COLT resources

(An Exploration Stage Company)

Audited Consolidated Financial Statements

December 31, 2013 and 2012

Consolidated Financial Statements

December 31, 2013 and 2012

General information

Directors

Richard Quesnel, Executive Chairman of the Board

James Ladner

James Wayne Murton

Nikolas Perrault

Declan Costelloe

Paul Yeou

Legal Counsel and Corporate Secretary

David A. Johnson

Auditors

Ernst & Young 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, 2013 and 2012, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years 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, 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 audits. We conducted our audits 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 audits 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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 $10,231,330 during the year ended December 31, 2013. This condition, 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 28, 2014

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

Colt Resources Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31
[Canadian dollars]

	2013	2012
	$	$
ASSETS		
Current		
Cash and cash equivalents *[note 8]*	**2,263,613**	6,473,498
Commodity taxes and other receivables *[note 9]*	**1,020,041**	1,519,580
Inventories *[note 10]*	**3,005,757**	3,071,227
Prepaid expenses and deposits	**536,288**	455,184
	6,825,699	11,519,489
Non-current		
Property, plant and equipment *[note 11]*	**1,986,393**	1,535,079
Biological assets *[note 12]*	**1,362,499**	1,467,690
Exploration and evaluation assets *[note 13]*	**29,927,351**	24,664,728
Goodwill *[note 14]*	**813,804**	728,453
Deposits	**598,023**	604,674
	41,513,769	40,520,113
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft *[note 8]*	**183,188**	—
Accounts payable and accrued liabilities *[notes 15 and 24]*	**2,812,431**	4,699,597
Loan payable	—	1,278,962
	2,995,619	5,978,559
Non-current		
Senior secured notes *[note 16]*	**1,211,355**	—
Derivative financial liability - Warrants *[notes 16 and 18]*	**953,136**	—
Deferred income taxes *[note 17]*	**617,300**	445,405
Convertible preferred shares *[note 7]*	**3,261,481**	2,793,904
Total liabilities	**9,038,891**	9,217,868
Shareholders' equity		
Share capital *[note 18]*	**58,934,878**	48,353,634
Subscription receipts *[note 18]*	**—**	2,700,000
Warrants *[note 18]*	**1,063,238**	195,928
Contributed surplus	**4,522,611**	4,522,206
Equity component of convertible preferred shares *[note 7]*	**700,628**	700,628
Accumulated other comprehensive income (loss)	**1,977,283**	(677,721)
Accumulated deficit	**(34,723,760)**	(24,492,430)
Total shareholders' equity	**32,474,878**	31,302,245
	41,513,769	40,520,113

Going concern *[note 2]*
Related party transactions *[note 24]*
Commitments *[notes 13 and 26]*
Subsequent event *[note 27]*

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

On behalf of the Board:

Director Director

Colt Resources Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Year ended December 31
[Canadian dollars]

	2013 $	2012 $
EXPENSES		
Administrative expenses *[note 20]*	**(9,016,639)**	(7,451,000)
Impairment of exploration and evaluation assets *[note 13]*	**(441,519)**	(1,396,134)
Loss on disposal of property, plant and equipment	**—**	(10,632)
Depreciation *[note 11]*	**(237,095)**	(277,200)
Other expenses, net *[note 10]*	**(166,015)**	(266,954)
Loss from operations	**(9,861,268)**	(9,401,920)
Interest income	**19,035**	52,178
Finance costs *[note 21]*	**(314,758)**	(199,091)
Change in fair value of derivative financial liability - warrants *[notes 16 and 18]*	**464,514**	—
Derivative loss	**—**	(73,200)
Foreign exchange (loss)/gain	**(342,212)**	50,231
Loss before income taxes	**(10,034,689)**	(9,571,802)
Income tax expense/(recovery)		
Current *[note 17]*	**84,831**	126,745
Deferred *[note 17]*	**111,810**	(261,645)
	196,641	(134,900)
Net loss for the year	**(10,231,330)**	(9,436,902)
Other comprehensive loss		
Other comprehensive income (loss) to be reclassified to profit or loss		
Unrealized loss on available for sale marketable securities, net of taxes	**—**	(6,746)
Foreign exchange gain on translation of foreign subsidiaries	**2,655,004**	47,501
Comprehensive loss for the year	**(7,576,326)**	(9,396,147)
Net loss per share		
Basic and fully diluted	**(0.05)**	(0.08)
Weighted average number of outstanding shares		
Basic and fully diluted	**145,591,912**	121,383,520

