



**Suite 910 – 475 Howe Street
Vancouver, B.C.
V6C 2B3**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the Three Month Period Ended
December 31, 2006**

(Canadian Funds)

Auditor Review – These interim consolidated financial statements and related schedules were prepared by management. They have not been reviewed by the Company's independent external auditor.

Columbus Gold Corporation

(A Development Stage Company)

Interim Consolidated Balance Sheet

(Canadian Funds)

Statement 1

	December 31, 2006 (Unaudited)	September 30, 2006 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 70,954	\$ 273,194
Term deposits	3,230,000	3,411,700
Marketable securities (note 3)	21,600	24,600
Prepays	70,215	88,205
Receivables	84,566	70,062
	3,477,335	3,867,761
Advances to a related party for exploration (note 9)	136,831	203,399
Property and equipment, net (note 4)	1,419	1,536
Mineral properties (note 5)	3,012,676	2,717,115
	\$ 6,628,261	\$ 6,789,811
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 34,482	\$ 201,792
Due to related parties (note 9)	178,159	10,002
	212,641	211,794
Shareholders' equity		
Share capital (note 6)	8,395,448	8,270,628
Contributed surplus (note 6)	1,977,713	1,880,627
Deficit	(3,957,541)	(3,573,238)
	6,415,620	6,578,017
	\$ 6,628,261	\$ 6,789,811

Nature and continuance of operations (note 1)

Commitments (note 8)

Approved by the Board of Directors:

"Ken Judge"

Ken Judge - Director

"Robert Giustra"

Robert Giustra - Director

The accompanying notes are an integral part of these interim consolidated financial statements

Columbus Gold Corporation

(A Development Stage Company)

Statement 2

Interim Consolidated Statement of Operations and Deficit

(Canadian Funds)

	Three Months Ended December 31, 2006 (Unaudited)	Three Months Ended December 31, 2005 (Unaudited)
EXPENSES		
Administration	\$ 32,170	\$ 29,592
Amortization	117	192
Consulting fees	15,978	15,564
Corporate administration fees	17,184	19,200
Director fees	12,000	12,000
Foreign exchange loss (gain)	(4,848)	6,883
General exploration	101,665	74,710
Investor relations	33,861	1,050
Management fees	24,000	15,000
Professional fees	23,042	38,058
Stock-based compensation costs	115,826	-
Transfer and filing fees	(3,141)	-
Travel, advertising and promotion	47,266	8,408
Net loss before the following	(415,120)	(220,657)
Interest income	33,817	5,075
Unrealized loss on marketable securities	(3,000)	-
Net loss for the period	(384,303)	(215,582)
Deficit, beginning of period	(3,573,238)	(1,526,907)
Deficit, end of period	\$ (3,957,541)	\$ (1,742,489)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	20,120,046	13,828,852

The accompanying notes are an integral part of these interim consolidated financial statements

Columbus Gold Corporation

(A Development Stage Company)

Statement 3

Interim Consolidated Statement of Cash Flows
(Canadian Funds)

	Three Months Ended December 31, 2006 (Unaudited)	Three Months Ended December 31, 2005 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (384,303)	\$ (215,582)
Items not affecting cash:		
Amortization	117	192
Stock-based compensation costs	115,826	-
Unrealized loss on marketable securities	3,000	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(14,504)	51,984
Decrease in accounts payable and accrued liabilities	(167,310)	(160,123)
Decrease in prepaid expenses	17,990	66,835
Increase (decrease) in amounts due to related parties	168,157	(10,002)
Net cash used in operating activities	(261,027)	(266,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred share issuance costs	-	(83,233)
Share purchase warrants exercised	8,750	75,000
Stock options exercised	70,125	-
Net cash provided by financing activities	78,875	(8,233)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to a related party for exploration	66,568	135,958
Decrease in term deposit	181,700	489,514
Joint venture option proceeds received	54,115	-
Mineral property exploration and development costs	(322,471)	1,114,176
Net cash used in investing activities	(20,088)	1,739,648
Change in cash and cash equivalents during the period	(202,240)	1,464,719
Cash, beginning of period	273,194	186,061
Cash and cash equivalents, end of period	\$ 70,954	\$ 1,650,780

Supplemental Cash Flow Information - Note 7

The accompanying notes are an integral part of these interim consolidated financial statements

Columbus Gold Corporation

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

1. Nature and Continuance of Operations

Columbus Gold Corporation (formerly Purple Vein Resources Ltd., the “Company”) was incorporated on May 14, 2003 under the laws of the Province of Saskatchewan, Canada and continued on to British Columbia, Canada on December 29, 2003. The Company changed its name to Columbus Gold Corporation effective December 20, 2004. On May 23, 2006, the Company completed its initial public offering (“IPO”) and is currently listed on the TSX Venture Exchange (the “TSX” or “Exchange”) classified as a Tier 2 mining issuer.

Its principal business activities are the exploration and development of resource properties. All of the Company’s resource properties are currently located in the United States. The Company is in the process of exploring and developing its resource properties, but has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These interim consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Its ability to continue as a going concern is dependent upon the continued support of the related parties, the ability of the Company to raise equity financing, the discovery of economically recoverable reserves and ultimately the attainment of profitable operations. These interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of presentation

These interim consolidated financial statements are presented in accordance with generally accepted accounting principles (“GAAP”) applicable in Canada. These interim consolidated financial statements include the accounts of Columbus Gold Corporation and its wholly owned subsidiary Columbus Gold (U.S.) Corporation. All inter-company transactions and balances have been eliminated upon consolidation. Columbus Gold (U.S.) Corporation was incorporated on March 17, 2005.

(b) Cash and cash equivalents

Cash equivalents usually consist of highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

Columbus Gold Corporation

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

2. Significant Accounting Policies (continued)

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

(d) Foreign currency translation

The Company's reporting currency is the Canadian dollar and the Company uses the temporal method of foreign currency translation in US dollars and for translating the operations of its fully integrated wholly-owned US subsidiary. Transactions are translated into Canadian dollars as follows:

- a) Monetary items at the rate prevailing at the balance sheet date;
- b) Non-monetary items at the historical exchange rate;
- c) Revenue and expense at the average exchange rate for the period;
- d) Gains or losses arising on translation are included in the statement of operations.

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the period. Exchange gains and losses arising on translation are included in the statement of operations.

(e) Future income taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Columbus Gold Corporation

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

2. Significant Accounting Policies (continued)

(f) Mineral properties

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the property is put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the property is sold or abandoned, then the expenditure will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of a mineral property interest, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, then the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production and proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment will be based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of the capitalized property carrying values.

General exploration costs consist of exploration expenditures incurred in the process of evaluating potential property acquisitions. These costs are expensed as incurred unless the property is subsequently acquired and then the expenses are deferred.

(g) Share Capital

- i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

2. Significant Accounting Policies (continued)

(h) Risk management

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate significant environmental remediation costs or liabilities in respect of its current operations.

The Company is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk.

The Company's functional currency is the Canadian dollar. The Company operates in foreign jurisdictions, giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(i) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Basic and diluted loss per common share are calculated using the weighted average number of shares outstanding during the period.

(j) Stock-based compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Columbus Gold Corporation

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

2. Significant Accounting Policies (continued)

(k) Financial Instruments

Financial instruments include cash, term deposits, marketable securities, receivables, amounts due to and from related parties, and accounts payable. The fair value of arms-length financial instruments approximate their carrying value due to their short-term maturity.

The fair value of amounts due to and from related parties is estimated to approximate carrying value. Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

Net smelter return (“NSR”) royalties and related purchase provisions associated with mineral property interests represent derivatives that are financial instruments. The fair value of such instruments, where reserves and economic feasibility have not been established, cannot be readily determined with reliability. Accordingly, management has not made a determination of fair value for these financial instruments.

(m) Asset retirement obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at December 31, 2006, the Company did not have any asset retirement obligations.

(n) Variable interest entities - Change in Accounting Policy

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 “Consolidation of Variable Interest Entities”, to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, “Consolidation of Variable Interest Entities” (“VIE”). The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The adoption of this Guideline does not materially impact the Company’s results of operations and financial position.

3. Marketable Securities

Marketable securities consist of 120,000 common shares of Black Pearl Minerals Consolidated Inc. with a fair value of \$21,600 on December 31, 2006.

