

**Colossal Resources Corp.**  
(A Development Stage Company)  
(Formerly “Blue Diamond Mining Corporation”)

**Interim Financial Statements**

**January 31, 2011**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the nine month period ended January 31, 2011.

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**INTERIM BALANCE SHEETS**

---

	<u>January 31, 2011</u>	<u>April 30, 2010</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$     943	\$     3,684
<b>Equipment</b> (Note 5)	<u>219</u>	<u>282</u>
	<u>\$    1,162</u>	<u>\$    3,966</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$   469,497	\$   1,379,161
Advances from former related party (Note 6)	-	16,920
Loans payable (Note 7)	<u>145,313</u>	<u>133,366</u>
	<u>614,810</u>	<u>1,529,447</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>Share capital</b> (Note 8)	16,846,311	15,786,495
<b>Deficit</b>	<u>(17,459,959)</u>	<u>(17,311,976)</u>
	<u>(613,648)</u>	<u>(1,525,481)</u>
	<u>\$    1,162</u>	<u>\$    3,966</u>

**Going concern** (Note 1)

Approved by the Board of Directors:

signed "Dennis Mee"  
Dennis Mee

signed "Terence Kwan"  
Terence Kwan

The accompanying notes are an integral part to these interim financial statements

# Colossal Resources Corp.

(A Development Stage Company)

(formerly "Blue Diamond Mining Corporation")

## INTERIM STATEMENTS OF NET LOSS, COMPREHENSIVE LOSS AND DEFICIT

	<b>Three months ended January 31, 2011</b>	Three months ended January 31, 2010	<b>Nine Months Ended January 31, 2011</b>	Nine Months Ended January 31, 2010
<b>Expenses</b>				
Administration fees	\$ 6,000	\$ 9,000	\$ 24,000	\$ 27,025
Amortization	21	30	63	90
Consulting fees	3,250	-	29,500	-
Interest and bank charges	691	3,144	9,310	8,638
Management fees	-	-	-	-
Office and miscellaneous	4,443	9,644	20,334	21,739
Professional fees	5,812	33,358	44,776	61,320
Rent	5,000	7,500	20,000	22,500
<b>Net loss and comprehensive loss for the period</b>	(25,217)	(62,676)	(147,983)	(141,312)
<b>Deficit, beginning of period</b>	(17,434,742)	(17,191,734)	(17,311,976)	(17,113,098)
<b>Deficit, end of period</b>	<u>\$ (17,459,959)</u>	<u>\$ (17,254,410)</u>	<u>\$(17,459,959)</u>	<u>\$ (17,254,410)</u>
<b>Basic and diluted net loss per common share</b>	<u>\$ nil</u>	<u>\$ nil</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>10,118,240</u>	<u>17,453,702</u>	<u>6,438,324</u>	<u>17,453,702</u>

The accompanying notes are an integral part to these interim financial statements

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**STATEMENTS OF INTERIM CASH FLOWS**

	<b>Three months ended January 31, 2011</b>	<b>Three months ended January 31, 2010</b>	<b>Nine Months Ended January 31, 2011</b>	<b>Nine Months Ended January 31, 2010</b>
<b>OPERATING ACTIVITIES</b>				
Net loss for period	\$ (25,217)	\$ (62,676)	\$ (147,983)	\$ (141,312)
Item not affecting cash				
Amortization	21	30	63	90
	(25,196)	(62,646)	147,920	(141,222)
Changes in non-working capital item:				
Increase (decrease) in accounts payable and accrued liabilities	(7,641)	44,245	(862,765)	103,965
	(32,837)	(18,401)	(1,010,685)	(37,257)
<b>FINANCING ACTIVITIES</b>				
Repayment of advances from former related party	-	-	(16,920)	-
Proceeds (repayment) of loans payable	32,421	6,500	24,863	25,075
Share subscriptions received	-	14,600	1,000,000	14,600
	32,421	21,100	1,007,943	39,675
Increase (decrease) in cash	(416)	2,699	(2,742)	2,417
Cash, beginning of period	1,358	481	3,684	763
Cash, end of period	\$ 942	\$ 3,180	\$ 942	\$ 3,180

**Supplemental disclosure with respect to cash flows (Note 11)**

The accompanying notes are an integral part to these interim financial statements

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**For the Nine Month Period Ended January 31, 2011**

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Colossal Resources Corp. (the "Company") currently has no activity and to date has not earned significant revenues and is considered to be in the development stage. The Company has evaluated several oil and gas opportunities in Canada, but has yet to reach the point where the Company can enter into a letter of intent of any kind. The oil and gas market has been depressed in the last year and the Company feels that this is the best time to enter the sector. The Company is focused on domestic oil and gas projects as opposed to international as the political climate in Canada is stable as compared to some of the emerging oil and gas countries.