Going concern *[note 2]*

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

Colt Resources Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31
[Canadian dollars]

	2013	**2012**
	$	$
OPERATING ACTIVITIES		
Net loss for the year	**(10,231,330)**	(9,436,902)
Items not impacting cash:		
Impairment of exploration and evaluation assets *[note 13]*	**441,519**	1,396,134
Accretion expense *[note 21]*	**217,699**	199,091
Change in fair value of derivate financial liability - warrants *[note 18]*	**(464,514)**	
Depreciation *[note 11]*	**237,095**	277,200
Write-down of inventories to net realizable value *[note 10]*	**62,172**	161,671
Loss on disposal of property, plant and equipment	—	10,632
Share-based compensation *[note 19]*	—	80,482
Change in fair value of biological assets *[note 10]*	**106,580**	(130,013)
Deferred income taxes	**111,810**	(261,645)
Unrealized foreign exchange loss	**444,168**	10,969
	(9,074,801)	(7,692,381)
Change in non-cash working capital	**(707,543)**	3,172,206
Net cash flows from operating activities	**(9,782,344)**	(4,520,175)
INVESTMENT ACTIVITIES		
Increase in bank overdraft *[note 8]*	**183,188**	—
Decrease/(Increase) in deposits	**6,651**	(385,590)
Additions to property, plant and equipment *[note 11]*	**(553,261)**	(166,638)
Proceeds on disposal of Property, Plant & Equipment	**48,678**	—
Additions to exploration and evaluation assets *[note 13]*	**(3,815,997)**	(10,634,244)
Decrease in marketable securities	—	3,003,868
Net cash flows from investing activities	**(4,130,741)**	(8,182,604)
FINANCING ACTIVITIES		
Decrease in loan payable *[note 7]*	**(1,345,500)**	(1,316,500)
Proceeds from Senior Secured Notes financing, net of issuance cost *[note 16]*	**2,530,500**	—
Proceeds from issuance of common shares and warrants, net of issuance cost	**8,671,260**	16,582,296
Net cash flows from financing activities	**9,856,260**	15,265,796
Foreign exchange (loss)/gain on cash and cash equivalents	**(153,060)**	24,704
Net (decrease)/increase in cash and cash equivalents	**(4,209,885)**	2,587,721
Cash and cash equivalents, beginning of year	**6,473,498**	3,885,777
Cash and cash equivalents, end of year *[note 8]*	**2,263,613**	6,473,498

Going concern *[note 2]*

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31
[Canadian dollars]