Columbus Gold Corporation

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

4. Property and Equipment

	Cost	Accumulated Amortization	December 31, 2006 Net Book Value	
Computer equipment - 30%	\$ 2,558	\$ 1,139	\$	1,419

	Cost	Accumulated Amortization	September 30, 2006 Net Book Value	
Computer equipment - 30%	\$ 2,558	\$ 1,022	\$	1,536

5. Mineral Properties

	September 30, 2006	Acquisition Cost	Deferred Exploration	Write-down/ Amortization	December 31, 2006
Utah Clipper	\$ 661,582	\$ -	\$ 4,534	\$ -	\$ 666,116
Golden Mile	537,115	-	216,654	-	753,769
Dutch Flat	105,893	-	4,731	-	110,624
Chert Cliff	17,323	-	4,534	-	21,857
Silver Dome	44,689	9,182	22,241	-	76,112
Silver District	125,947	-	5,590	-	131,537
Four Metals	-	-	4,534	-	4,534
Crestview	203,171	-	-	-	203,171
Laura	172,266	-	-	-	172,266
Guild	126,853	1,585	(21,800)	-	106,638
Overland Pass	18,120	-	(8,762)	-	9,358
Linka	94,919	-	(9,538)	-	85,381
Pete's Summit	78,698	-	(6,649)	-	72,049
Bolo	112,570	1,584	22,439	-	136,593
Burnt Well	-	70,181	149	-	70,330
Clara Moro ⁽¹⁾	70,181	-	(70,181)	-	-
Scraper Springs	-	11,393	3,340	-	14,733
Del Oro	21,727	-	20,117	-	41,844
Spring	21,580	-	786	-	22,366
Winnemucca Mountains	29,273	-	292	-	29,565
Mill Canyon	21,142	-	-	-	21,142
White Canyon	20,849	-	-	-	20,849
Clanton Hills	29,179	-	18	-	29,197
Summit	204,038	637	7,098	-	211,773
Red Hills	-	-	163	-	163
White Horse Flats	-	-	709	-	709
Total Properties	\$ 2,717,115	\$ 94,562	\$ 200,999	\$ -	\$ 3,012,676

(1) Clara Moro was exchanged for Burnt Well property. The Company retains a 1% NSR on the Clara Moro property.

Columbus Gold Corporation

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

A summary of resource properties and deferred exploration costs is as follows:

	September 30, 2005	Acquisition Cost	Deferred Exploration	Write-down/ Amortization	September 30, 2006
Golden Mile	\$ 142,109	\$ 44,424	\$ 350,582	\$ -	\$ 537,115
Utah Clipper	568,726	-	92,856	-	661,582
Dutch Flat	74,828	6,000	25,065	-	105,893
Chert Cliff	11,698	-	5,625	-	17,323
Silver Dome	-	2,248	42,441	-	44,689
Silver District	42,601	22,418	60,928	-	125,947
Winnemucca Mountains	-	20,849	8,424	-	29,273
Four Metals	41,604	-	(41,604)	-	-
Crestview	167,705	-	35,466	-	203,171
Del Oro	-	20,849	878	-	21,727
Spring	-	20,849	731	-	21,580
Mill Canyon	-	20,849	293	-	21,142
Overland Pass	-	-	18,120	-	18,120
White Canyon	-	20,849	-	-	20,849
Laura	141,887	-	30,379	-	172,266
Linka	18,243	-	76,676	-	94,919
Red Bird ⁽¹⁾	18,139	-	-	(18,139)	-
Clanton Hills	2,367	-	26,812	-	29,179
Clara Moro	39,462	-	30,719	-	70,181
Pete's Summit	21,483	-	57,215	-	78,698
Bolo	-	560	112,010	-	112,570
Guild	-	5,612	121,241	-	126,853
Summit	-	37,979	166,059	-	204,038
Total Properties	\$ 1,290,852	\$ 223,486	\$ 1,220,916	\$ (18,139)	\$ 2,717,115

(1) Property was abandoned and written-off during the year.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

A breakdown of the exploration expenditures by type incurred during the period is as follows:

	<u>Amount</u>
Balance – September 30, 2005	<u>\$1,290,852</u>
Acquisition	223,486
Administration	151,692
Advance royalties	84,735
Assays	98,403
Claim renewals	321,417
Drilling	124,321
Geologists and staff	285,822
Geophysics	126,753
Maps and reports	6,341
Travel	115,893
Less: Option payments	(94,461)
Less: Property write-offs	<u>(18,139)</u>
Balance – September 30, 2006	<u>\$2,717,115</u>
Acquisition	94,561
Administration	(10,460)
Assays	20,212
Claim renewals	26,583
Drilling	128,604
Geologists and staff	87,234
Geophysics	(13,568)
Travel	16,510
Less: Option payments	<u>(54,115)</u>
Balance – December 31, 2006	<u><u>\$3,012,676</u></u>

Columbus Gold Corporation

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Utah Clipper Property

On March 10, 2003, the Company entered into its original mineral property acquisition agreement (the "Hidefield Agreement") to acquire a 100% interest in the Utah Clipper Property from Hidefield Gold (US) Inc. ("Hidefield Gold (US)"), a wholly-owned subsidiary of Hidefield Gold plc which is an AIM listed corporation that shares two directors in common with the Company.

As consideration for the Utah Clipper Property the Company issued 1,000,000 common shares to Hidefield Gold (US). The Utah Clipper Property is subject to a 1.5% NSR under the Hidefield Agreement. Additionally, the Company agreed to assume the underlying royalty agreements on the Utah Clipper Property, whereby a total of 166 claims within the Utah Clipper Property are subject to an underlying 1% NSR.

On April 18, 2005, the Company entered into a 20 year lease agreement (the "Clipper Lease") whereby the Company leased an additional 7 patented mining claims which are contiguous to the Utah Clipper Property. The Clipper Lease is renewable for additional and successive terms of 10 years provided the Company is engaged in active exploration and development. The Clipper Lease provides the lessor with a 3% NSR subject to deduction for the payment of specified advance minimum royalties on an annual basis as follows:

Date	Amount (in USD)
On Execution of Agreement	\$5,000 (Paid)
By the 1 st Anniversary	5,000 (Paid)
By the 2 nd Anniversary	5,000
By the 3 rd Anniversary	7,500
By the 4 th Anniversary	7,500
By the 5 th Anniversary	7,500
By the 6 th and subsequent Anniversaries*	\$10,000

*On the 7th and subsequent anniversaries, payments will be adjusted for inflation.

Pursuant to the Clipper Lease, in the event that the Company disposes of the mining claims to the US Bureau of Land Management, it will pay two-thirds of the proceeds realized to the lessors.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Utah Clipper Property (continued)

On September 5, 2005, the Company entered into an assignment agreement (the "Golden West Agreement") with Golden West Resources Ltd. ("Golden West"), whereby Golden West assigned to the Company all of its right, title and interest in the Orbit claims and certain other mining claims in Nevada known as the Crestview, Blue Spider and the Laura claims (collectively the "Golden West Claims"). The Orbit claims are contiguous with and form part of the Company's existing Utah Clipper Property. The Crestview claims and the Blue Spider claims are contiguous with each other and form the Crestview property (the "Crestview Property"), and the Laura claims form the Laura property (the "Laura Property").

As aggregate consideration for the assignment of the Golden West Claims, the Company paid Golden West USD\$25,000, reimbursed Golden West for a total of USD\$61,400 in past costs, assumed USD\$8,875 in obligations to underlying lessors and issued 1,000,000 common shares of the Company.

The shares are subject to a pooling agreement, as amended on January 13, 2006, to be released as follows:

Date	Number of Shares
Upon closing of the Golden West Agreement	100,000 (released)
January 13, 2006	100,000 (released)
November 24, 2006	320,000 (released)
May 24, 2007	80,000
November 24, 2007	200,000
May 24, 2008	200,000

The Golden West Claims are subject to underlying lease agreements. The Orbit claims are governed by the terms of the underlying Orbit lease (the "Orbit Lease") which has a 10 year term expiring November 24, 2014 and can be renewed for 3 additional terms of 10 years so long as the conditions of the Orbit Lease are met and a fee of USD\$50,000 is paid to the underlying lessor upon the beginning of each successive term. The Orbit claims are also subject to an underlying 3% NSR and quarterly lease payments of USD\$3,000, subject to annual consumer price index ("CPI") adjustments.