The Company changed its trading name and symbol effective June 27, 2010 from Blue Diamond Mining "BDM.H" and now trades under the symbol "CIA.H" on the NEX board, which is a separate board of the TSX Venture exchange.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles that are applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at January 31, 2011, the Company is not generating revenue and has a working capital deficiency of \$613,867 (April 30, 2010 - \$1,525,763) and deficit of \$17,459,959 (April 30, 2010 - \$17,311,976). These conditions create substantial doubt with respect to the going concern assumption. The Company's ability to continue as a going concern is dependent on management's ability to access additional funding to meet existing obligations and to finance future acquisitions. The Company cannot provide assurance that it will be successful in doing so.

These interim financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported expenses and the balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

**2. BASIS OF PRESENTATION**

These unaudited interim financial statements include the accounts of the Company and have been prepared in accordance with Canadian generally accepted accounting principles. All amounts herein are expressed in Canadian dollars unless otherwise noted. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These unaudited interim statements should be read together with the audited financial statements and the accompanying notes. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**For the Nine Month Period Ended January 31, 2011**

---

**3. CHANGES IN ACCOUNTING POLICIES**

**(a) Recent accounting pronouncements not yet adopted**

*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 standards will be effective for fiscal years beginning after January 1, 2011 (the Company's 2012 fiscal year). Early adoption of these standards is permitted. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination and essentially provides the Canadian equivalent of International Financial Reporting Standards IFRS 3 – Business Combinations.

Sections 1601 and 1602 together replace Section 1600 – Consolidated financial statements. Section 1601 establishes the standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary within consolidated financial statements subsequent to a business combination and is substantially equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and separate financial statements.

*Business Credit risk and the fair value of financial assets and liabilities*

In January 2009, the EIC issued EIC-173, Credit risk and the fair value of financial assets and financial liabilities, which provides that an entity's own credit risk and the credit risk of the counterparty should be taken into consideration in determining the fair value of financial assets and financial liabilities, including derivative financial instruments. This new standard is effective for the Company's interim and annual financial statements commencing September 1, 2009.

The Company is in the process of evaluating the potential effects of the requirements of these new standards and does not expect them to have a material impact on the future financial statements.

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**For the Nine Month Period Ended January 31, 2011**

---

**3. CHANGES IN ACCOUNTING POLICIES (cont'd)**

**International Financial Reporting Standards ("IFRS")**

In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The changeover date is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's adoption date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2010.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management intends to continue to review new standards, as well as the impact of the existing accounting standards, between now and the conversion date to ensure all relevant changes are addressed. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

**4. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. 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. The Company has evaluated several oil and gas opportunities in Canada, but has yet to reach the point where the Company can enter into a letter of intent of any kind. The Company will continue to assess new properties and seek to acquire properties if it feels there is economic potential and if it has adequate financial resources to do so.

The Company includes debt and shareholders' deficiency as components of its capital structure. To maintain or adjust the capital structure, the Company may attempt to issue new shares or issue new debt. As at January 31, 2011, the debt was \$614,810 (April 30, 2010 - \$1,529,447) and shareholders' deficiency was \$613,648 (April 30, 2010 - \$1,525,481).

The Company is currently dependent upon external financings to fund activities. In order to pay for administrative expenditures, the Company will have to raise additional funds 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 during the nine month period ended January 31, 2011. The Company is not subject to externally imposed capital requirements.



**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**For the Nine Month Period Ended January 31, 2011**

---

**5. EQUIPMENT**

<b>January 31, 2011</b>			
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 1,052	\$ 833	\$ 219

  

<b>April 30, 2010</b>			
	Cost	Accumulated amortization	Net book Value
Computer equipment	\$ 1,052	\$ 770	\$ 282

**6. ADVANCES FROM FORMER RELATED PARTY**

As of January 31, 2011, amounts due to a company controlled by a former director were \$nil (April 30, 2010 - \$16,920). These amounts were due on demand, non-interest bearing, unsecured and have no fixed term of repayment.

**7. LOANS PAYABLE**

As at January 31, 2011, loans payable are \$145,313 are due on demand of which \$105,075 are non-interest bearing, \$26,590 bear interest of 12% per annum and interest payable of \$13,648 (April 30, 2010 - \$133,366 due on May 31, 2010 bearing an interest of 12% per annum).

The terms of the loans due at April 30, 2010, stipulated that if the principal and interest are not paid by the due date, a 6% penalty would be charged on the unpaid principal. As the loans were not repaid by May 31, 2010, a penalty of \$6,904 was added to the outstanding balance. The loan payable consists of principal of \$131,665 (April 30, 2010 - \$115,075) and interest of \$13,648 (April 30, 2010 - \$18,291).

