold or other minerals fluctuates widely and is affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and

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financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges.

Future significant price declines in the market value of gold or other minerals could cause continued development of the properties in which the Company has an option to be impracticable. Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent upon the prices of gold and other minerals being adequate to make these properties economic.

In addition to adversely affecting the reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Gold and other minerals are generally sold in US dollars. Costs of the Company are incurred in US and Canadian dollars and Brazilian Reals. The appreciation of the US dollar or the Brazilian Real against the Canadian dollar can increase the cost of exploration and production in Canadian dollar terms, which could materially and adversely affect the Company's profitability, results of operations and financial condition.

Key Executives

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company should be made in accordance with their fiduciary duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (Ontario) and other applicable laws. The Company has also adopted a formal code of ethics to govern the activities of its directors, officers and employees.

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Enforcement of Legal Rights

In the event of a dispute arising from the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of applicable securities laws in Canada. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Two of the directors of the Company and certain experts retained by the Company reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon such directors or experts. It may also not be possible to enforce against the Company, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Litigation

From time to time, the Company may be involved in lawsuits. The outcomes of any such legal actions may have a material adverse affect on the financial results of the Company on an individual or aggregate basis.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

Tax Issues

The Company's estimates regarding the exploration costs at the Serra Pelada Property have assumed current Brazilian tax rates, which may be increased in the future. Accordingly, the cost estimates may not represent an accurate statement of the Company's future tax costs.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Repatriation of Earnings

Currently, Brazil has no limitation on profit or capital remittances to foreign shareholders provided that all applicable Brazilian taxes have been paid. However, there can be no assurance that restrictions on the repatriation of earnings in Brazil will not be imposed in the future.

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Special note regarding forward-looking statements

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A including, but not limited to, any statements with respect to the future financial or operating performance of Colossus and its projects constitute "forward-looking information" or "forward-looking statements" within the meaning of certain securities laws, including the provisions of the *Securities Act* (Ontario) and the provisions for "safe harbour" under the United States Private Securities Litigation Reform Act of 1995, and are based on expectations, estimates and projections as of the date of this MD&A or, in the case of documents incorporated by reference herein, if any, as of the date of such documents. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in other filings with the securities regulators of Canada.

Other than as specifically required by law, the Company does not intend, and does not assume any obligation, to explain any material difference between subsequent actual events and such forward-looking statements, or to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise.

Forward-looking statements include, but are not limited to, possible events, statements with respect to possible events, the future price of gold or other metal prices, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of exploration and mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that 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 the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration and development activities; risks relating to title to properties; risks associated with obtaining necessary permits; risks associated with foreign operations, including government regulation and political stability risks; fluctuations in the value of the Canadian dollar relative to the U.S. dollar or Brazilian real; changes in project parameters as plans continue to be refined; future prices of gold; possible variations of mineral grade or recovery rates; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risk Factors Affecting Financial Instruments", "Risks and Uncertainties" in this MD&A and "Risk Factors" in the Company's most recently filed Annual Information Form.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other

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factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.