(An Exploration Stage Company)

Audited Consolidated Financial Statements

December 31, 2012 and 2011

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General information

Directors

Jean Depatie, Non-Executive Chairman of the Board

Richard Quesnel

James Ladner

James Wayne Murton

Nikolas Perrault

Aurelio Useche

Declan Costelloe

David A. Johnson

Corporate Secretary

David A. Johnson

Auditors

Ernst & Young LLP

Legal Council

Heenan Blaikie LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Colt Resources Inc.

We have audited the accompanying consolidated financial statements of **Colt Resources Inc**., which comprise the consolidated statements of financial position as at December 31, 2012, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Colt Resources Inc.** as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Restated comparative information

The consolidated financial statements of **Colt Resources Inc.** for the nine-month period ended December 31, 2011 [prior to the restatement of the comparative information described in note 7 to the consolidated financial statements] were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 26, 2012.

As part of our audit of the consolidated financial statements of **Colt Resources Inc.** for the year ended December 31, 2012, we also audited the adjustments described in note 7 that were applied to restate the consolidated financial statements for the nine-month period ended December 31, 2011. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of **Colt Resources Inc.** for the nine-month period ended December 31, 2011 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the nine-month period ended December 31, 2011 taken as a whole.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which indicates that **Colt Resources Inc**. incurred a net loss of $9,436,902 during the year ended December 31, 2012. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt on **Colt Resources Inc.'s** ability to continue as a going concern.

Ernst & Young LLP[1]

Montreal, Canada
April 29, 2013

[1] CPA auditor, CA, public accountancy permit no. A122227

Colt Resources Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31
[Canadian dollars]

	2012 [note 3] $	2011 [note 3] $
ASSETS		
Current		
Cash and cash equivalents *[note 8]*	**6,473,498**	3,885,777
Marketable securities *[note 9]*	**—**	3,003,868
Commodity taxes and other receivables *[note 10]*	**1,519,580**	401,279
Inventories *[note 11]*	**3,071,227**	3,710,550
Prepaid expenses and deposits	**455,184**	316,298
	11,519,489	11,317,772
Non-current		
Property, plant and equipment *[note 12]*	**1,535,079**	1,636,569
Biological assets *[note 13]*	**1,467,690**	1,466,579
Exploration and evaluation assets *[note 14]*	**24,664,728**	15,456,652
Goodwill *[note 15]*	**728,453**	733,007
Deposits *[note 14]*	**603,428**	229,587
Intangible assets *[note 16]*	**1,246**	36,285
	40,520,113	30,876,451
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 17]*	**4,699,597**	893,520
Current portion of loan payable *[note 7]*	**1,278,962**	1,262,068
	5,978,559	2,155,588
Non-current		
Deferred income taxes *[note 18]*	**445,405**	733,007
Loan payable *[note 7]*	**—**	1,262,068
Convertible preferred shares *[note 7]*	**2,793,904**	2,690,174
Total liabilities	**9,217,868**	6,840,837
Shareholders' equity		
Share capital *[note 19]*	**49,105,150**	35,222,854
Subscription receipts *[note19]*	**2,700,000**	—
Contributed surplus	**3,966,618**	3,886,136
Equity component of convertible preferred shares *[note 7]*	**700,628**	700,628
Accumulated other comprehensive loss	**(677,721)**	(718,476)
Deficit	**(24,492,430)**	(15,055,528)
Total shareholders' equity	**31,302,245**	24,035,614
	40,520,113	30,876,451

Going concern *[note 2]*
Related party transactions *[note 25]*
Commitments *[notes 14 and 27]*
Subsequent events *[note 28]*

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

Colt Resources Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Year/period ended December 31
[Canadian dollars]

	Year ended December 31, 2012 [note 3] $	**Nine-month period ended December 31, 2011** [note 3] $
EXPENSES		
Administrative expenses *[note 21]*	**(7,451,000)**	(6,143,900)
Impairment of exploration and evaluation assets *[note 14]*	**(1,396,134)**	—
Loss on disposal of property, plant and equipment	**(10,632)**	(635)
Depreciation and amortization *[notes 12 and 16]*	**(277,200)**	(141,092)
Other (expense) income *[note 11]*	**(266,954)**	159,064
Loss from operations	**(9,401,920)**	(6,126,563)
Interest income	**52,178**	42,243
Finance costs *[note 22]*	**(272,291)**	(79,514)
Foreign exchange gain	**50,231**	243,831
Loss before income taxes	**(9,571,802)**	(5,920,003)
Income tax expense (recovery)		
Current *[note 18]*	**126,745**	—
Deferred *[note 18]*	**(261,645)**	11,814
	(134,900)	11,814
Net loss for the period	**(9,436,902)**	(5,908,189)
Other comprehensive income (loss)		
Unrealized gain on available for sale marketable securities, net of taxes	**(6,746)**	6,746
Foreign exchange gain (loss) on translation of foreign subsidiaries	**47,501**	(725,222)
Comprehensive loss for the period	**(9,396,147)**	(6,626,665)
Net loss per share		
Basic and fully diluted	**(0.08)**	(0.08)
Weighted average number of outstanding shares		
Basic and fully diluted	**121,383,520**	86,749,732

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year/period ended December 31
[Canadian dollars]

	Share capital	Subscription receipts	Contributed surplus	Equity component of preferred shares	Accumulated comprehensive loss	Deficit	Total equity
	$	$	$	$	$	$	
As at March31, 2011	12,225,115	—	2,631,351	—	—	(9,147,339)	5,709,127
Issuance of common shares, net of share issue costs *[note 19]*	15,050,666	—	—	—	—	—	15,050,666
Issuance of shares for warrants and options exercised *[note 19]*	3,367,073	—	—	—	—	—	3,367,073
Issuance of common shares for business acquisition *[notes 7 and 19]*	2,840,000	—	—	—	—	—	2,840,000
Issuance of common shares for acquisition of exploration and evaluation assets *[note 19]*	1,740,000	—	—	—	—	—	1,740,000
Share based compensation *[note 20]*	—	—	1,254,785	—	—	—	1,254,785
Equity component of convertible preferred shares *[note 7]*	—	—	—	700,628	—	—	700,628
Accumulated other comprehensive loss	—	—	—	—	(718,476)	—	(718,476)
Net loss for the period	—	—	—	—	—	(5,908,189)	(5,908,189)
As at December 31, 2011	35,222,854	—	3,886,136	700,628	(718,476)	(15,055,528)	24,035,614
Issuance of common shares, net of share issue costs *[note 19]*	7,837,693	2,700,000	—	—	—	—	10,537,693
Issuance of shares for warrants and options exercised *[note 19]*	6,044,603	—	—	—	—	—	6,044,603
Share based compensation *[note 20]*	—	—	80,482	—	—	—	80,482
Accumulated other comprehensive loss	—	—	—	—	40,755	—	40,755
Net loss for the period	—	—	—	—	—	(9,436,902)	(9,436,902)
As at December 31, 2012	**49,105,150**	**2,700,000**	**3,966,618**	**700,628**	**(677,721)**	**(24,492,430)**	**31,302,245**

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

Colt Resources Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year/period ended December 31
[Canadian dollars]

	Twelve months ended December 31, 2012	Nine-month period ended December 31, 2011
	$	$
OPERATING ACTIVITIES		
Net loss for the period/year	**(9,436,902)**	(5,908,189)
Items not impacting cash:		
Impairment of exploration and evaluation assets *[note 14]*	**1,396,134**	—
Accretion expense *[note 22]*	**199,091**	79,514
Depreciation and amortization *[notes 12 and 16]*	**277,200**	141,092
Write-down of inventories to net realizable value *[note 11]*	**161,671**	
Loss on disposal of property, plant and equipment	**10,632**	635
Share-based compensation *[note 20]*	**80,482**	1,254,785
Deferred income taxes	**(261,645)**	(11,814)
Unrealized foreign exchange loss (gain)	**10,969**	(204,913)
	(7,562,368)	(4,648,890)
Change in non-cash working capital	**3,042,493**	305,541
Net cash flows from operating activities	**(4,519,875)**	(4,954,431)
INVESTMENT ACTIVITIES		
Increase in deposits	**(385,590)**	—
Additions to property, plant and equipment *[note 12]*	**(166,638)**	(358,036)
Additions to intangibles assets	**—**	(52,546)
Acquisition of business, net of cash *[note 7]*	**—**	(4,207,642)
Additions to exploration and evaluation assets *[note 14]*	**(10,634,244)**	(3,130,135)
Decrease (increase) in marketable securities	**3,003,868**	(3,003,868)
Net cash flows from investing activities	**(8,182,604)**	(10,752,227)
FINANCING ACTIVITIES		
Decrease in loan payable *[note 7]*	**(1,316,500)**	—
Proceeds from issuance of common shares, net of issuance cost *[note 19]*	**16,582,296**	18,407,738
Net cash flows from financing activities	**15,265,796**	18, 407,738
Foreign exchange gain (loss) on cash and cash equivalents	**24,704**	(51,382)
Net increase in cash and cash equivalents	**2,588,021**	2,649,698
Cash and cash equivalents, beginning of period/year	**3,885,777**	1,236,079
Cash and cash equivalents, end of period/year *[note 8]*	**6,473,498**	3,885,777
Non-cash financing activities		
Shares issued for the acquisition of QSPA	**—**	2,840,000
Shares issued for acquisition of mineral properties	**—**	1,740,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year/period ended December 31, 2012 and 2011
[All amounts disclosed are in Canadian dollars unless otherwise stated]

1. GENERAL INFORMATION

Colt Resources Inc. and its subsidiaries [the "Company"] are an exploration company engaged in the acquisition, exploration and development of mineral property interests in Portugal and in Canada. Colt Resources Inc. is publicly traded on the TSX Venture Exchange [Ticker: GTP], the Open Market Segment of the Frankfurt Stock Exchange [Ticker "P01"] and the OTCQX [Ticker: COLTF].