Effective February 1, 2006, the Company entered into a 20 year lease agreement (the "Boss Lease") whereby the Company leased an additional 9 patented lode mining claims (the "Boss Claims") which are contiguous with the Utah Clipper Property. The Boss Lease is renewable for additional and successive terms of 10 years provided the Company is engaged in active exploration and development. The Boss Claims are also subject to a 3.5% NSR and provide for the payment of specified advance minimum royalties on an annual basis as follows:

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Utah Clipper Property (continued)

Date	Amount (in USD)
On Execution of the Agreement	\$20,000 (Paid)
By the 1 st Anniversary	20,000
By the 2 nd Anniversary	20,000
By the 3 rd Anniversary	25,000
By the 4 th Anniversary	25,000
By the 5 th Anniversary	25,000
By the 6 th and subsequent Anniversaries*	\$30,000

*On the 7th and subsequent anniversaries, payments will be adjusted for inflation.

On June 9, 2006, the Company entered into an option agreement (the “Agnico Agreement”) with Agnico Eagle (USA) Ltd. (“Agnico”) which will allow Agnico to earn a 51% interest in a package of 3 Nevada properties which include the Company’s Utah Clipper Property, Crestview Property and Laura Property (collectively the “Cortez Properties”) by incurring exploration expenditures of USD\$6.5 million over 7 years, with minimum expenditures of USD\$600,000 in the first year. Agnico will assume responsibility for maintaining the Cortez Properties by paying all annual sustaining fees and meeting all underlying lease payments. Agnico will be the operator during the earn-in phase of the Agnico Agreement and upon formalization of a joint venture.

Upon completing USD\$6.5 million in aggregate work expenditures, Agnico will have earned a 51% interest in the Utah Clipper Property and the other Cortez Properties leading to the establishment of a formal joint venture whereby Agnico may elect to earn an additional 19% interest in the Cortez Properties (for a total interest of 70%) by preparing and delivering to the Company a positive feasibility study for the development of a mine on any one of the Cortez Properties.

In the event of a decision to develop a mine on any of the Cortez Properties, the Company may require Agnico to arrange financing for the Company’s proportionate share of the capital required for the development of the mine, including a working capital reserve as provided in the feasibility study. Agnico will earn a further 5% interest in the Cortez Properties (for a total interest of 75%) for arranging this financing for the Company which may take the form of a loan, a private placement into the Company, direct equity investment by Agnico or such other form as the parties agree are commercially reasonable.

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For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Golden Mile Property

On December 9, 2003, the Company entered into a mineral lease agreement (the "Golden Mile Agreement") with Nevada Mine Properties II Inc. ("Nevada Mine"), a corporation associated with a director of the Company, whereby the Company acquired the right to earn a 100% interest in the Golden Mile Property located in Nevada, U.S.A. which includes the CMA, MA, Martin and Walsh claims. As consideration, the Company must issue and pay the following:

Shares

- 150,000 common shares (issued);
- 75,000 common shares on the first anniversary of the Golden Mile Agreement (issued);
- 75,000 common shares on the second anniversary of the Golden Mile Agreement; (issued)

Cash (USD)

- \$2,500 by the first anniversary of the Golden Mile Agreement (paid);
- \$5,000 by the second anniversary of the Golden Mile Agreement (paid);
- \$7,500 by the third anniversary of the Golden Mile Agreement; (terminated on July 7, 2006)
- \$25,000 by the fourth anniversary of the Golden Mile Agreement and thereafter until production commences. (terminated on July 7, 2006)

The above payments are deductible from subsequent production royalties.

In addition, the Company agreed to:

- Pay a 3.5% NSR from the sale of gold on the CMA and MA claims;
- Pay a 0.5% NSR from the sale of gold on the Martin and Walsh claims.

Pursuant to the Golden Mile Agreement, the Company was assigned the Martin and Walsh Agreements and is thereby responsible for all underlying advance royalty obligations and lease payments owed on the Martin and Walsh claims, respectively.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Golden Mile Property (continued)

The Company must pay the following advance royalties (in USD) under the Martin Agreement:

- \$15,000 by March 1, 2005 (paid);
- \$20,000 by March 1, 2006 (paid);
- \$50,000 by March 1, 2007;
- \$50,000 (adjusted by changes in the CPI) by March 1, 2008 and every anniversary thereafter until production commences.

The Martin claims are subject to a 4.75% NSR from the sale of gold on the Martin claims, and the above payments are deductible from these production royalties.

The Company must pay the following lease payments (in USD) under the Walsh Agreement:

- \$7,500 by August 4, 2005 (paid);
- \$7,500 by August 4, 2006 (paid);
- \$10,000 (adjusted by changes in the CPI) by August 4, 2007 and every anniversary thereafter until production commences.

The Walsh claims are subject to an underlying 3% NSR from the sale of gold on the Walsh claims.

Effective July 7, 2006, the Company entered into an agreement with John Prochnau, a principal of Nevada Mine and a director of the Company, and Barbara Prochnau (the "Vendors") to purchase all of their right, title and interest in the Golden Mile Property for consideration of a cash payment of USD\$26,250 (paid) on or before January 1, 2007. Pursuant to the agreement, the existing royalties and cash payments to Nevada Mine, which are outlined above, will be terminated and replaced by a 2% NSR on the CMA and MA claims. The underlying Martin and Walsh Agreements remain in tact. Furthermore, should the Company hold any part of the Golden Mile Property as at December 26, 2009, then the Company will pay the Vendors a one time bonus of USD\$100,000. The Company can elect, however, to settle this payment through the issuance of common shares of the Company with a fair market value of USD\$100,000

Dutch Flat Property

On March 10, 2003, the Company acquired an 83% interest in the Dutch Flat Property pursuant to the Hidefield Agreement with Hidefield Gold (US). As consideration for the Dutch Flat Property the Company issued 62,500 common shares to Hidefield Gold (US). The Dutch Flat Property is subject to a 1.5% NSR under the Hidefield Agreement.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Dutch Flat Property (continued)

On May 31, 2005, the Company acquired the remaining 17% interest in the Dutch Flat Property for consideration of USD\$5,000 and the issuance of 20,000 common shares.

On June 30, 2005, the Company entered into an agreement (the "Nevada Sunrise Agreement") with Nevada Sunrise LLC ("Nevada Sunrise") pursuant to which the Company acquired 11 unpatented mining claims (the "Nevada Sunrise Claims") comprising 220 acres for USD\$10,000 and for reimbursement of past costs. The Nevada Sunrise Agreement obligates the Company to maintain the claims, and grants to Nevada Sunrise a 1% NSR over all of the Dutch Flat Property.

On July 2, 2006, the Company entered into an earn-in agreement with Piedmont Mining Company, Inc. ("Piedmont") which will allow Piedmont to earn a 51% interest in the Dutch Flat property by paying USD\$35,000 (paid) upon signing of the agreement and by incurring exploration expenditures of USD\$2,000,000 over 5 years, with minimum expenditures of USD\$200,000 in the first year. Piedmont can increase its ownership interest to 70% by funding the completion of a positive feasibility study. The Company agreed to be the operator during the first year of the agreement.

Chert Cliff Property

On March 10, 2003, the Company acquired a 100% interest in the Chert Cliff Property pursuant to the Hidefield Agreement with Hidefield Gold (US). As consideration for the Chert Cliff Property the Company issued 62,500 common shares to Hidefield Gold (US). The Chert Cliff Property is subject to a 1.5% NSR under the Hidefield Agreement. Additionally, the Company has assumed the underlying royalty agreement whereby a total of 7 claims within the Chert Cliff Property are subject to an underlying 3% NSR which will be reduced to 1% upon reaching USD\$500,000 in NSR payments.