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**For the Nine Month Period Ended January 31, 2011**

---

**8. SHARE CAPITAL**

(a) Authorized:

Unlimited common shares without par value

(b) Issued:

Effective June 7, 2010, the Company its share capital on a one for twenty-five basis, reducing outstanding number of common shares to 1,286,442. All references to the issuance, granting and exercising of common stock, stock options and warrants and loss per share amounts in these financial statements have been adjusted to reflect the retro-active effect of the twenty-five for one share consolidation.

	<u>January 31, 2011</u>		<u>April 30, 2010</u>	
	<u>Number of Shares</u>	<u>Amount</u>	<u>Number of Shares</u>	<u>Amount</u>
Balance , beginning of period	1,286,442	\$ 15,786,495	698,148	\$ 14,271,903
Issued on private placements	8,333,333	1,000,000	395,081	1,131,560
Private placement issue costs	-	-	-	(100,000)
Issued for settlement of debt	498,465	59,816	193,213	483,032
Balance, end of period	<u>10,118,240</u>	<u>\$ 16,846,311</u>	<u>1,286,442</u>	<u>\$ 15,786,495</u>

**For the nine month period ended January 31, 2011**

On August 23, 2010, the Company closed a private placement of 8,333,333 fully-paid common shares in the capital stock of the Company at a price of \$0.12 per common share for gross proceeds of \$1,000,000.

Additionally, the Company issued 498,465 common shares at a price of \$0.12 per share to settle \$59,816 of debt.

On October 19, 2010, announced during its annual general and special meeting held on October 15, 2010, the shareholders approved a subdivision of the Company's common shares on a basis of 3 post-consolidated shares for every 1 pre-consolidated shares (the "Subdivision") subject to discretion of the Board, and subject to the approval of the TSX Venture Exchange. The directors will not be implementing the Subdivision at this time.

# **Colossal Resources Corp.**

(A Development Stage Company)

(formerly "Blue Diamond Mining Corporation")

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**For the Nine Month Period Ended January 31, 2011**

---

### **8. SHARE CAPITAL – (cont'd)**

#### **(c) Stock options**

The Company has a stock option plan under which employees, directors, officers, consultants and agents of the Company and its affiliates are eligible to receive stock options. The maximum number of common shares issuable pursuant to the exercise of outstanding options granted under the plan shall be 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of the outstanding common shares of the Company. The maximum number of common shares optioned to any one optionee relating to investor relations activities or to a consultant in any 12 month period may not exceed 2% of the outstanding shares at the time of the grant without the prior consent of the stock exchanges on which the Company's common shares are then listed. Options granted under the plan may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

As at January 31, 2011 and April 30, 2010, there were no stock options outstanding.

### **9. RELATED PARTY TRANSACTIONS**

There were no related party transactions for the years ended August 31, 2010 and 2009, other than the repayment of advances from a former related party disclosed in Note 6.

These transactions are 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.

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**For the Nine Month Period Ended January 31, 2011**

---

**10. FINANCIAL INSTRUMENTS**

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available for sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of change in the value of financial instruments depend on their initial classification.

In accordance with this standard, the Company has classified its financial instruments as follows:

Cash is classified as held for trading; accounts payable and accrued charges, loans payable, advances to related party and advances to directors are classified as other financial liabilities. All are measured at fair value and gains and losses are included in net earnings in the period in which they arise.

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, loans payable, advances from directors and advances from related party. The carrying values of these assets and liabilities approximate their fair values due to their short term nature, unless otherwise disclosed.

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

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk, as it maintains its bank accounts with highly rated financial institutions

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At January 31, 2011, the Company had a cash balance of \$943 (April 30, 2010 - \$3,684) to settle current liabilities of \$614,810 (April 30, 2010 - \$1,529,447). The Company expects to fund these liabilities through the issuance of share capital and loans from related parties over the coming year.

*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 and equity prices

a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of January 31, 2011, the Company did not have any investments invested in investment-grade short-term deposit certificates.

**Colossal Resources Corp.**  
(A Development Stage Company)  
(formerly "Blue Diamond Mining Corporation")  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**For the Nine Month Period Ended January 31, 2011**

---

**10. FINANCIAL INSTRUMENTS (cont'd)**

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	Period Ended January 31, 2011	Period Ended January 31, 2009
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 13,804	\$ -

Significant non-cash financing or investing transactions during the nine month period ending January 31, 2011 were as follow:

- a) the Company issued 498,465 common shares at a price of \$0.12 per share to settle \$59,816 of debt.

There were no significant non-cash financing or investing transactions during the nine month period January 31, 2010.

**12. COMPARATIVE FIGURES**

Certain figures have been reclassified to conform with the presentation adopted for the period.

**13. SUBSEQUENT EVENT**

There are no subsequent events to report