The Company's main focus is the continued exploration and development of its gold and tungsten properties in Portugal.

Colt Resources Inc. is incorporated in Canada and operates from its headquarters in Montreal, Canada and also through its wholly owned subsidiary ColtInvestco SGPS S.A. and its subsidiaries, Q.S.P.A. – Sociedade Vitícola Unipessoal Lda. ["QSPA"], Eurocolt Resources Unipessoal Lda. ["Eurocolt"], Aurmont Resources Unipessoal Lda. ["Aurmont"], and TungSPA Unipessoal Lda. ["TungSPA"]. These subsidiaries represent the interests of Colt Resources Inc. in Portugal.

The address of the registered office of Colt Resources Inc. is 2000 McGill College Avenue, Suite 2010, Montreal, Quebec, Canada H3A 3H3.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Company has not earned significant revenue and is considered to be in the exploration and evaluation stage.

The investment in, and expenditures on, exploration and evaluation assets comprise a significant portion of the Company's assets. Mineral exploration and development is highly speculative and involves inherent risks. Realization of the Company's investment in these assets is dependent upon the renewed legal ownership of the licenses, and whether an economically viable operation can be established.

In addition, it has not yet been determined whether the Company's properties contain ore reserves that are economically recoverable. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

The Company's current committed cash resource are insufficient to cover expected expenditures in fiscal 2013. The Company's ability to continue as a going concern is also dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

The Company reported net losses in 2012 and 2011 of $9,436,902 and $5,908,188 respectively. These recurring losses and the need for continued financing to further successful exploration raise substantial doubt as to the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the carrying values of asset and liabilities that might be necessary, if the Company is unable to continue as a going concern. Such adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"].

Change of year end

On January 24, 2012, the Board of Directors approved the Company's change of fiscal year-end date from March 31 to December 31. As a result readers are cautioned that the amounts presented in the consolidated financial statements as of December 31, 2011 reflects the results for the nine month period ended December 31, 2011 as compared to the year ended December 31, 2012 and therefore are not entirely comparable.

Basis of presentation

These consolidated financial statements have been prepared in Canadian dollars and were prepared on a going concern basis, under the historical cost convention with the exception of certain financial instruments which are measured at fair value.

The Board approved these financial statements on April 29, 2013.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of Colt Resources Inc. The functional currency of the Company's subsidiaries is their local currency, the Euro.

Basis of consolidation

The consolidated financial statements include the financial statements of Colt Resources Inc. and its foreign subsidiaries in Portugal as described in note 1. All intra-group balances, income and expenses and unrealized gains and losses, resulting from intra-group transactions are eliminated in full.

4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Key areas requiring critical judgments and significant estimates include:

Going concern – Judgment

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year as they fall due, and to fund planned and contractual exploration programs, involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Exploration and evaluation assets – Judgment

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the existence of specific rights to explore in a specific area, actual and planned expenditures, results of exploration, and whether an economically-viable operation can be established. An impairment loss is recognized for the amount by which any exploration and evaluation asset exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs to sell and value in use.

Management judgment is applied in determining whether to test exploration and evaluation for impairment and in determining the lowest levels of exploration and evaluation assets grouping or cash generating units [CGU's], for which there are separately identifiable cash flows, generally on the basis of a property. Estimates and assumptions made may change if new information becomes available.

Functional currency – Judgment

The functional currency of Colt Resources Inc. is the Canadian dollar and the functional currency of the Company's subsidiaries is the Euro. Management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to the primary indicators before considering the other indicators, which are designed to provide additional supporting evidence to determine the entity's functional currency. Since the Company doesn't generate revenues, the currency in which the expenditures are made and the currency in which funds from financing activities are generated are indicators considered by management in determining the functional currency.

Purchase price allocation – Estimate

Purchase prices related to business combinations and asset acquisitions are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. The fair value of the exploration and evaluation assets and of the property plant and equipment acquired were measured using discounted cash flows. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future depreciation and impairment reviews.

Share-based payment transactions – Estimate

The Company measures the cost of equity-settled compensation plan with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The fair value of each option is evaluated using the Black-Scholes pricing model at the date of grant. The Company has made estimates as to the expected volatility, and expected life of options. The expected volatility is based on the historical volatility of the Company, over the period of the expected life of the stock option. The expected life of the option is based on historical data. These estimates may not necessarily be indicative of future actual patterns [note 20].

Impairment of goodwill – Judgment and estimate

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU [or group of CGUs] to which the goodwill relates to. For the purpose of testing this goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that remain at balance date reduce the goodwill amount and any residual goodwill is treated as part of the relevant CGU or group of CGUs. Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Management judgment is applied in determining the relevant CGU's that the goodwill relates to. In connection with the Company's goodwill, management has determined that the goodwill balance relates to the Armamar-Meda property. The recoverable amount is based on estimated cash flows and is most sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used. Therefore, there is a possibility that changes in estimates may impact the recoverable amount calculated by management.

The value in use calculation is based on projection from 2014 to 2022 and is most sensitive to the following:

- recoverable reserves and resources and grades
- production volumes
- long-term tungsten prices [external market forecasts]
- operating costs
- pre-tax discount rates [10%]
- foreign exchange rates [current spot exchange rates at the date of the value in use]

Operating costs are determined based on management's experience and the use of contractors over a period of time whose costs are fairly reasonably determinable.

Management also believes that any reasonable change in the key assumptions would not cause the carrying amount to exceed its recoverable amount

Inventories – Estimate

Inventories are stated at the lower of cost and net realizable value. The ageing of Port wine bottled or in bulk varies and it can take a significant length of time before the wine inventories are ready to be sold. Net realizable value of grape inventory is determined using forecasted demand and expected market prices at the time the wine is expected to be ready for sale. Forecasted demand and market prices can vary significantly over the holding period and involves estimating the most likely conditions that will be in existence at the time of sale.

The Company's best estimate of net realizable value is based on the average prices published by the "Instituto dos Vinhos do Douro e Porto" which is widely recognized in the region as being a reliable estimate of similar wines sold by the Company. The Company uses this published information as a starting point for estimating the expected sales price of similar wine with similar ageing information and then adjusts for any differences for similar wine.

Biological assets – Estimate

The grape vines are measured at fair value less cost to sell. Since market-determined prices or values are not available for grape vines, the Company uses a discounted cash flow method to determine fair value. In arriving at fair values, the key assumptions are estimated sales prices less cost of delivery, discount rate, productive life of grape vines, estimated volume and growth estimations. All changes in fair value are recognised in the period in which they arise. [note 15]

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Business acquisitions

Business combinations are accounted for using the acquisition method. Under this method, the cost of an acquisition is measured at fair value. Acquisition-related costs are recognised in administrative expenses in the consolidated statements of operations and comprehensive loss.

The Company recognizes goodwill as of the acquisition date as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of acquisition and the date where all significant information necessary to determine the fair values is available, not to exceed 12 months. All other subsequent changes are recognized in the consolidated statements of operations and comprehensive loss.

For all business acquisitions, the Company records the results of operations of the acquired entities as of their respective effective acquisition dates.

Jointly controlled assets and exploration activities

A portion of the Company's exploration activities are conducted jointly with others, and accordingly, the consolidated financial statements reflect only the Company's share in the assets and liabilities as well as the income and expenses from the joint operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of less than three months from the date of acquisition which can be converted to a known amount of cash at any time.

Inventories

Inventories include raw material, bottled wine and bulk wine, and are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes the cost of grapes, and direct labor costs and an applicable portion of related production overheads.

Foreign currency translation

Foreign operations

The assets and liabilities of subsidiaries that have a functional currency different from that of the Company are translated into Canadian dollars at the closing rate at the date of the statements of financial position, and revenue and expenses are translated at the average rate for the period and the difference is recorded in accumulated other comprehensive loss. Gains and losses from intercompany foreign currency transactions of a long-term investment nature are included in accumulated other comprehensive loss.

Foreign currency transactions

Transactions in foreign currencies are initially recorded at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. All differences are recorded in the consolidated statements of operations and comprehensive loss.

Financial instruments

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other liabilities. The Company determines the classification of its financial assets or liabilities at initial recognition. When financial assets or liabilities are recognized initially, they are measured at fair value. The subsequent measurement of financial assets and liabilities depends on their classification.

The Company considers whether a contract contains an embedded derivative when it becomes a party to the contract. Embedded derivatives are separated from the host contract if it is not measured at fair value through profit and losses and when the economic characteristics and risks are not closely related to the host contract.