On April 11, 2006, the Company entered into a lease agreement (the "Platte River Lease") with Platte River Gold (US) Inc. ("Platte River") whereby the Company has leased the Chert Cliff Property to Platte River for a term of 20 years. The Platte River Lease is renewable for additional and successive terms of 10 years provided Platte River is engaged in active exploration and development and the lease payments are doubled. The initial term of annual lease payments progressively increase from USD\$5,000 on signing of the Platte River Lease to USD\$8,500 due on the 20th anniversary of signing. Additional consideration to the Company is the issuance of USD\$100,000 in common shares of Platte River Gold Inc., parent corporation of Platte River, within 24 months of the effective date of the Platte River Lease.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Chert Cliff Property (continued)

Platte River is required to incur minimum exploration expenditures of USD\$75,000 by October 11, 2007 and an additional USD\$200,000 by April 11, 2009. Further, the Company will maintain NSR royalties on the Chert Cliff Property that vary between 2% - 3% depending on the claim.

Silver Dome

Effective September 15, 2006, the Company entered into a 10 year lease agreement (the "Steele Lease") whereby the Company leased 33 unpatented mining claims. The property is subject to a 3.5% NSR and advance royalty payments as follows:

Date	Amount (in USD)
On Execution of the Agreement	\$ 5,000 (Paid)
By the September 1, 2007	7,500
By the September 1, 2008	10,000
By the September 1, 2009	12,500
By the September 1, 2010	15,000
By the September 1, 2011 *	\$25,000

* And each subsequent anniversary

The Company has the right to purchase the property, which includes the NSR, for consideration of USD\$2,000,000 of which prior royalty payments will receive credit.

The Company has staked additional claims contiguous to the claims leased under the Steele Lease.

Silver District Property

On March 10, 2003, the Company acquired a 100% interest in the Silver District Property pursuant to the Hidefield Agreement with Hidefield Gold (US). As consideration for the Silver District Property the Company issued 62,500 common shares to Hidefield Gold (US). The Silver District Property is subject to a 1.5% NSR under the Hidefield Agreement.

On August 26, 2005, the Company acquired a mineral exploration permit for an additional 636 acres of land from the Arizona State Land Department. The permit is renewable annually for a fee of \$1,272 and is valid for a period of 5 years.

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For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Silver District Property (continued)

On August 28, 2006, the Company entered into a purchase agreement (the “Red Cloud Agreement”) with Robert Bell to acquire 15 unpatented mining claims contiguous with the Silver District Property. The purchase price was USD\$20,000 (paid) and the property is free of any royalties.

On August 28, 2006, the Company entered into a lease agreement (the “Red Cloud Lease”) with Robert Bell whereby the Company has leased one patented and two unpatented mining claims for a term of 20 years. The Red Cloud Lease is renewable for an additional term of 20 years. The initial term of the lease requires the payment of annual advance royalties as follows:

- USD\$5000 in each of the first 4 years (Year 1 paid)
- USD\$7,500 in years 5 through 9
- USD\$10,000 in each year thereafter over the term of the lease

The Red Cloud Lease is subject to a 2% NSR.

Four Metals Property

On March 10, 2003, the Company acquired a 100% interest in 24 mining claims and a 50% interest in 16 mining claims, collectively known as the Four Metals Property, pursuant to the Hidefield Agreement with Hidefield Gold (US). As consideration for the Four Metals Property the Company issued 62,500 common shares to Hidefield Gold (US). The Four Metals Property is subject to a 1.5% NSR under the Hidefield Agreement.

On April 13, 2006 and May 16, 2006, the Company entered into two option agreements with Black Pearl Minerals Consolidated Inc. (“Black Pearl”) which will allow Black Pearl to earn the Company’s interest in the Four Metals Property. Subject to pre-existing underlying royalties and a 1.5% NSR to the Company on certain claims that comprise the Four Metals Property, the Company has agreed to sell all of its interest in exchange for aggregate consideration of USD\$300,000 cash and 600,000 common shares of Black Pearl, payable over four years. As at September 30, 2006 the Company has received 120,000 common shares of Black Pearl and USD\$30,000 in cash.

Crestview Property

On September 5, 2005, the Company entered into the Golden West Agreement whereby Golden West assigned to the Company all of its right, title and interest in the Golden West Claims which include the claims that form the Crestview Property.

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For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Crestview Property (continued)

As aggregate consideration for the assignment of the Golden West Claims, the Company paid Golden West USD\$25,000, reimbursed Golden West for a total of USD\$61,400 in past costs, assumed USD\$8,875 in obligations to the underlying lessors and issued 1,000,000 common shares of the Company, subject to a pooling agreement.

The Golden West Claims are subject to underlying lease agreements. The Crestview Property is governed by the terms of the underlying Crestview lease (the "Crestview Lease") and Blue Spider lease (the "Blue Spider Lease") both of which have a 10 year term and can be renewed for 3 additional terms of 10 years so long as the conditions of the Crestview Lease and the Blue Spider Lease are met and a fee of USD\$50,000 for each lease is paid to the underlying lessors upon the beginning of each successive term. The Crestview Property is subject to an underlying 3% NSR and quarterly lease payments of USD\$3,300, subject to annual CPI adjustments.

On June 9, 2006, the Company entered into the Agnico Agreement which will allow Agnico to earn a 51% interest in the Cortez Properties, which includes the Crestview Property, by incurring exploration expenditures of USD\$6.5 million over 7 years, with minimum expenditures of USD\$600,000 in the first year. Agnico will assume responsibility for maintaining the Cortez Properties by paying all annual sustaining fees and meeting all underlying lease payments. Agnico will be the operator during the earn-in phase of the Agnico Agreement and upon formalization of a joint venture.

Upon completing USD\$6.5 million in aggregate work expenditures, Agnico will have earned a 51% interest in the Crestview Property and the other Cortez Properties leading to the establishment of a formal joint venture whereby Agnico may elect to earn an additional 19% interest in the Cortez Properties (for a total interest of 70%) by preparing and delivering to the Company a positive feasibility study for the development of a mine on any one of the Cortez Properties. In the event of a decision to develop a mine on any of the Cortez Properties, the Company may require Agnico to arrange financing for the Company's proportionate share of the capital required for the development of the mine in exchange for an additional 5% interest in the Cortez Properties (for a total interest of 75%).

Laura Property

On September 5, 2005, the Company entered into the Golden West Agreement whereby Golden West assigned to the Company all of its right, title and interest in the Golden West Claims which include the claims that form the Laura Property. As aggregate consideration for the assignment of the Golden West Claims, the Company paid Golden West USD\$25,000, reimbursed Golden West for a total of USD\$61,400 in past costs, assumed USD\$8,875 in obligations to the underlying lessors and issued 1,000,000 common shares of the Company, subject to a pooling agreement. As of September 30, 2006, a total of 200,000 shares have been released.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Laura Property (continued)

The Golden West Claims are subject to underlying lease agreements. The Laura Property is governed by the terms of the underlying Laura lease (the "Laura Lease") which has a 10 year term and can be renewed for 3 additional terms of 10 years so long as the conditions of the Laura Lease are met and a fee of USD\$50,000 is paid to the underlying lessor upon the beginning of each successive term. The Laura Property is subject to an underlying 3% NSR and quarterly lease payments of USD\$1,800, subject to annual CPI adjustments.

On June 9, 2006, the Company entered into the Agnico Agreement which will allow Agnico to earn a 51% interest in the Cortez Properties, which includes the Laura Property, by incurring exploration expenditures of USD\$6.5 million over 7 years, with minimum expenditures of USD\$600,000 in the first year. Agnico will assume responsibility for maintaining the Cortez Properties by paying all annual sustaining fees and meeting all underlying lease payments. Agnico will be the operator during the earn-in phase of the Agnico Agreement and upon formalization of a joint venture.

Upon completing USD\$6.5 million in aggregate work expenditures, Agnico will have earned a 51% interest in the Laura Property and the other Cortez Properties leading to the establishment of a formal joint venture whereby Agnico may elect to earn an additional 19% interest in the Cortez Properties (for a total interest of 70%) by preparing and delivering to the Company a positive feasibility study for the development of a mine on any one of the Cortez Properties. In the event of a decision to develop a mine on any of the Cortez Properties, the Company may require Agnico to arrange financing for the Company's proportionate share of the capital required for the development of the mine in exchange for an additional 5% interest in the Cortez Properties (for a total interest of 75%).