	Share capital $	Subscription receipts $	Warrants	Contributed surplus $	Equity component of preferred shares $	Accumulated other comprehensive income (loss) $	Deficit $	Total equity $
As at January 1, 2012	33,114,210	—	2,108,644	3,886,136	700,628	(718,476)	(15,055,528)	24,035,614
Net loss for the year	—	—	—	—	—	—	(9,436,902)	(9,436,902)
Other comprehensive income	—	—	—	—	—	40,755	—	40,755
Comprehensive loss for the year	—	—	—	—	—	40,755	(9,436,902)	(9,396,147)
Issuance of shares for warrants and options								—
exercised *[note 18]*	7,597,659	—	(1,553,056)	—	—	—	—	6,044,603
Issuance of common shares, net of								—
share issue costs *[note 18]*	7,641,765	2,700,000	—	—	—	—	—	10,341,765
Share based compensation *[note 19]*	—	—	—	80,482	—	—	—	80,482
Broker warrants issued *[note 18]*		—	195,928	—	—	—	—	195,928
Warrants expired *[note 18]*	—	—	(555,588)	555,588	—	—	—	—
As at December 31, 2012	48,353,634	2,700,000	195,928	4,522,206	700,628	(677,721)	(24,492,430)	31,302,245
Net loss for the year	—	—	—	—	—	—	**(10,231,330)**	**(10,231,330)**
Other comprehensive income	—	—	—	—	—	**2,655,004**	—	**2,655,004**
Comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**2,655,004**	**(10,231,330)**	**(7,576,326)**
Issuance of common shares, net of								—
share issue costs *[note 18]*	**10,173,971**	**(2,700,000)**	**—**	**—**	**—**	**—**	**—**	**7,473,971**
Issuance of shares for options								—
exercised *[note 18]*	**407,273**	**—**	**—**	**(195,523)**	**—**	**—**	**—**	**211,750**
Broker warrants issued *[note 18]*	**—**	**—**	**77,699**	**—**	**—**	**—**	**—**	**77,699**
Warrants issued *[note 18]*		**—**	**985,539**	**—**	**—**	**—**	**—**	**985,539**
Warrants expired *[note 18]*	**—**	**—**	**(195,928)**	**195,928**	**—**	**—**	**—**	**—**
As at December 31, 2013	**58,934,878**	**—**	**1,063,238**	**4,522,611**	**700,628**	**1,977,283**	**(34,723,760)**	**32,474,878**

Going concern *[note 2]*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012
[All amounts disclosed are in Canadian dollars unless otherwise stated]

1. GENERAL INFORMATION

Colt Resources Inc. and its subsidiaries [the "Company"] is an exploration company engaged in the acquisition, exploration and development of mineral property interests in Portugal and in the Greater Middle East. 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"], TungSPA Unipessoal Lda. ["TungSPA"], Colt Resources Middle East (Cayman), Colt Middle East Corporation (Cayman) and Colt Resources Kanz (Cayman). These subsidiaries represent the interests of Colt Resources Inc. in Portugal and the Greater Middle East area.

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 is insufficient to cover expected expenditures in fiscal 2014. 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 2013 and 2012 of $10,231,330 and $9,436,902 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"].

Basis of presentation

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

During the year ended December 31, 2013, the Company retroactively reclassified the warrants issued from share capital to warrants to show them separately. These warrants are moved to contributed surplus upon expiry or to share capital upon exercise.

The Board approved these financial statements on April 28, 2014.

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 USD and the Euro.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries as well as Colt Nimroz Afghanistan Mining Company, Colt Resources Kanz DMCC and Colt Nimruz Resources DMCC three structured entities as at December 31, 2013 (the "Structured Entities"). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Company has less than majority of the voting, or similar, rights of an investee, it considers relevant facts and circumstances in assessing whether it has power over the investee, as applicable, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, revenues and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements operations and comprehensive loss from the date the Company gains control until the date the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared using the same reporting period and same accounting policies as the Company.

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.

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 and the USD. 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 is considered by management in determining the functional currency.

Consolidation of Structured Entities – Judgement

Colt Nimroz Afghanistan Mining Company was incorporated in Afghanistan on September 17, 2013 and Colt Resources Kanz DMCC and Colt Nimruz Resources DMCC were incorporated in United Arab Emirates on August 15, 2013 The sole purpose of the Structured Entities has been to represent the Company's interest in the Greater Middle East area. The Company considers that it controls the Structured Entities even though it does not have any voting rights. This is because the sole purpose of the Structured Entities is to manage the Company's assets and expenditures as it relates to acquisition of mining licences of advanced stage mining projects in the Greater Middle East area. The Company is exposed to the variability of returns from its involvement with the Structured Entities. The Company also has the ability to direct the Structured Entities through the approval of relevant activities such as the annual budgeted and unbudgeted expenditures and cash disbursements by the board of Colt and of the board of Colt Resources Middle East (Cayman) which affects the Company's returns. Accordingly, the Company has concluded that it controls the Structured Entities and that they should be consolidated within the Company's consolidated financial statements.