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally-enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fair values of financial instruments carried at fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations [Level 1], without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques [Level 2]. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Other techniques [Level 3] use inputs not based on observable market data.

Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities classified as held-for-trading are included in the category financial assets or liabilities at fair value through profit or loss. Financial assets or liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in net loss in the consolidated statements of operations and comprehensive loss.

Available for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three stated categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized in other comprehensive loss until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in accumulated other comprehensive loss included in net loss in the consolidated statements of operations and comprehensive loss. Assets in this category include marketable securities [level 1].

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. These instruments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in net loss in the consolidated statements of operations and comprehensive loss when the investments are derecognized or impaired, as well as through the amortization process. Assets in this category include deposits [level 1].

Loans and receivables

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortized cost using the effective interest method less impairment. Losses are recognized in net loss in the consolidated statements of operations and comprehensive loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Where the time value of money is material, receivables are discounted and are carried at their present value. A provision is made where the estimated recoverable amount is lower than the carrying amount. Assets in this category include trade accounts and other receivables.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Other liabilities are presented as current if payment is due within twelve months. Otherwise, they are presented as non-current liabilities. Any gains or losses arising from the realization of other financial liabilities are included in net loss in the consolidated statement of comprehensive loss. Liabilities in this category include trade and other payables, loan payable and convertible preferred shares.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets carried at amortized costs are impaired. A financial asset or a group of financial assets carried at amortized cost is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows [excluding future credit losses that have not been incurred] discounted at the financial asset's original effective interest rate [i.e. the effective interest rate computed at initial recognition]. The carrying amount of the asset is reduced and the amount of the loss is recognized in net loss in the statements of comprehensive loss. For available for sale assets, such loss is recorded in net loss in the statements of comprehensive loss and removed from accumulated other comprehensive loss. Objective evidence of impairment of loans and receivables exists if the counter-party is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counter-party that would not normally be granted, or it is probable that the counter-party will enter into bankruptcy or a financial reorganization.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously-recognized impairment loss is increased or reduced by adjusting the allowance account (except for available for sale financial assets). Any subsequent reversal of an impairment loss is recognized in net loss in the statements of comprehensive loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derivatives

The Company periodically uses derivative financial instruments such as foreign currency contracts to hedge foreign currency risks. These do not meet hedging requirements and so the derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value through net loss in the consolidated statements of operations and comprehensive loss.

Compound financial instruments

Compound financial instruments issued by the Company consist of convertible preferred shares that can be converted into common shares of the Company.

The liability component is recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the convertible preferred shares at maturity.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the convertible preferred shares and is presented in shareholders' equity as equity component of convertible preferred shares. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry whereby it is reclassified to share capital.

Transaction costs are allocated between liability and equity on a pro-rata basis of their carrying amounts.

Exploration and evaluation assets

Exploration costs related to mining properties and exploration expenditures, include tangible assets and intangible assets including acquisition costs as well as costs relating to research and analyzing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, compiling pre-feasibility and feasibility studies, are capitalized on the basis of areas of geological interest until the mining properties to which they relate are placed into production, or impaired. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off if impaired. General exploration costs not related to specific mining properties or those incurred before the Company has obtained legal rights to explore an area are expensed as incurred.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, option payments are recorded when the payments are made or received.

The Company does not record any expenditures made by the farmee on its account. It also does not recognize any gain or losses on its exploration and evaluation farming arrangements but redesignates any cost previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash consideration received from the farmee is credited to exploration and evaluation assets and any excess recorded as gain or disposal.

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are reviewed for potential reversals at each reporting date.

Intangible assets

Intangible assets, which consist primarily of software, are measured at cost less accumulated amortization. Intangible assets are amortized over their estimated useful life of one year.

Property, plant and equipment

On initial acquisition, property, plant and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. The cost also includes borrowing costs on qualifying assets under construction, if any, less any applicable government assistance.

Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. The depreciable amount of property, plant and equipment comprises the acquisition cost of their components less residual value, which corresponds to the estimated disposal price of the asset at the end of its useful life. Estimates of remaining useful lives, residual values and methods of depreciation are reviewed at each reporting date and adjusted prospectively, if appropriate.

Depreciation is recorded over the estimated useful economic life as follows:

	Method	**Rate**
Mining equipment	Declining balance	20%
Buildings	Straight line	10-50 years
Machinery and equipment	Declining balance	30%
Computer and office equipment	Declining balance	30%
Automobiles	Declining balance	30%
Leasehold improvements	Straight-line	Lease term

Repair and maintenance costs are recognized in net loss in the consolidated statements of operations and comprehensive loss as incurred.

When an item of property, plant and equipment is disposed of or when no future economic benefits are expected from its use, it is derecognized and the gain or loss on the difference between its carrying value and proceeds from sale is included in net loss in the consolidated statements of operations and comprehensive loss.

Biological assets

Biological assets consist of grape vines and are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell. Gains and losses arising from changes in fair value less costs to sell are included in other income (loss) in the period in which they arise.

Grapes harvested from the Company's biological assets are measured at their fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvest produce to inventory.

Impairment

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. An impairment loss is recognized immediately in the consolidated statements of operations and comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Share capital and warrants

Common shares and warrants issued by the Company are recorded in share capital. Share issue costs directly attributable to the issuance of common shares including warrants issued are recognized in share capital as a deduction from the share proceeds [share issue costs].

The Company uses the Black-Scholes pricing model to measure the fair value of the share purchase warrants.

Share-based compensation

The Company has an equity-settled compensation plan under which it receives services from employees, directors and consultants as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized immediately since such awards vest immediately.

Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

All share-based remuneration is recognized as an expense with a corresponding increase to contributed surplus. Upon exercise of share options, the proceeds received are allocated to share capital.

Provisions

Provisions are recognized when the Company has a present obligation [legal or constructive] as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the expense relating to any provision is presented in net loss in the consolidated statement of operations and comprehensive loss net of the reimbursement. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in net loss in the consolidated statement of operations and comprehensive loss.

Taxes

Income tax expense comprises current and deferred tax and is recognized in net loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income taxes

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible and is calculated using tax rates and laws that were enacted or substantively enacted at the reporting date.

Current income tax expense relating to items recognized directly in other comprehensive loss or equity are recognized in other comprehensive loss or equity.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are income taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statements of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income taxes are not recognized for temporary differences which arise for initial recognition of an asset or liability that affects neither the accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are presented as non-current.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally-enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entities.

Exploration and evaluation assets are recognized net of the amount of commodity taxes except where the commodity taxes incurred are not recoverable from the taxation authority, in which case, the commodity taxes are recognized as part of the cost of exploration and evaluation assets or as part of the expense item as applicable.

Earnings per share [“EPS”]

Net loss per share computations are based upon the weighted average number of common shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the antidilutive effect of the outstanding warrants, share options and similar instruments.

Segment reporting

The Company operates in one business segment that conducts acquisition and exploration of mineral property interests and in two geographical segments, Canada and Portugal. Segment information is provided on the basis of geographical segments in note 26. The information provided is consistent with the internal reporting provided to the chief operating decision maker.

Leases

The Company’s leases are classified as operating leases as the Company does not assume substantially all of the risks and rewards. Payments made under operating leases are recognized in net loss in the consolidated statements of operations and comprehensive loss on a straight-line basis over the term of the lease.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations listed below that are issued but not yet effective up to the date of issuance of the Company’s consolidated financial statements, are those that the Company reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income [“OCI”]. Items that could be reclassified [or recycled] to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Company’s financial position or performance.

The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012 and will therefore be applied by the Company on January 1, 2013. The amendment will affect presentation only and therefore will have no impact on the Company’s financial position or performance.

IAS 28 Investments in Associates and Joint Ventures [as revised in 2011]

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact that this standard will have on the Company's financial position and performance.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues covered in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including structured entities [previously referred to as special purpose entities]. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard is effective for annual periods beginning on or after January 1, 2013. Based on the preliminary analysis performed, IFRS 10 is not expected to have any significant impact on the Company's financial position and performance.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers.

IFRS 11 removes the option to account for jointly controlled entities [JCEs] using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 relating to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but will have no impact on the Company's financial position or performance.

This standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses performed, IFRS 13 is not expected to have any significant impact on the Company's financial position and performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective January 1, 2015.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurement of financial liabilities.

The Company is currently assessing the impact that this standard will have on the Company's financial position and performance.

7. BUSINESS ACQUISITION

On August 24, 2011, the Company acquired 100% of the outstanding shares of QSPA, a Portuguese company. QSPA held approximately 140 hectares of land and also operated as an Oporto and Douro wine producer, trader, importer/exporter and bottler. QSPA was acquired in order for the Company to gain key surface rights covering the 140 hectares at its Tabuaço [Säo Pedro das Aguias] tungsten project, located in the company`s Armamar-Meda concession in northern Portugal [note 14]. The acquisition will provide the Company with unhindered access to the ground for exploration and enable the development of the Tabuaço tungsten project.

The Company applies IFRS 6 to initial recognition of expenditures incurred for the purposes of exploring and evaluating mineral resources. Therefore, the assets acquired which are directly related to exploration and evaluation of mineral resources, have been classified and presented as exploration and evaluation assets [note 14]. These assets have been initially recognized at their fair value at the acquisition date in accordance with IFRS 3.