Guild / Overland Pass / Linka / Pete's Summit Properties

The Overland Pass, Linka and Pete's Summit properties were all acquired from staking activities conducted by Cordex. Effective March 31, 2006, the Company entered into a 10 year lease agreement (the "Campbell Lease") with the Campbell Trust (the "Campbell Trust") whereby the Company leased 44 mining claims (the "Guild Property"). The Campbell Lease is renewable for additional and successive terms of 5 years provided there is production on at least one of the claims. The Campbell Lease is subject to a 5% NSR until a total of \$2,000,000 has been paid and then 2.5% thereafter. The Campbell Lease also provides for the payment of specified advance minimum royalties on an annual basis as follows:

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For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Guild / Overland Pass / Linka / Pete's Summit Properties (continued)

Date	Amount (in USD)
On Execution of the Agreement	\$ 5,500 (Paid)
By the January 15, 2007	8,250
By the January 15, 2008	11,000
By the January 15, 2009	13,750
By the January 15, 2010	16,500
By the January 15, 2011	\$27,500

*On every subsequent anniversary, payments will be the greater of USD\$55,000 or the dollar equivalent of 94.5 ounces of gold.

The Company has subsequently staked an additional 74 mining claims contiguous with the Guild Property.

The Company entered into joint venture option agreements on October 3, 2006 with Sniper Resources Ltd. ("Sniper") on the Overland Pass, Guild, Linka and Pete's Summit properties in Nevada. Consideration for the agreements is as follows:

Overland Pass

Sniper can earn a 51% interest by paying the Company USD\$12,500 (paid) in cash on signing of the agreement, USD\$37,500 in cash or common shares upon Sniper commencing trading on the TSX-V and by incurring USD\$2,000,000 in exploration expenditures within 48 months, including USD\$200,000 in the first 12 months.

Guild

Sniper can earn a 51% interest by paying the Company USD\$17,500 (paid) in cash on signing of the agreement, USD\$32,500 in cash or common shares upon Sniper commencing trading on the TSX-V and by incurring USD\$2,000,000 in exploration expenditures within 48 months, including USD\$200,000 in the first 12 months.

Linka/Pete's Summit

Sniper can earn a 51% interest by paying the Company USD\$17,500 (paid) in cash on signing of the agreement, USD\$32,500 in cash or common shares upon Sniper commencing trading on the TSX-V and by incurring USD\$2,000,000 in exploration expenditures within 48 months, including USD\$200,000 in the first 12 months.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

5. Mineral Properties (continued)

Bolo Property

The Company staked 81 mining claims during 2006, and effective on November 1, 2006 acquired 2 additional contiguous mining claims from the Campbell Trust for USD\$25,000 and a 3% gross royalty. The Campbell Trust is also entitled to a 0.5% NSR on the Company's 81 staked mining claims.

Burnt Well Property

Effective August 21, 2006, the Company completed a property exchange agreement whereby it acquired the Burnt Well property in exchange for the Clara Moro property. The Company granted a 2% NSR to the vendor on the Burnt Well property and the Company still maintains a 1% NSR on the Clara Moro property.

Scraper Springs Property

The Company was assigned a lease agreement (the "Master Lease"), with an effective date of December 4, 2003, whereby the Company leased ten mining claims for a term of 15 years. The lease requires the payment of the remaining annual advance royalties as follows:

- USD\$10,000 by December 4, 2006 (paid)
- USD\$10,000 by June 4, 2007
- USD\$25,000 by December 4, 2007
- USD\$30,000 by December 4, 2008
- USD\$35,000 by December 4, 2009
- USD\$40,000 in each year thereafter over the term of the lease

The Master Lease is subject to a 2.5% NSR. The property and royalty can be purchased outright for USD\$800,000 with credit received for any prior royalty payments.

The Company was assigned a lease agreement (the "Ellison Lease"), with an effective date of August 24, 2004, whereby the Company leased six mining claims for a term of 15 years. The lease requires the payment of the remaining annual advance royalties as follows:

- USD\$15,000 by August 24, 2007
- USD\$25,000 by August 24, 2008
- USD\$50,000 in each year thereafter over the term of the lease

The Ellison Lease is subject to a 2.5% NSR.

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Notes to Interim Consolidated Financial Statements

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5. Mineral Properties (continued)

Other Properties

Effective September 12, 2006, the Company entered into an agreement (the "Prochnau Agreement") with John Prochnau, a director of the Company, and Barbara Prochnau to purchase all of their right, title and interest in 5 Nevada properties known as the Del Oro Property, Spring Property, Winnemucca Mountain Property, Mill Canyon Property and White Canyon Property. The aggregate consideration consists of a cash payment of USD\$27,000, the issuance of 100,000 common shares of the Company with an agreed value of USD\$0.66 per share (USD\$66,000) and a 1.5% NSR.

The Company has staked additional properties in the following jurisdictions:

Property	Location	Status
Clanton Hills	Arizona	Initial exploration
Summit	Nevada	Initial exploration
Red Hills	Nevada	Initial exploration
White Horse Flats	Nevada	Initial exploration

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6. Share Capital

(a) Common Shares

Authorized - Unlimited common shares without par value

Unlimited Class A preferred shares without par value

	Number of Shares	Amount	Contributed Surplus
Balance, as at September 30, 2005	7,180,100	\$ 388,680	\$ -
Exercise of warrants at \$0.50 per share	150,000	75,000	-
Shares issued as settlement of acquisition of mineral properties – non-cash	95,000	21,000	-
Initial public offering ¹	5,882,352	3,984,375	1,015,625
Share issue costs	-	(499,562)	(54,803)
In exchange for services rendered – non-cash	150,000	127,500	-
Stock-based compensation costs	-	-	919,805
Balance, as at September 30, 2006	20,094,356	\$ 8,270,628	\$ 1,880,627
Exercise of warrants at \$1.25 per share	7,000	8,750	-
Exercise of stock options at \$0.85 per share	82,500	70,125	-
Fair value of options and warrants exercised	-	45,945	(45,945)
Stock-based compensation costs	-	-	143,031
Balance, as at December 31, 2006	20,183,856	\$ 8,395,448	\$ 1,977,713

1. On May 23, 2006, the Company completed its initial public offering on the TSX Venture Exchange by issuing 5,882,352 units at a price of \$0.85 per unit for total gross proceeds of \$5,000,000 (the "Offering"). Each Unit consisted of one common share of the Company and one share purchase warrant. Each share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of \$1.25 per share for a period of 18 months from the closing of the Offering. The warrants attached have been valued at \$888,285 net of share issuance costs based upon the Black Scholes method which utilizes the following assumptions: Expected dividend yield of nil, Expected stock price volatility of 75%, Risk-free interest rate of 4.25%, Expected life of warrants is 18 months. Global Securities Corporation (the "Agent") was paid a cash commission of \$284,568, a \$25,000 corporate finance fee and received 334,785 Agent's warrants (valued at \$72,537) exercisable at \$1.25 for a period of 18 months from the closing of the Offering. Additionally, a cash commission of \$45,607 was paid in third party finder's fees.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

6. Share Capital (continued)

(a) Common Shares (continued)

Escrow Shares

Pursuant to an escrow agreement dated as of June 21, 2005 between the Company, Computershare Investor Services (the “Escrow Agent”) and certain principals of the Company, the principals agreed to deposit in escrow their common shares totaling 4,497,634 shares with the Escrow Agent. The escrow agreement provided that 10% of the escrow shares will be released upon final receipt of the Company’s IPO prospectus (May 23, 2006), and 15% will be released every 6 months thereafter over a period of 36 months. As at December 31, 2006, the number of escrow shares outstanding was 3,373,226.

(b) Stock Options

The Company has established a share purchase option plan whereby the Board of Directors, may from time to time, grant options to directors, officers, employees or consultants to a maximum of 10% of the issued and outstanding share capital amount. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company’s Board of Directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant date.

A summary of stock options outstanding as at December 31, 2006 is set out below:

Number of Options	Exercise Price	Expiry Date
1,802,500	\$0.85	May 24, 2011
100,000	\$0.85	July 25, 2011
115,000	\$1.40	December 20, 2011

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

6. Share Capital (continued)

(b) Stock Options (continued)

A summary of the changes in the Company's stock options is set out below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Time To Expiry
Balance – September 30, 2006	1,990,000	\$0.85	4.66 yrs
Granted during the period	115,000	1.40	5.00
Exercised during the period	(82,500)	0.85	-
Cancelled during the period	(5,000)	0.85	-
Balance – December 31, 2006	2,017,500	\$0.88	4.44 yrs

During the prior year, the Company granted a total of 1,990,000 incentive stock options to officers and consultants at an exercise price of \$0.85 per share and a term of 5 years from the date of grant. These options were assigned a fair value of \$1,072,720 and a total of \$919,805 had vested as of September 30, 2006. A total of \$62,373 vested during the period ended December 31, 2006 and was expensed as stock-based compensation costs or capitalized into mineral properties. The balance will vest during the remainder of the year.