The Company has classified and presented the assets related to the operation of the vineyard as property, plant and equipment and biological assets respectively and has recorded these assets at their fair value at the acquisition date [notes 12 and 13 respectively] in accordance with IFRS 3.

The net assets recognised in the December 31, 2011 financial statements were based on a provisional assessment of fair value, pending final valuation of the net assets. As of December 31, 2012, the Company finalized the valuation of the net assets and made adjustments relating to the purchase price allocation of QSPA.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

The final purchase price allocation as of the acquisition date was as follows:

	€	$[1]
Fair value of consideration transferred		
Cash consideration transferred	3,000,000	4,260,000
Non-interest bearing loans payable	1,885,900	2,677,977
Common shares	2,000,000	2,840,000
Convertible preferred shares	2,500,000	3,550,000
Total fair value of consideration transferred	**9,385,900**	**13,327,977**
Fair value of net identifiable assets acquired		
Cash and cash equivalents	36,872	52,358
Trade and other receivables	133,379	189,398
Inventories	2,788,988	3,960,363
Prepaid expenses	6,030	8,563
Property, plant and equipment	896,813	1,273,474
Biological assets	1,121,729	1,592,855
Exploration and evaluation assets		
Tangible assets	2,465,600	3,501,152
Surface rights	1,959,100	2,781,922
Accounts payables	(22,611)	(32,108)
Deferred taxes	(555,308)	(788,537)
Total Fair value of net identifiable assets acquired	**8,830,592**	**12,539,440**
Goodwill	555,308	788,537
	9,385,900	**13,327,977**

The December 31, 2011 comparative information has been revised to reflect the adjustments to the provisional amounts [using the exchange rate as at December 31, 2011 of $1.32/€1]:

- Increase in goodwill by €555,308 [$733,007], with a corresponding increase in deferred taxes by €555,308 [$733,007]. Goodwill arose as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Goodwill is not deductible for tax purposes.
- Decrease of the fair value of the biological assets by €176,243, and a corresponding increase of the fair value of the surface rights in intangible assets by €176,243 [$232,641];
- Reclassification of the presentation of surface rights from intangibles assets to exploration and evaluation assets in accordance with IFRS 6. The amount of the reclassification is €1,959,100 [$2,586,012].

[1] Using the exchange rate at the date of acquisition of $1.42/€1.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Reclassification of the presentation of items previously recognised as property, plant and equipment to exploration and evaluation assets according to IFRS 6. Property, plant and equipment have been reduced and exploration and evaluation assets have been increased by €2,450,709 [$3,234,936].

Had the purchase price allocation been finalized at the acquisition date, the affected balances as at December 31, 2011 would have appeared as follows:

	December 31, 2011, as previously reported $	Adjustments $	Reclassification $	December 31, 2011, as restated $
Assets				
Property, plant and equipment	4,871,505	—	(3,234,936)	1,636,569
Biological assets	1,694,970	(228,391)	—	1,466,579
Exploration and evaluation assets	9,635,704	—	5,820,948	15,456,652
Intangibles assets	2,389,656	232,641	(2,586,012)	36,285
Goodwill	—	733,007	—	733,007
Liabilities and shareholders' equity				
Deferred income taxes	—	(733,007)	—	(733,007)
Accumulated other comparative loss	718,294	182	—	718,476
Deficit	15,059,960	(4,432)	—	15,055,528

Total acquisition related costs amounted to $312,159 which are included in administrative expenses in the consolidated statement of operations and comprehensive loss [$47,276 in 2012 and $264,883 in 2011].

The consideration transferred included €2,000,000 non-interest bearing loans, 5,000,000 restricted common shares of the Company and 5,000,000 convertible preferred shares of the Company.

The loans payable include €1,000,000 payable in 12 months time from the date of acquisition and another €1,000,000 payable in 24 months time from the date of acquisition. These loans are non-interest bearing, and their fair values were estimated using a present value of future cash flows method, applying a discount rate of 4% which approximated the rates on similar loans in the market at that time. According to the agreement the first tranche has been paid on August 24, 2012. The non-interest bearing loans are secured by a mortgage on QSPA's land and buildings [note 14].

The seller of QSPA is restricted from selling the 5,000,000 common shares of QSPA to a maximum of 1,000,000 common shares annually. These shares were valued using the quoted price of the Company's shares on the acquisition date.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

The 5,000,000 preferred shares are convertible at any time by the holder into 4,385,965 common shares until August 23, 2016, at which time the holder can require the Company to redeem the shares for cash consideration €2,500,000. This instrument has been accounted for as a compound financial instrument. The fair value of the liability portion was estimated using a present value of future cash flows method, applying a discount rate within a range of 4% – 5%, with the difference between the fair value of the instrument and its redemption amount being allocated to the equity component.

The redemption amount of €2,500,000 of the preferred shares was secured by a mortgage on QSPA's land and buildings [note 14].

8. CASH AND CASH EQUIVALENTS

	2012	2011
	$	$
Cash at banks	**5,455,984**	1,875,929
Cash equivalents	**1,017,514**	2,009,848
	6,473,498	3,885,777

Cash at banks earn interest at floating rates based on daily bank deposit rates or prime rates. Cash and cash equivalents earned interest at a rate of 1.3% [1.9% in 2011].

As at December 31, 2012, cash includes 2,700,000$ of subscription receipts [notes 19 and 28].

9. MARKETABLE SECURITIES

	2012	2011
	$	$
Marketable securities	**—**	3,003,868
	—	3,003,868

As at December 31, 2011, the Company's marketable securities consisted of Government of Canada treasury bills with maturity on August 2, 2012 and earned interest at a rate of 1%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year/period ended December 31, 2012 and 2011
[All amounts disclosed are in Canadian dollars unless otherwise stated]

10. COMMODITY TAXES AND OTHER RECEIVABLES

	2012 $	**2011** $
Trade receivables	**544,538**	85,186
Commodity taxes receivable	**966,387**	191,430
Other receivables	**8,655**	124,663
	1,519,580	401,279

11. INVENTORIES

	2012 $	**2011** $
Raw material	**42,231**	45,276
Bottled wine	**781,354**	1,031,553
Bulk wine	**2,247,642**	2,633,721
	3,071,227	3,710,550

The other expense (income) is composed of the following:

	Year ended December 31, 2012 $	**Nine-month period ended December 31, 2011** $
Revenue from sale of wine	**605,785**	128,894
Cost of goods sold	**(721,081)**	30,170
	(115,296)	159,064
Write down of inventory to net realizable value	**(161,671)**	—
Change in value of biological assets [note 13]	**10,013**	—
Other (loss) income expense	**(266,954)**	159,064

[All amounts disclosed are in Canadian dollars unless otherwise stated]

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment $	Building $	Machinery and equipment $	Computer and office equipment $	Leasehold improvement $	Automobiles $	Construction in progress $	Total $
Cost								
As at March 31, 2011	5,823	—	—	57,490	88,970	55,399	—	207,682
Additions	18,675	36,963	—	152,126	—	93,171	57,101	358,036
Acquired in business acquisition *[note 7]*		1,142,542	51,876	79,056	—	—	—	1,273,474
Disposal					(635)			(635)
Foreign currency translation adjustment	(2,910)	(89,480)	—	—	—	(11,554)	—	(103,945)
As at December 31, 2011	21,588	1,090,024	51,876	288,672	88,335	137,016	57,101	1,734,612
Additions	6,343	732	1,120	215,544	—	—	—	223,739
Disposal	—	—	—	(20,074)	—	—	—	(20,074)
Transfer	—	—	—	—	—	—	(57,101)	(57,101)
Foreign currency translation adjustment	(134)	(6,771)	(322)	(1,295)	—	(851)	—	(9,374)
As at December 31, 2012	**27,796**	**1,083,985**	**52,674**	**482,847**	**88,335**	**136,165**	**—**	**1,871,803**
Accumulated depreciation								
As at March 31, 2011	2,340	—	—	7,029	—	8,310	—	17,679
Charge for the period	2,276	14,159	5,390	24,750	22,084	19,555	—	88,214
Foreign currency translation adjustment	(832)	(583)	(222)	711	—	(6,923)	—	(7,849)
As at December 31, 2011	3,784	13,576	5,168	32,490	22,084	20,942	—	98,044
Charge for the year	4,666	39,647	15,208	119,304	29,445	33,899	—	242,169
Foreign currency translation adjustment	74	744	306	1,960	—	576	—	3,660
Disposal	—	—	—	(7,148)	—	—		(7,148)
As at December 31, 2012	**8,524**	**53,967**	**20,682**	**146,606**	**51,529**	**55,417**	**—**	**336,725**
Net book value								
December 31, 2011	17,804	1,076,449	46,708	256,182	66,251	116,074	57,101	1,636,569
December 31, 2012	**19,273**	**1,030,019**	**31,992**	**336,241**	**36,806**	**80,748**	**—**	**1,535,079**

[All amounts disclosed are in Canadian dollars unless otherwise stated]

13. BIOLOGICAL ASSETS

	$
As at March 31, 2011	—
Acquired in a business combination *[note 7]*	1,592,855
Change in fair value	(14,103)
Foreign currency translation adjustment	(112,173)
As at December 31, 2011	1,466,579
Change in fair value, net of decrease due to harvest *[note 11]*	10,013
Foreign currency translation adjustment	(8,902)
As at December 31, 2012	**1,467,690**

Biological assets consist of grape vines and are all in production. The grapes harvested are used in the wine making process. As at December 31, 2012, the Company held grape vines planted on 28.29 hectares of land [2011 – 28, 29 hectares].

During the year, the Company harvest 89 tonnes of grapes [2011 – 82 tonnes].

The significant assumptions used to determine the fair value of vines planted are as follows:

	2012	**2011**
Yield	**3 429kg/ha**	3 429kg/ha
Discount rate	**4%**	4%
Annual vineyard operating costs	**2 750€/ha**	2 750€/ha
Selling price less delivery costs	**0.38€ - 1.27€ / kg**	0.38€ - 1.27€ / kg
Remaining life	**34 years**	35 years

[All amounts disclosed are in Canadian dollars unless otherwise stated]

14. EXPLORATION AND EVALUATION ASSETS

	December 31, 2011 $	Additions $	Foreign currency translation adjustments $	Impairment	December 31, 2012
Armamar-Meda	8,515,182	2,512,559	(30,033)	—	10,997,708
Penedono/San Antonio	2,432,769	509,422	—	—	2,942,191
Boa Fé	3,119,841	6,204,793	—	—	9,324,634
Montemor-o-Novo	—	946,277	—	—	946,277
Moimenta Almendra	317,516	113,062	—	—	430,578
Cedovim	—	23,340	—	—	23,340
Santa Margarida do Sado	346,825	324,790	—	(671,615)	—
Extra High	534,012	—	—	(534,012)	—
Gaspésie	190,507	—	—	(190,507)	—
	15,456,652	**10,634,244**	**(30,033)**	**(1,396,134)**	**24,664,728**

	March 31, 2011 $	Additions $	Foreign currency translation adjustments $	Impairment $	December 31, 2011 $
Armamar-Meda	1,075,907	7,439,275	—	—	8,515,182
Penedono	2,082,706	350,063	—	—	2,432,769
Boa Fé – Montemor-o-Novo	474,524	2,645,317	—	—	3,119,841
Moimenta Almendra	236,768	80,748	—	—	317,516
Santa Margarida do Sado	171,145	175,680	—	—	346,825
Extra High	534,012	—	—	—	534,012
Gaspésie	190,507	—	—	—	190,507
	4,765,569	10,691,083	—	—	15,456,652

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Intangibles

Intangible assets included in exploration for and evaluation assets amounted to $21,413,973 as at December 31, 2012 [2011 – $12,221,716].

Tangibles

The detail of property, plant and equipment included in exploration and evaluation assets relating to Armamar-Meda are as follows:

	Land	**Building**	**Total**
	$	$	$
As at March 31, 2011	—	—	—
Acquired in a business combination *[note 7]*	1,968,507	1,532,645	3,501,152
Foreign currency adjustment	(138,627)	(127,589)	(266,216)
As at December 31, 2011	1,829,880	1,405,056	3,234,936
Additions	—	29,787	29,787
Foreign currency translation adjustment	(11,367)	(2,601)	(13,968)
As at December 31, 2012	**1,818,513**	**1,432,242**	**3,250,755**

PORTUGUESE MINING INTERESTS

Armamar-Meda Property [Tungsten]

The Company holds a 100% interest in the Armamar-Meda property, which had an area of 109.20 km^2 located in north central Portugal.

The contractual exploration license expired on December 9, 2012. In accordance with the procedures provided by exploration license agreement with the Direcção-Geral de Energia e Geologia [“DGEG”] and Portuguese mining legislation, the Company applied for the Tabuaço Experimental Mining License, which replaces the Company’s Armamar-Meda concession. On February 20, 2013, the Company was granted the new Tabuaço Experimental Mining License.

Contractual Obligations

The initial term of the Tabuaço Experimental Mining License, is for a period of four years from February 20, 2013 to February 20, 2017. The term may be extended for an additional period of one year.

The original property area was 436.81 km^2. Upon expiry of the initial term, the Company was required to relinquish 50% of the area covered by the Armamar-Meda Exploration License [218.40 km^2]. This first relinquished area was re-applied by the Company, through the submission of a new application, [see Cedovim Property below]. At the end of the first extended term, the Company was required to relinquish a further 50% of the area covered by the Armamar-Meda Exploration License [109.20 km^2].

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €4,500,000 [$5,940,000].

The Company will be obliged to lodge a bank guarantee in favor of the Government of Portugal for the amount of €225,000 [$297,000] in respect to the Tabuaço Experimental Mining License.

The property area is 45.128km^2. Upon expiry of the term, the Company will not be required to relinquish any portion of the area covered by the Experimental Mining License if it is successful in receiving an extension of six months.

The Company will be obligated to pay to the Government of Portugal an annual license fee of €12,000 [$15,840] for the ground covered by its Tabuaco Experimental Mining license.

At any time during the initial term and the one year extension, the Company may apply for an exploitation license, which if granted, will have a term of 30 years and which may be extended with the approval of the Portuguese Government, for a period not exceeding 20 years.

Upon the granting of an exploitation license, and in the event that mining activities are to take place, then the Company will be obligated, at the Portuguese Government's sole discretion, either to pay 10% of the net profit derived from its mining activities, as defined, or, alternatively, pay a 5% NSR depending on the price of the metric ton unit, as defined.

On granting of an exploitation license the Company will be obligated to pay €50,000 [$66,000] as a commercial discovery bonus to the municipalities of Tabuaço and S João da Pesqueira, on a *pro rata* basis, depending on the surface area of the mining license included on each municipality.

Penedono Property/ Santo António [Gold]

The Company previously held a 100% interest in the Penedono property which had an area of 51.22 km^2 located in north central Portugal. The exploration license expired on October 28, 2012.

On June 29, 2012, the Company and Consultoria Técnica, Lda. ["Contécnica"], an unrelated entity, jointly applied for the Santo Antonio Experimental Mining License. On February 20, 2013, the Company and Contécnica were granted the San António Experimental Mining License covering a total area of 35.34km^2 in which the latter will be the operator.

Contractual Obligations

The initial term of the new Santo António Experimental Mining License is for a period of four years from February 20, 2013 to February 20, 2017. The term may be extended for an additional period of two years from February 20, 2017 to February 20, 2019.

During the initial term of the Santo António Experimental Mining License the Company is obliged to incur prospecting and exploration expenditures of not less than €3,000,000 [$3,960,000].

The Company will be obliged to lodge a bank guarantee in favor of the Government of Portugal for the amount of €150,000 [$198,000] in respect to the Santo António Experimental Mining License.

The original property area is 35.34km^2. Upon expiry of the initial term, the Company will not be required to relinquish any portion of the area covered by the Experimental Mining License if it is successful in receiving an extension of two years. The Company will be obligated to pay to the Government of Portugal an annual license fee of €12,000 [$15,840] for the ground covered by its Experimental Mining license.

At any time during the initial term of the Experimental Mining License and the two year extension, the Company may apply for an exploitation license, which if granted, shall have a term of 30 years and which may be extended two times with the approval of the Portuguese Government, for a period not exceeding 10 years each.

Under certain terms and conditions, the Company is obligated to pay Rio Narcea Portugal [the seller of the Penedono concession] a 1% NSR for a maximum amount of US$1,000,000[$1,320,000] as defined.

Upon the granting of an exploitation license, and in the event that mining activities are to take place, the Company will be obligated to pay a 2% to 4% NSR on production depending on the price of gold, as defined.

The Company lodged a bank guarantee in favor of the local municipalities for the amount of €50,000 [$66,000] which has been recorded as deposits on the consolidated statements of financial position as at December 31, 2012 [2011 – nil] . The required deposit is calculated on a *pro rata* basis, depending on the surface area of the mining license included on each municipality.

Boa Fé Project [Gold]

The Company, through its subsidiary Aurmont, holds a 100% interest of the Boa Fé project, which has an area of 46.78km^2 and is located in south central Portugal.

Contractual Obligations

The initial term of the Boa Fé Experimental Mining License is for a period of three years, from November 2, 2011 to November 1, 2014. The term may be extended for an additional six months to May 1, 2015.

The Company lodged a bank guarantee in favor of the Government of Portugal, for the amount of €300,000 [$396,000] in respect to the Boa-Fé Experimental Mining License which has been recorded as deposits on the consolidated statements of financial position as at December 31, 2012 [2011 – nil].

During the term of the Boa Fé Experimental Mining License the Company is obligated to incur prospecting and exploration expenditures of not less than €1,000,000 [$1,320,000] by November 1, 2012, €1,000,000 [$1,320,000] by November 1, 2013 and €1,000,000 [$1,320,000] by November 1, 2014. During the extended term, the Company is required to incur prospecting and exploration expenditures of approximately €500,000 [$660,000].

The original property area is 46.78km^2. Upon expiry of the term, the Company will not be required to relinquish any portion of the area covered by the Boa-Fé Experimental Mining License if it is successful in receiving an extension of six months.

At any time during the term and the 6 month extension, the Company may apply for an exploitation license, which if granted, shall have a term of 10 years and which may be extended with the approval of the Portuguese Government, for two periods not exceeding 5 years each.