On December 20, 2006, the Company issued a total of 115,000 incentive stock options to officers and consultants at an exercise price of \$1.40 per share and a term of 5 years. These options were assigned a fair value of \$103,063 on the date of grant. A total of \$80,658 had vested as of December 31, 2006 and have been expensed as stock-based compensation costs. The balance will vest during the year.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

The estimated fair value of the stock options was determined using a Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	Nil
Expected price volatility	75%
Risk free interest rate	4.25%
Expected life of options	5 years

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

6. Share Capital (continued)

(c) Warrants

A summary of share purchase warrants outstanding as at December 31, 2006 is set out below:

Number of Warrants	Exercise Price	Expiry Date
5,875,352	\$1.25	November 23, 2007
334,785 *	\$1.25	November 23, 2007

* Agent's warrants issued in connection with the Company's IPO.

A summary of the changes in the Company's share purchase warrants is set out below:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Time To Expiry
Balance – September 30, 2006	6,217,137	\$1.25	1.15 yrs
Issued during the period	-	-	-
Exercised during the period	(7,000)	1.25	-
Expired during the period	-	-	-
Balance – December 31, 2006	6,210,137	\$1.25	0.90 yrs

On May 23, 2006, the Company completed its IPO and issued 5,882,352 warrants at an exercise price of \$1.25 per share and a term of 18 months. Further, the Company issued 334,785 Agent's warrants at an exercise price of \$1.25 per share and a term of 18 months. These Agent's warrants were assigned a fair value of \$72,537 on the date of issue and have been recorded as share issue costs.

The estimated fair value of the Agent's warrants was determined using a Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	Nil
Expected price volatility	75%
Risk free interest rate	4.25%
Expected life of warrants	1.5 years

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7. Supplemental Cash Flow Information

	December 31, 2006	December 31, 2005
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

The only significant non-cash investing or financing activity during the period was the Company capitalizing \$27,205 of stock-based compensation costs into mineral properties for stock options granted to the principals of Cordex.

8. Commitments

The Company has the following commitments:

- a) In January 2006, the Company entered into a new exclusive two year agreement with Cordex, a company that shares an officer in common with Columbus Gold (U.S.) Corporation, to design, initiate and carry out mineral exploration and development activities in Nevada, and elsewhere in the United States on behalf of the Company with the objective of identifying, acquiring and exploring new mineral properties and operating exploration programs on the Company's existing portfolio of mineral properties. The Company provides Cordex with general operating capital, exclusive of third party contractor expenses, of USD\$34,500 per month which includes a monthly management fee to Cordex of USD\$12,500.

Further, Cordex is entitled to receive up to a 2% NSR on any claims that they stake on behalf of the Company. For claims or mineral rights acquired from third parties, which include an existing royalty, the Cordex NSR shall be the difference between a 4% NSR and the third party royalty provided, however, it shall be no less than 1% nor greater than 2%. All properties acquired by the Company within two miles of a claim generated by Cordex will fall under the area of influence and become subject to the agreement.

- b) Effective May 1, 2006 and amended on August 1, 2006, the Company entered into a management services agreement with a corporation controlled by the Company's CEO. Under the terms of the amended agreement, the Company agreed to pay a monthly fee of \$5,000 for the first 3 months and \$8,000 for the balance of the one year term.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

8. Commitments (continued)

- c) Effective February 1, 2006, the Company entered into a services agreement with HRG Management Ltd. ("HRG") in which the Company agreed to pay a monthly corporate administration fee of approximately \$14,150 that includes office rent, administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services. HRG is a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The Company shares two directors in common with HRG.
- d) Effective June 1, 2006, the Company entered into an agreement with Lagace Capital to provide investor relations services for a period of one year. Under the terms of the agreement, the Company agreed to pay a monthly fee of \$4,000 for the first three months and \$5,000 for the balance of the agreement.

9. Related Party Transactions

Except as disclosed elsewhere in these consolidated financial statements, the following are related party transactions for the period ended December 31, 2006:

	Corp Admin fees	Consulting fees	Management fees	Director fees
John Prochnau (<i>Director</i>)	\$ -	\$ 3,765	\$ -	\$ 3,000
Hamilton Capital Partners Ltd. ⁽¹⁾ (<i>Company with a director in common</i>)	-	12,000	-	3,000
Perennial Capital Corp. ⁽²⁾ (<i>President, CEO and director</i>)	-	-	24,000	3,000
Gil Atzmon (<i>Director</i>)	-	-	-	3,000
Cordilleran Exploration Co. ⁽³⁾ (<i>Company with an officer in common</i>)	-	43,125	-	-
HRG Management Ltd. (<i>Company with 2 directors in common</i>)	42,459	-	-	-
Balance, December 31, 2006	\$ 42,459	\$ 58,890	\$ 24,000	\$ 12,000

1. Ken Judge is a director of Hamilton Capital Partners Ltd.

2. Robert Giustra is the president of Perennial Capital Corp.

3. Consulting fees paid to Cordilleran Exploration Co. are capitalized into mineral properties.

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Notes to Interim Consolidated Financial Statements

For the Three Month Period Ended December 31, 2006

9. Related Party Transactions (continued)

The following are related party transactions for the period ended December 31, 2005:

	Corp Admin fees	Consulting fees	Management fees	Director fees
John Prochnau (<i>Director</i>)	\$ -	\$ 3,483	\$ -	\$ 3,000
Hamilton Capital Partners Ltd. (<i>Company with a director in common</i>)	-	12,000	-	3,000
Robert Giustra (<i>President, CEO and director</i>)	-	-	15,000	3,000
Gil Atzmon (<i>Director</i>)	-	-	-	3,000
Cordilleran Exploration Co. (<i>Company with an officer in common</i>)	-	44,250	-	-
RWA Management Ltd. (<i>Company with a former officer in common</i>)	28,200	-	-	-
Balance, December 31, 2005	\$ 28,200	\$ 59,733	\$ 15,000	\$ 12,000

At December 31, 2006, a total of \$136,831 (September 30, 2006 - \$203,399) was advanced to Cordilleran Exploration Co. ("Cordex"), a company with an officer in common with Columbus Gold (U.S.) Corp., for planned future exploration expenditures on the Company's mineral properties.

At December 31, 2006, a total of \$138,962 (September 30, 2006 - \$143,002) was owing to a director of the Company for reimbursement of expenses, consulting fees and mineral property acquisition costs.

At December 31, 2006, a total of \$36,971 (September 30, 2006 - \$nil) was owing to a company that shares two directors in common for reimbursement of mineral property exploration costs.

At December 31, 2006, a total of \$2,981 (September 30, 2006 - \$nil) was owing to a company that shares two directors in common for reimbursement of office overhead costs.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.



**Suite 910 – 475 Howe Street
Vancouver, B.C.
V6C 2B3**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**For The Three Month Period Ended
December 31, 2006**

COLUMBUS GOLD CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2006

INTRODUCTION

Management's Discussion and Analysis ("MD&A") focuses on significant factors that have affected Columbus Gold Corporation (the "Company") and its subsidiary's performance and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the interim consolidated financial statement for the three month period ended December 31.

The financial information in this MD&A is derived from the Company's consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are outlined within Note 2 to the consolidated financial statements of the Company for the period ended December 31, 2006. The Company's reporting currency is Canadian dollars unless otherwise stated. The effective date of this Management's Discussion and Analysis is February 8, 2007.

Additional information about the Corporation and its business activities is available on the Company's website at www.columbusgoldcorp.com or on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company was incorporated on May 14, 2003 under the laws of the Province of Saskatchewan, Canada and continued in British Columbia, Canada on December 29, 2003. The Company changed its name from Purple Vein Resources Ltd. to Columbus Gold Corporation effective December 20, 2004. On May 24, 2006, the Company completed its Initial Public Offering ("IPO") and obtained a listing on the TSX Venture Exchange ("TSX-V" or the "Exchange") as a Tier 2 mining issuer under the trading symbol **CGT-V**.