Upon the granting of an exploitation license, and in the event that mining activities are to take place, the Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% to 20% of net profits based on a sliding scale, as defined, depending on the price of gold or, alternatively, pay a 4% net smelter return ["NSR"] royalty on production, as defined. The Company will only be required to pay 10% to 20 % of net profits based on a sliding scale once all capital and exploration expenditures incurred on the project have been fully recovered.

As at December 31, 2012, the Company has met all of its financial obligations for 2012 and is in compliance with all its contractual obligations for this property.

Montemor-o-Novo Property [Gold]

The Company, through its subsidiary Aurmont, holds a 100% interest in the Montemor-o-Novo property which has an area of 728.22 km2 which surrounds the Boa Fé property. The property is located in south central Portugal. On November 2, 2011, the Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby the Company has been granted the exclusive right to prospect and explore for base, precious and strategic metals on the property.

Contractual Obligations

The initial term of the Montemor-o-Novo Concession and Exploration License is for a period of three years, from November 2, 2011 to November 1, 2014. This initial term may be extended twice on an annual basis.

The Company lodged a bank guarantee in favor of the Government of Portugal, for the amount of €50,000 [$66,000] in respect to this Montemor-o-Novo Property which has been recorded as deposits in the consolidated statements of financial position as at December 31, 2012 [2011 – nil].

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €180,000 [$237,600] by November 1, 2012, €270,000 [$356,400] by November 1, 2013 and €450,000 [$594,000] by November 1, 2014. During the first extended term, the Company is required to incur prospecting and exploration expenditures of not less than €300,000 [$396,000] and will be required to incur prospecting and exploration expenditures of not less than €300,000 [$396,000] during the second extended term.

The original property area is 728.22 km^2. Upon expiry of the initial term, the Company will be required to relinquish 50% of the area covered by the Montemor-o-Novo Exploration License [364.11 km^2]. At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Exploration License [182.05 km^2].

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €25 per sq. km. of ground covered by its license.

Upon the granting of an exploitation license, and in the event that mining activities are to take place, the Company shall be obligated, at the Portuguese Government's sole discretion, either to pay a 10% to 20% of the net profit derived from its mining activities as defined, or, alternatively, pay a 3% NSR on production, depending on the price of gold, as defined.

As at December 31, 2012, the Company is in compliance with its contractual obligations for this property.

Moimenta-Almendra Property [Tungsten and Gold]

The Company holds a 100% interest in the Moimenta-Almendra with a surface area of 141.57 km^2 located in north central Portugal.

Contractual Obligations

The second extended term of the exploration license for Moimenta-Almendra is for the period October 1, 2012 to September 30, 2013. During this second extended term, the Company is required to incur prospecting and exploration expenditures of not less than €100,000 [$132,000].

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €25 per sq. km, of ground covered by its license.

At any time during the extended term, the Company can apply for an exploitation license, which if granted, shall have a term of 30 years and which may be extended with the approval of the Portuguese Government, for a period not exceeding 20 years.

Upon the granting of an exploitation license, and in the event that mining activities are to take place, then the Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% of the net profit derived from its mining activities or, as defined or alternatively, pay a 1% to 4% NSR on production depending on the price of gold, as defined. For other metals half of these amounts shall be considered.

On granting of an exploitation license, the Company will be obligated to pay €100,000 [$132,000] as a commercial discovery bonus to the Government of Portugal, provided that production from the mining activities is determined to exceed 1,000,000 ounces of gold or of gold equivalent during the life of the mining activities.

As at December 31, 2012, the Company is in compliance with its contractual obligations for this property.

Cedovim Property [Gold]

The Company, through Eurocolt, holds a 100% interest in the Cedovim property, which has an area of 218.13 km^2 located in north central Portugal which is partially contiguous to the Penedono, Moimenta Almendra property and Armamar-Meda Exploration concessions.

On November 2, 2011, the Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby the Company has been granted the exclusive right to prospect and explore the Cedovim property.

Contractual Obligations

The initial term of the Cedovim Exploration License is for a period three years from November 2, 2011 to November 1, 2014. This initial term may be extended twice on an annual basis to November 1, 2016.

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €40,000 [$52,800] by November 1, 2012, €50,000 [$66,000] by November 1, 2013 and €60,000 [$79,200] by November 1, 2014. During the first extended term, the Company is required to incur prospecting and exploration expenditures of not less than €50,000 [$66,000] and will be required to incur prospecting and exploration expenditures of not less than €50,000 [$66,000] during the second extended term.

The original property area is 218.13 km^2. Upon expiry of the initial term, the Company will be required to relinquish 50% of the area covered by the Cedovim Exploration License [109.06 km^2]. At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Cedovim Exploration License [54.53 km^2].

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €15 per sq. km, of ground covered by its license.

At any time during the initial and extended terms, the Company may apply for an exploitation license, which if granted, shall have a term of 30 years and which may be extended two times with the approval of the Portuguese Government, for a period not exceeding 20 years each.

Upon the granting of an exploitation license, and in the event that mining activities are to take place, then the Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% to 20% of the net profit derived from its mining activities, as defined, or, alternatively, pay a NSR on production of 3% depending on the price of gold.

The Company is in compliance with its contractual obligations for this property.

Santa Margarida do Sado Property [Base Metals]

The Company held a 100% interest in the Santa Margarida do Sado property which has an area of 180.17 km^2.

On September 16, 2012, the Company decided to cease further work on the Santa Margarida do Sado property and the entire carrying amount in exploration and evaluation assets of $671,615 was written off and returned the whole area to the Government of Portugal.

Borba Property [Gold) [note 28]

The Company applied on April 3, 2012, for a 100% interest in the Borba property which has an approximate area of 633.935 km^2 located in central Portugal. On February 20, 2013, the Company has been granted the new Borba Exploration License.

Contractual obligations

The initial term of the new Borba Exploration License is for a period of three years from February 20, 2013 to February 20, 2016. The term may be extended twice, for an additional period of one year each to February 20, 2018.

During the initial and extended term, of the Borba Exploration License the Company proposed to incur prospecting and exploration expenditures of not less than €350,000 [$462,000].

The original property area will be 633.935km^2. Upon expiry of the initial term, the Company will be required to relinquish 50% of the area covered by the Borba Exploration License [316.96 km^2]. At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Borba Exploration License [158.48 km^2].

The Company will be obligated to pay to the Government of Portugal an annual license fee in the amount of €10 per sq. km, of ground covered by its license.

At any time during the Initial and extended terms, the Company may apply for an exploitation license, which if granted, shall have a term of 30 years and which may be extended two times with the approval of the Portuguese Government, for a period not exceeding 20 years each.

Cercal Property [Gold]

On May 25, 2012 the Company applied for a 100% interest in the Cercal property, which covers an approximate area of 455 km^2. The property is located in southern Portugal. On February 20, 2013, the Company was granted the Cercal Exploration License.

Contractual obligations

The initial term of the new Cercal Exploration License is for a period of three years from February 20, 2013 to February 20, 2016. The Term may be extended twice, for an additional period of one year each to February 20, 2018. During the initial and extended Term, of the Cercal Exploration License the Company proposed to incur prospecting and exploration expenditures of not less than €400,000 [$528,000].

The original property area will be 455km^2. Upon expiry of the Initial Term, the Company will be required to relinquish 50% of the area covered by the Cercal Exploration License [227.50 km^2]. At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Cercal Exploration License [113.75 km^2].

The Company will be obligated to pay to the government of Portugal an annual license fee in the amount of €20 per sq. km, for the area covered by its license.

At any time during the Initial and extended terms, the Company may apply for an exploitation license, which if granted, shall have a term of 30 years and which may be extended two times with the approval of the Portuguese Government, for a period not exceeding 20 years each.

Adorigo Property [Gold]

On August 9, 2012, the Company applied for a 100% interest in the Adorigo property which has an approximate area of 164.98 km^2 located in north central Portugal.

The Company expects to finalize the details of the Adorigo property in 2013.

CANADIAN MINING INTERESTS

Extra High Mineral Property [Gold, Zinc and Lead]

The company holds a 67% interest in the Extra High property, which is located 60 km north from Kamloops B.C., Canada. Access to the property is by good gravel logging roads to the 1,450 meter elevation.

As at December 31, 2012 the Company decided to discontinue any future expenditures and wrote off the entire carrying amount in exploration and evaluation assets of $534,012.

Gaspésie Properties [Various Minerals]

The Company holds 100% interest in the Gaspésie Properties concession.