The Company's principal business activities are the acquisition, exploration and development of resource properties, with gold as a principal focus. Currently, all of the Company's resource properties are located in the United States. The Company is in the process of exploring and developing these resource properties but has not yet determined whether the properties contain ore reserves that are economically recoverable.

MINERAL PROPERTIES

Currently, the Company is focusing its exploration activities on the western United States with special emphasis on Nevada and Arizona. The Company has two major properties on which it has prepared technical reports under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), these being the Utah Clipper Property and the Golden Mile Property. (Both the Utah Clipper Technical Report and the Golden Mile Technical Report were Sedar filed on February 21, 2006)

COLUMBUS GOLD CORPORATION
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Golden Mile Property

The Golden Mile Property is a gold property situated in the Bell Mining District in the southern Cedar Mountains, Mineral County, Nevada. The Golden Mile Property consists of 5 patented mineral claims and 19 unpatented contiguous mineral claims with a total area of about 392 acres.

During the year, the Company completed a reverse-circulation ("RC") drill program at Golden Mile consisting of 15 holes (2,345 metres) at an approximate cost of USD\$130,000. Eleven holes in the program targeted a mineralized zone which was mined on a small scale in the 1930's and was partially delineated through limited drilling by earlier operators. Results from seven holes which penetrated the mineralized zone are summarized as follows:

Drill Hole *	From (m)	To (m)	Width** (m)	Au (g/t)
MI-1	0 29.5	3.1 37.1	3.1 7.6	0.98 1.03
MI-2	0 91.5	15.2 96.1	15.2 4.6	2.36 1.63
MI-3	0	6.2	6.2	1.85
MI-4	No Values > 1 g/t			
MI-6	62.0	69.6	7.6	4.19
MI-8	0	3.1	3.1	2.25
MI-12 (including)	52.9 56.0	62.0 59.1	9.1 3.1	13.81 28.94

* Four of the eleven holes targeting the mineralized zone failed to reach target depth due to difficult drilling conditions in hard, broken rock.

** The reported drill intercepts are believed to represent near true widths but interpretation is difficult due to the irregular nature of the mineralized skarn zones.

An additional four holes tested geological and geophysical targets outside the known mineralized zone and intercepted weakly anomalous gold mineralization.

The Company completed a follow-up drill program consisting of 15 core holes in November 2006. The program was designed to test for additional gold mineralization below 100 m depth and along strike to the northeast of the mineralized zone. The results of this program are expected in February 2007.

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Utah Clipper Property

The Utah Clipper Property is situated in the Bullion Mining District, in the Shoshone Range, Lander County, Nevada. The property consists of 16 patented and 213 unpatented mining claims.

During 2005, the Company completed surface rock sampling, a ground magnetic survey, and a ground CSAMT survey on the property.

Agnico Eagle Option:

On June 9, 2006, the Company entered into an earn-in agreement with Agnico Eagle (USA) Ltd. ("Agnico") which will allow Agnico to earn a 51% interest in the Utah Clipper, Laura and Crestview properties (the "Cortez Properties") by incurring exploration expenditures of USD\$6.5 million over 7 years, with minimum expenditures of USD\$600,000 in the first year. Agnico Eagle will assume responsibility for maintaining the Cortez Properties by paying all annual sustaining fees and meeting all underlying royalty and lease payments. Agnico will be the operator during the earn-in phase of this arrangement and upon formalization of a joint venture. Management anticipates that Agnico will begin exploration drilling on the Utah Clipper Property during the 1st quarter of 2007.

Other Properties

Property	Location	Status
Bolo	Nevada	Initial exploration
Burnt Well	Arizona	Initial exploration
Chert Cliff	Nevada	Lease to Platte River Gold (US) Inc.
Clanton Hills	Arizona	Initial exploration
Clara Moro	Arizona	Initial exploration
Crestview	Nevada	Joint venture option to Agnico Eagle (USA) Ltd.
Del Oro	Nevada	Initial exploration
Dutch Flat	Nevada	Joint venture option to Piedmont Mining Company, Inc.
Four Metals	Arizona	Sale option to Black Pearl Minerals Consolidated Inc.
Guild	Nevada	Joint venture option to Sniper Resources Ltd.
Laura	Nevada	Joint venture option to Agnico Eagle (USA) Ltd.
Linka	Nevada	Joint venture option to Sniper Resources Ltd.
Mill Canyon	Nevada	Initial exploration
Overland Pass	Nevada	Joint venture option to Sniper Resources Ltd.
Pete's Summit	Nevada	Joint venture option to Sniper Resources Ltd.
Red Hills	Nevada	Initial exploration
Scraper Springs	Nevada	Initial exploration
Silver District	Arizona	Initial exploration
Silver Dome	Utah	Initial exploration
Spring	Nevada	Initial exploration

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Property	Location	Status
Summit	Nevada	Initial exploration
White Canyon	Nevada	Initial exploration
White Horse Flats	Nevada	Initial exploration
Winnemucca Mountain	Nevada	Initial exploration

Expenditure Summary

	September 30, 2006	Acquisition Cost	Deferred Exploration	Write-down/ Amortization	December 31, 2006
Utah Clipper	\$ 661,582	\$ -	\$ 4,534	\$ -	\$ 666,116
Golden Mile	537,115	-	216,654	-	753,769
Dutch Flat	105,893	-	4,731	-	110,624
Chert Cliff	17,323	-	4,534	-	21,857
Silver Dome	44,689	9,182	22,241	-	76,112
Silver District	125,947	-	5,590	-	131,537
Four Metals	-	-	4,534	-	4,534
Crestview	203,171	-	-	-	203,171
Laura	172,266	-	-	-	172,266
Guild	126,853	1,585	(21,800)	-	106,638
Overland Pass	18,120	-	(8,762)	-	9,358
Linka	94,919	-	(9,538)	-	85,381
Pete's Summit	78,698	-	(6,649)	-	72,049
Bolo	112,570	1,584	22,439	-	136,593
Burnt Well	-	70,181	149	-	70,330
Clara Moro ⁽¹⁾	70,181	-	(70,181)	-	-
Scraper Springs	-	11,393	3,340	-	14,733
Del Oro	21,727	-	20,117	-	41,844
Spring	21,580	-	786	-	22,366
Winnemucca Mountains	29,273	-	292	-	29,565
Mill Canyon	21,142	-	-	-	21,142
White Canyon	20,849	-	-	-	20,849
Clanton Hills	29,179	-	18	-	29,197
Summit	204,038	637	7,098	-	211,773
Red Hills	-	-	163	-	163
White Horse Flats	-	-	709	-	709
Total Properties	\$ 2,717,115	\$ 94,562	\$ 200,999	\$ -	\$ 3,012,676

All disclosure of scientific or technical information on the Company's mineral properties contained in this Management's Discussion and Analysis, with the exception of the information presented in the Utah Clipper Technical Report and the Golden Mile Technical Report, is based on information prepared by or under the supervision of the Company's Qualified Person, John Prochnau. Mr. Prochnau is a director of the Company.

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RESULTS OF OPERATIONS

Current Quarter

The Company incurred a loss of \$384,303 during the current quarter versus a loss of \$215,582 in the same period last year. This amounts to a \$138,721 (64%) increase over the prior year period which can be attributed primarily to an increase in stock-based compensation costs associated with incentive stock options granted. The Company also experienced an increase in general exploration costs as the Company has increased its project generation efforts over the last six months.

The Company continued to be active in its exploration projects during the period as it expended \$349,676 on its properties. However, increased exploration costs were partially offset by option payments (\$54,115) received through various property agreements with other exploration companies.

Year-to-Date

Same as current quarter.