As at December 31, 2012 the Company decided to write off the entire carrying amount in exploration and evaluation assets of $190,507 as the right to explore in the specific area has expired, and is not expected to be renewed

[All amounts disclosed are in Canadian dollars unless otherwise stated]

15. GOODWILL

	Net $
As at March 31, 2011	—
Goodwill arising on business acquisition *[note 7]*	788,537
Foreign currency translation adjustment	(55,530)
As at December 31, 2011	733,007
Foreign currency translation adjustment	(4,554)
As at December 31, 2012	**728,453**

16. INTANGIBLES ASSETS

	Total $
Cost	
As at March 31, 2011	—
Additions	53,800
At December 31, 2011	53,800
Additions	-
Foreign currency translation adjustment	(8)
As at December 31, 2012	**53,792**
Accumulated depreciation	
As at March 31, 2011	—
Charge for the period	17,515
As at December 31, 2011	17,515
Charge for the year	35,031
As at December 31, 2012	**52,546**
Net book value	
As at December 31, 2011	36,285
As at December 31, 2012	**1,246**

[All amounts disclosed are in Canadian dollars unless otherwise stated]

17. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	2012 $	2011 $
Trade payables	**4,011,502**	395,937
Accrued liabilities	**445,060**	395,073
Employees and social institutions	**194,710**	39,237
Related parties	**48,325**	63,273
Other payables	**143,087**	41,939
	4,699,597	893,520

Trade payables are non-interest bearing and are normally settled on 30 day terms.

18. INCOME TAXES

A reconciliation of income tax charge applicable to accounting loss before income tax at the weighted average rate to income tax charge at the Company's effective income tax rate is as:

	Year ended December 31, 2012 $	Nine-month period ended December 31, 2011 $
Loss before income taxes	**(9,571,802)**	(5,920,003)
Income tax recovery at the combined federal and provincial tax rate 26.9% [2011 – 28.4%]	**(2,574,815)**	(1,682,540)
Stock-based compensation	**21,650**	356,359
Other non-deductible expenses or non-taxable revenues	**(200,810)**	104
Share issue costs	**(111,743)**	(115,107)
Minimum taxes paid in Portugal	**126,745**	—
Changes in valuation allowance	**2,604,073**	1,429,370
Income taxes recovery at an effective income tax rate	**(134,900)**	(11,814)

Income taxes are composed of the following on the consolidated statements of operations and comprehensive loss:

	2012 $	2011 $
Current	**126,745**	—
Deferred	**(261,645)**	(11,814)
	(134,900)	(11,814)

[All amounts disclosed are in Canadian dollars unless otherwise stated]

The deferred tax assets and liabilities of the Company consist of the following:

	2012 $	2011 $
Deferred income tax assets		
Non-capital loss carried forward	**5,479,439**	3,290,260
Capital losses carried forward	**11,637**	1,792
Share issue costs	**481,408**	369,665
Cumulative eligible capital	**28,827**	30,432
Non-refundable mining exploration tax credit	**41,650**	11,180
Carrying amount less than tax basis of property, plant and equipment	**8,736**	—
	6,051,698	3,703,329
Valuation allowance	**(5,591,781)**	(2,875,965)
	459,917	827,364
Deferred income tax liabilities		
Non-refundable mining exploration tax credit	**(11,204)**	—
Carrying amount greater than tax basis of property, plant and equipment	**(445,405)**	(736,098)
Carrying amount greater than tax basis of mineral property rights	**(448,713)**	(824,273)
	(905,322)	(1,560,371)
Net deferred income tax liabilities	**(445,405)**	(733,077)

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Tax loss carry-forwards

As at December 31, 2012, the Company had non-capital carry-forwards in the amount of $16,115,000 which are available to reduce future years' income for Canadian and provincial tax purposes. These non-capital loss carry-forwards expire as follows:

	2012 $
2014	43,000
2024	26,000
2025	43,000
2026	66,000
2027	812,000
2028	925,000
2029	837,000
2030	3,536,000
2031	4,472,000
2032	5,355,000
	16,115,000

The company also has losses from operation of approximately $4,368,000 [December 31, 2011 – $1,795,000] that can be carried forward to apply against future income for Portuguese tax purposes. The losses expire in 2017.

In addition, as at December 31, 2012 the Company has Federal investment tax credits in the amount of $41,650 which are available to reduce future taxable income and expire between 2027 and 2030.

The Company has capital losses for income tax purposes of approximately $86,500, which can be carried forward indefinitely.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

19. SHARE CAPITAL

Authorised

An unlimited number of common or preferred shares without nominal or par value.

Issued and outstanding common shares

The common shares issued by the Company are shown in the following table during the year ended December 31, 2012 and period ended December 31, 2011:

	Number of shares	$
As at March 31, 2011	55,198,419	12,225,115
Issuance of common shares [i]	23,002,000	16,561,440
Share issue costs [i]	—	(1,510,774)
Issuance of shares for options exercised	270,000	83,400
Issuance of shares for warrants exercised	11,982185	3,283,673
Issuance of common shares for business acquisition [ii]	5,000,000	2,840,000
Issuance of common shares for acquisition of exploration and evaluation assets [iii]	3,000,000	1,740,000
As at December 31, 2011	98,452,604	35,222,854
Issuance of common shares [iv]	17,400,000	8,700,000
Share issue costs [iv]	—	(1,058,235)
Issuance of warrants	—	195,928
Issuance of shares for warrants exercised	13,618,826	6,019,603
Issuance of shares for options exercised	100,000	25,000
As at December 31, 2012	**129,571,430**	**49,105,150**

[i] During the nine-month period ended December 31, 2011, the Company closed a public financing and a concurrent private placement for a total of 23,002,000 shares at $0.72 per unit for gross proceeds of $16,561,440. Share issuance costs included $1,196,662 in commissions and $314,112 in other costs.

[ii] During the nine-month period ended December 31, 2011, the Company issued 5,000,000 shares at $0.57 as part of the settlement for the acquisition of QSPA [note 7]. The total consideration of the share issuance was $2,840,000.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

[iii] In July 2010, the Company entered into an agreement with Australian Iron Ore, via a joint venture, to become the operator and subsequently acquire the Montemor Gold Project located in southern Portugal. The terms of the agreement included an initial payment of €60,000 in order to become a 51% owner of the project. Upon award of an experimental mining license to the joint venture, the Company was obligated to pay an additional €125,000 and to issue 3,000,000 common shares to be escrowed with gradual releases of 500,000 every four months over a 24-month period. As at December 31, 2012, 1,500,000 shares are still restricted. During the nine-month period ended December 31, 2011, the Company issued 3,000,000 shares issued at $0.58 per share as part of the settlement to become 100% owner of the Montemor Gold Project. The total consideration of the share issuance was $1,740,000.

[iv] During the year ended December 31, 2012, the Company issued 10,000,000 units at $0.50 per unit for gross proceeds of $5,000,000 through a brokered private placement and an additional 7,400,000 shares at $0.50 per unit for gross proceeds of $ 3,700,000 through a private placement. The share issuance cost included $513,000 in commissions and $349,307 in other costs. In addition, the Company issued 1,226,000 broker warrants and 317,202 finder warrants, entitling the holders to purchase one common share at the price of the offering until May 2, 2013. The fair value of these warrants amounted to $195,928.

Issued warrants

A summary of the changes in the Company's share purchase warrants during 2011 and 2012 is as follows:

	Number of warrants and exercisable	Weighted average exercise prices $	Weighted average years to expiry
As at March 31, 2011	28,026,064	$0.37	1.15
Issued	1,875,820	$0.71	
Exercised	(11,982,185)	$0.28	
Expired	(200,000)	$0.30	
As at December 31, 2011	17,719,699	$0.47	0.22
Issued	317,202	$0.45	
Issued [broker]	1,226,000	$0.50	
Exercised	(13,618,826)	$0.44	
Expired	(4,418,075)	$0.56	
As at December 31, 2012	**1,226,000**	$0.50	**0.33**

During the year ended December 31, 2012, the Company issued 1,226,000 broker warrants and 317,202 finder warrants. The purchase warrants expire on May 2, 2013 and a fair value of $195,928 was recorded in share capital using the Black Scholes option pricing model with the following assumptions: volatility 74%, risk free interest rate 1.142%, expected life of one year and expected dividend yield of nil%.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Subscription receipts

On December 31, 2012 the Company received $2,700,000 corresponding to the issuance of 6,000,000 common shares at $0.45 on January 7, 2013 [note 28].

20. SHARE-BASED COMPENSATION

A summary of the share option transactions during the period ended December 31, 2012 and 2011 is as follows:

	Number of options	Weighted average exercise price $	Weighted average years to expiry
As at March 31, 2011	8,770,000	$0.33	4.30
Granted	3,700,000	$0.73	
Exercised	(270,000)	$0.31	
Outstanding and exercisable as at December 31, 2011	12,200,000	$0.45	3.55
Granted	200,000	$0.55	4.70
Expired/Cancelled	(500,000)	$0.27	2.67
Exercised	(100,000)	$0.25	1.27
Outstanding and exercisable as at December 31, 2012	**11,800,000**	**$0.46**	**2.59**

The fair value of stock options issued granted during the period ended December 31, 2012 and 2011 was estimated on the date of grant using Black Scholes Options Pricing Model using the following assumptions:

	2012	2011
Expected risk free interest rate [%]	**1.3%**	2.0%
Expected volatility [%]	**169%**	72%
Expected life [in years]	**5 years**	5 years
Expected dividends [$]	**nil**	nil

[All amounts disclosed are in Canadian dollars unless otherwise stated]

The following table summarizes stock options outstanding and exercisable as at December 31, 2012 and 2011:

Expiry Date	**Exercise price** $	**Number of Options** 2012	2011
March 19, 2013	$0.25	850,000	850,000
April 8, 2014	$0.25	650,000	750,000
May 28, 2014	$0.25	100,000	100,000
November 23, 2014	$0.25	1,850,000	1,850,000
September 2, 2015	$0.27	2,850,000	3,350,000
November 8, 2015	$0.56	1,350,000	1,350,000
March 25, 2016	$0.91	250,000	250,000
June 4, 2016	$0.73	3,250,000	3,250,000
July 3, 2016	$0.75	450,000	450,000
September 11, 2017	$0.55	200,000	—
Total options outstanding and exercisable		**11,800,000**	**12,200,000**

21. ADMINISTRATIVE EXPENSES BY NATURE

	Year ended December 31, 2012 $	**Nine-month period ended December 31, 2011** $
Stock based compensation *[note 20]*	**80,482**	1,254,785
Management fees *[note 25]*	**1,028,496**	570,008
Professional and consulting fees	**586,631**	431,216
Salaries	**588,907**	348,342
Remuneration	**2,284,516**	2,604,351
Investor relations and marketing	**2,014,691**	1,414,044
Property investigation	**2,441**	44,627
Legal expenses	**285,798**	458,926
Insurance	**229,452**	78,858
Office expenses	**1,733,231**	960,381
Other general and administrative expenses	**900,871**	582,713
Administrative expenses	**7,451,000**	6,143,900

[All amounts disclosed are in Canadian dollars unless otherwise stated]

22. FINANCE COSTS

	Year ended December 31, 2012	**Nine-month period ended December 31, 2011**
	$	$
Accretion expense or loan payable *[note 7]*	**80,713**	36,163
Accretion expense on preferred shares *[note 7]*	**118,378**	43,351
Derivatives loss	**73,200**	—
Finance costs	**272,291**	79,514

23. CAPITAL MANAGEMENT

The Company's objectives when managing capital are as follows:

[i] to safeguard the Company's ability to continue as a going concern such that it can continue in its exploration activities to provide returns to shareholders and benefits to other stakeholders.
[ii] to secure sufficient cash and cash equivalents to fund the Company's business plans, including the exploration activities required for the development of its mineral property interests.

The Company considers the items included in shareholders' equity in the definition of capital.

The Company's primary uses of capital are to finance the exploration and property development activities required on its mineral properties, market and investor development, capital expenditures and operating losses.

The Company has relied primarily on the equity markets to fund its activities. In order to carry out planned exploration and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company has not used term debt financing and has not paid any dividends.

Management reviews its capital management approach on an ongoing basis. The Company is not subject to externally imposed capital requirements.

The prices of minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of minerals and future expectation of such prices may have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact on the Company's ability to raise equity financing for its capital requirements.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments consist of cash equivalents, marketable securities, trade receivable, and accounts payables and accrued liabilities. Due to the short-term nature of these accounts, the fair value of these financial instruments approximates their carrying value.

The fair values of the loan payable and convertible preferred shares approximate their carrying amounts as the transactions were recently negotiated in an arm's length transaction and were initially measured at fair value.

Financial risks

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk [currency fluctuations, interest rates and other price risk]. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit risk

The Company is exposed to credit risk with respect to cash and cash equivalents, deposits and trade and other receivables. The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk by maintaining cash and cash equivalents and deposits in highly liquid investments with major financial institutions in Canada and Portugal. The Company's commodity taxes receivables are not subject to significant credit risk.

The maximum exposure to credit risk as at:

	2012	**2011**
	$	$
Cash and cash equivalents	**6,473,498**	3,885,777
Marketable securities	**—**	3,003,868
Deposits [held in Portugal]	**603,428**	229,587
Accounts receivable	**544,538**	85,186
	7,621,464	7,204,418

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows used in operations and exploration activities, anticipated from investing and financing activities, and taking into account the Company's holdings of cash and cash equivalents.

As at December 31, 2012, the Company has cash and cash equivalents of $6,473,498. Trade and other payables have contractual maturities of 30 days or less and are subject to normal trade terms, amounts due to related parties are due on demand.

The Company's ability to continue as a going concern is also dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. While the Company has been successful in raising debt and equity funds in the past, there is always a degree of risk on whether or not it will be able to raise sufficient funds in the future.

Currency risk

The Company raises its capital in Canadian dollars and holds its cash mainly in Canadian dollars and Euros. The Company and its subsidiaries minimize their exposure to foreign currency risk by minimizing the amount of funds in currencies other than the functional currencies. The Company continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

As at December 31, 2012 and 2011, the Company was exposed to currency risk on the following net assets denominated in Euros:

	2012	**2011**
	$	$
Net financial assets and liabilities	**16,126,131**	7,751,926

Financial risk associated to agriculture

The Company is exposed to financial risks arising from its vineyard activities. The Company takes reasonable measures to ensure that the current year's harvest is not affected by disease or other climate effects that may have a negative effect upon yield and quality. These measures include involvement of viticulture technicians and continuous focus on development of every plantation.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

25. RELATED PARTY TRANSACTIONS

The compensation of directors and other members of key management personnel during the period were as follows:

	2012 $	2011 $
Management fees	**1,028,496**	570,008
Other short term benefits	**824,552**	927,149
Share-based payment	**—**	1,254,785
	1,853,048	2,751,942

As at December 31, 2012, $48,325 is owed to related parties [2011 – $63,273] and is included in accounts payable.

26. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the acquisition and exploration of mineral property interests and in two geographical segments, Canada and Portugal. The capital assets (including mineral properties) and total assets identifiable with these geographic areas are as follows:

Total Assets	2012 $	2011 $
Canada	**5,895,741**	7,444,258
Portugal	**34,624,372**	23,432,193
	40,520,113	**30,876,451**

Non-current Assets	2012 $	2011 $
Canada	**72,043**	889,305
Portugal	**28,928,581**	18,669,374
	29,000,624	**19,558,679**

27. COMMITMENTS

In addition to the Company's commitments disclosed in note 14, the Company has an operating lease which ends on April 30, 2014 with annual expenditure of $33,152.

The Company's mining and exploration activities are subject to various federal, provincial and local laws and regulations governing the protection of the environment as well as obtaining permits necessary for the Company's operations. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes that it conducts its operations so as to protect public health and the environment, and its operations are materially in compliance with all applicable laws and regulations and therefore it will be granted the required permits. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

28. SUBSEQUENT EVENTS

[i] Private Placement

On January 7, 2013 the Company secured firm commitments to sell on a non-brokered private placement basis to Asian and Portuguese based investors as well as a number of the Company's directors up to 17,777,778 common shares at a price of $0.45 per share for total gross proceeds of up to $8,000,000 ["Private Placement"]. The Private Placement was scheduled for two closings, one on January 7, 2013 and one January 11, 2013 and was subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange.

On January 7, 2013 the initial closing for 6,000,000 common shares for total gross proceeds of $2,700,000 was completed [note 19].

On February 6, 2013 the Company completed a second portion of the Private Placement by issuing an aggregate of 2,605,041 common shares at a price of $0.45 per share, for total gross proceeds to the Company of $1,172,268. The common shares were issued to a Canadian based institutional investor as well as an investor from Portugal.

As of April 29, 2013, the Company has raised total gross proceeds of $3,872,268 in the private placement.

The Company paid cash commissions totaling $162,001 and issued 360,000 broker warrants, entitling the holders to purchase one common share at the price of $0.55 per share up to January 7, 2014.

The Company has received an executed subscription agreement for $5,000,000 from an investor which is a newly constituted Hong Kong-based resource investment fund, along with written confirmation that funds are expected shortly. This final tranche of the Private Placement will be under the same terms as the previously-announced private placement, that is a price of $0.45 per share. As of April 29, 2013 The Company has yet to conclude the final portion of the Private Placement.

The Company incurred a finders' fee of up to 6% cash and 6% non-transferable compensation warrants. Each compensation warrant entitling the holder to purchase one additional common share of Colt at CAD $0.55 per share up to January 7, 2014.

[ii] Memorandum of Understanding on Borba Licence

On February 25, 2013 the Company executed a memorandum of understanding with privately owned Star Mining Limited ("Star Mining") setting the key terms for the definitive agreement, which the parties intend to execute within the next 60 days.

The Company and Star Mining will jointly explore the Borba Licence and have agreed that Star Mining will develop a work program and has the right to earn-in progressively full ownership of the Borba Licence. Upon the completion of a work program and expenditures of not less than $350,000 USD over a period of up to 12 months, Star Mining will initially earn a 25% interest in the Borba Licence. Subsequently and upon the completion of a work program and expenditures of not less than $750,000 USD over a further period of up to 24 months, Star Mining will earn a 35% interest in the Borba Licence. Star Mining may then elect to spend a further $1,000,000 USD by carrying out additional technical, commercial and environmental programs on the Borba Licence area for the purposes of working towards the completing a National Instrument 43-101 technical compliant resources report to earn a further 20% ownership of the concession. Once Star Mining has obtained an 80% ownership interest in the Borba Licence, the Company's remaining 20% ownership will revert to a carried interest. Star Mining will also have the option to purchase this remaining 20% interest of the Borba Licence at either $5,000,000 USD within 18 months of obtaining an 80% interest or for $10,000,000 USD at any time during a subsequent 42 month period. The transaction is subject to the approval of the DGEG, a division of the Portuguese Ministry of Economy and Innovation.