SELECTED FINANCIAL DATA

	Dec. 31, 2006 (\$)	Sept. 30, 2006 (\$)	Jun. 30, 2006 (\$)	Mar. 31, 2006 (\$)	Dec. 31, 2005 (\$)	Sept. 30, 2005 (\$)	Jun. 30, 2005 (\$)	Mar. 31, 2005 (\$)
Financial results:								
Net loss for period	384,303	838,918	695,362	296,469	215,582	254,286	328,555	244,672
Basic and diluted loss per share	0.02	0.05	0.04	0.02	0.02	0.01	0.03	0.03
Expenditures on resource properties	295,561	567,404	114,867	410,905	333,087	677,583	(31,319)	131,772
Balance sheet data:								
Cash and short term deposits	3,300,954	3,684,894	4,459,418	459,893	1,141,644	1,526,061	2,266,186	2,776,871
Resource properties	3,012,676	2,717,115	2,149,711	2,034,844	1,623,939	1,290,852	613,269	644,588
Total assets	6,628,261	6,789,811	6,807,117	2,670,829	2,957,495	3,100,833	3,015,796	3,459,760
Shareholders' equity	6,415,620	6,578,017	6,728,372	2,619,357	2,915,826	3,035,408	2,950,274	3,275,646

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	September 30, 2006 (\$)	September 30, 2005 (\$)	September 30, 2004 (\$)
Financial results:			
Net loss for year	2,046,331	910,732	455,228
Basic and diluted loss per share	0.13	0.08	0.08
Expenditures on resource properties	1,426,263	819,523	132,311
Balance sheet data:			
Cash and short term deposits	3,684,894	1,526,061	327,230
Resource properties	2,717,115	1,290,852	471,329
Total assets	6,789,811	3,100,833	839,831
L/T Financial liabilities	-	-	-
Shareholders' equity	6,578,017	3,035,408	749,955

LIQUIDITY

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company's activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from operations. The Company has been successful in its fund raising efforts in the past, but there can be no assurance that the Company will continue to be successful in the future. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained.

During the period, the Company's working capital position decreased to \$3,264,694 which included a cash balance of \$273,194 and a term deposit of \$3,411,700. At September 30, 2006, the Company had a working capital balance of \$3,655,967 which included a cash balance of \$273,194 and a GIC of \$3,411,700.

The Company experienced a cash outflow from operations of \$261,027, invested \$322,471 in cash to acquiring and explore its mineral properties and received \$54,115 in cash payments from option agreements with third party exploration companies. As at December 31, 2006, the Company had total assets of \$6,628,261, and the principal non-cash assets of the Company were its mineral exploration properties in Nevada and Arizona, with a carrying value of \$3,012,676 representing 40% of total assets.

The Company had no long term debt at the end of the period.

COLUMBUS GOLD CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL RESOURCES

During the period, the Company issued 7,000 common shares on the exercise of share purchase warrants at \$1.25 per share for gross proceeds of \$8,750. Further, the Company issued 82,500 common shares on the exercise of incentive stock options at \$0.85 per share for gross proceeds of \$70,125.

The Company received \$54,115 in cash from optioning several of its non-core mineral property interests to various other junior mineral exploration companies.

During the prior year, Global Securities Corporation (the "Agent") was engaged to act as Agent on the Company's IPO. On May 23, 2006, Company completed its IPO by issuing 5,882,352 units ("Units") at \$0.85 per Unit (the "Offering") for gross proceeds of \$5,000,000. Each Unit consisted of one common share and one share purchase warrant exercisable into one additional common share at a price of \$1.25 for a period of eighteen months from the date of closing of the Offering. In connection with the Offering, the Agent was paid a cash commission of \$284,568, a \$25,000 corporate finance fee and received 334,785 Agent's Warrants exercisable at \$1.25 for a period of eighteen months from the closing of the Offering.

COMMITMENTS

In January 2006, the Company entered into a new exclusive two year agreement with Cordex, a company that shares an officer in common with Columbus Gold (U.S.) Corporation, to design, initiate and carry out mineral exploration and development activities in Nevada, and elsewhere in the United States on behalf of the Company with the objective of identifying, acquiring and exploring new mineral properties and operating exploration programs on the Company's current portfolio of mineral properties. The Company has agreed that Cordex will be provided general operating costs, exclusive of third party contractor expenses, of US\$34,500 per month which is inclusive of a management fee to Cordex of US\$12,500 per month.

Further, Cordex will receive a 2% NSR on any claims that they stake on behalf of the Company. For claims or mineral rights acquired from third parties which include an existing royalty, the Cordex NSR shall be the difference between a 4% NSR and the third party royalty provided, however, it shall be no less than 1% nor greater than 2%.

All properties acquired by the Company within two miles of a claim generated by Cordex will fall under the area of influence and become subject to this agreement.

* Refer to Note 8 in the interim financial statements for greater detail on commitments.

COLUMBUS GOLD CORPORATION
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OUTSTANDING SHARE DATA

- a) Authorized Share capital: unlimited common shares without par value
b) Issued and Outstanding:

	Number of Shares	Amount	Contributed Surplus
Balance – September 30, 2005	13,817,004	\$ 4,562,315	\$ -
Exercise of share purchase warrants	150,000	75,000	-
Issued in exchange for mineral properties	95,000	21,000	-
Shares issued for services	150,000	127,500	-
Stock-based compensation costs	-	-	919,805
Initial Public Offering	5,882,352	3,984,375	1,015,625
Less: Share issuance costs	-	(499,562)	(54,803)
Balance – September 30, 2006	20,094,356	8,270,628	1,880,627
Exercise of stock options	82,500	70,125	-
Exercise of share purchase warrants	7,000	8,750	-
Fair value of options and warrants exercised	-	45,945	(45,945)
Stock-based compensation costs	-	-	143,031
Balance – December 31, 2006	20,183,856	8,395,448	1,977,713
Issued in exchange for mineral property	100,000	75,000	-
Exercise of stock options	15,000	12,750	-
Exercise of share purchase warrants	338,383	422,979	-
Fair value of options and warrants exercised	-	63,424	(63,424)
Balance – February 8, 2007	20,251,445	\$ 8,495,423	\$ 1,914,289

Options

A summary of stock options outstanding at February 8, 2007 is as follows:

Expiry Date	Number of Options	Weighted Average Exercise Price
May 24, 2011	1,787,500	\$0.85
July 25, 2011	100,000	0.85
December 20, 2011	115,000	1.40
Total	2,002,500	\$0.88

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Warrants

A summary of warrants outstanding at February 8, 2007 is as follows:

Expiry Date	Number of Warrants	Weighted Average Exercise Price
November 23, 2007	5,600,493	\$1.25
November 23, 2007 **	271,261	1.25
Total	5,871,754	\$1.25

** Agents warrants issued in connection with the IPO.

RELATED PARTY TRANSACTIONS

The following are related party transactions for the period ended December 31, 2006:

- The Company incurred \$24,000 in management fees to a corporation controlled by the CEO.
- The Company incurred \$58,890 in consulting fees to a Director, a company controlled by a Director and a company controlled by an Officer of Columbus Gold (U.S.) Corp.
- The Company incurred \$12,000 in director fees.
- The Company incurred \$42,459 in corporate administration fees to HRG Management Ltd. ("HRG"). The fee includes office rent, administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services delivered at cost. HRG is a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The Company shares two directors in common with HRG.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

* Refer to Note 9 in the interim financial statements for greater detail on related party transactions.

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SUBSEQUENT EVENTS

There were no material events subsequent to the end of the period.

OUTLOOK

Strong gold prices resulted in a banner year in 2006 for resource company stocks. Management is confident that positive fundamentals in the commodity markets will result in sustainable gold prices which when combined with the Company's strong and growing property portfolio and proven management team will continue to be reflected in the Company's share value.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

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RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Exploration for mineral resources involves a high degree of risk, and the cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk through joint ventures with other companies.

Beyond exploration risk, management is faced with other possible risks which include the following:

Metal Price Risk

The price of gold greatly affects the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed.

Financial Market Risk

The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge. However, the results of the Company's investigations should not be construed as a guarantee of title.

Environmental Risk

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the country in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

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Value Risk

There is no certainty that the properties which the Company has deferred as assets on its consolidated balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its properties to determine if it hosts a mineral resource that can be economically developed and profitably mined.

CHANGES IN ACCOUNTING POLICIES

During the period, the Company adopted the new CICA Financial Instruments Standards for recognition, measurement and disclosure of financial instruments.

FINANCIAL AND OTHER INSTRUMENTS

Fair value estimates of financial instruments are made in accordance with the new CICA Financial Instruments Standards for recognition, measurement and disclosure of financial instruments. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, receivables, prepaids, accounts payable and advances to and from related parties approximate their fair value because of the short-term nature of those instruments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the period.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying interim consolidated financial statements.