Fair value of derivative financial liability - warrants– Estimate

Estimating fair value for warrant 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 warrants. The fair value of warrants 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 warrants. The expected volatility is based on the historical volatility of the Company, over the period of the expected life of the warrants. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns *[note 18]*.

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 12]*.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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.

Marketable securities

Marketable securities are classified as available for sale financial assets. They are initially measured at fair value. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized in other comprehensive income (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 income (loss) included in net loss in the consolidated statements of operations and comprehensive loss.

Trade and other receivables

Trade and other receivable are initially measured at fair value and are subsequently 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.

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.

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.

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%
Leasehold improvements	Straight-line	Lease term
Automobiles	Declining balance	30%

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 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 expense, net 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.

Exploration and evaluation assets

Exploration costs related to mining properties and exploration expenditures, including 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.

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

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. The Company's goodwill balance relates to the Tabuaço property.

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.

Goodwill, net of related deferred tax liabilities recognised on acquisition, if significant, 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.

Deposits

Deposits are classified as held-to-maturity and measured 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.

Convertible preferred shares

The liability component of the convertible preferred shares 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.

Senior Secured Notes, Loan Payable and Derivative Financial Liability – Warrants

The Senior Secured Notes and Loan Payable are classified as other financial liabilities and are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost, using the effective interest method.

The Senior Secured Notes consist of a notes payable ("Notes") and warrants to purchase common shares of the Company which are recorded at their pro rata relative fair value. The fair value of the Notes are determined 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 have an associated warrant. The fair value of the warrants is estimated using the Black-Scholes option pricing model. Since these warrants have an exercise price denominated in US$, they are recorded as a derivative financial liability.

Subsequently, the Notes are measured at amortized cost using the effective interest method and are increased by accretion to reach the nominal value of the Notes at maturity. The warrants are fair valued at each reporting date and the change in fair value compared to the initial pro-rata relative fair value is recorded in the consolidated statements of operations and comprehensive loss along with accretion of the initial difference in fair value with the pro- rated relative fair value using the effective interest rate method.

Costs incurred are allocated to each component of the Senior Secured Notes on a pro-rata basis. Costs allocated to the Notes are netted against the carrying value whereas costs allocated to the warrants are recorded in net loss in the consolidated statements of operations and comprehensive loss.

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 at 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.

Share capital

Common shares issued by the Company are recorded in share capital. Proceeds from share unit financings are allocated between common shares and common share purchase warrants by recording the warrants at fair value using the Black-Scholes option pricing model and recording the residual amount as share capital. On the exercise of the warrants, the Black-Scholes related amounts are transferred from warrants to share capital whereas on expiry of the warrants, the Black-Scholes related amounts are transferred from warrants to contributed surplus.

Costs incurred in connection with the issuance of units are allocated to each component of the units on a pro-rata basis of their carrying amounts and netted against each such component.

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 issued to employees and Directors 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.

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, preferred shares, 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 three geographical areas, Canada, Portugal and the Middle East. Segment information is provided on the basis of geographical areas in note 25. The information provided is consistent with the internal reporting provided to the chief operating decision maker.

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED

The nature and impact of each new standard/amendment are described below:

IAS 1 Presentation of Financial Statements – Components of Other Comprehensive Income

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 Company adopted amendments to IAS 1 on January 1, 2013 and the amendment affects presentation only and therefore has no impact on the Company’s financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntary comparative information does not need to be presented in a complete set of financial statements.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including structured entities. IFRS 10 replaces the parts of previously existing IAS 27, Consolidated and Separate Financial Statements, that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changed the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: a) an investor has power over the investee; b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The Company adopted IFRS 10 on January 1, 2013 and it did not have an impact on the Company's consolidated financial statements, as the Company continues to consolidate its subsidiaries.

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. The Company adopted IFRS 11 on January 1, 2013 and it did not have any impacted on the Company's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The Company adopted IFRS 12 on January 1, 2013 and it did not have any impact on the Company's consolidated financial statements.

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. IFRS 13 also defines fair value as an exit price and also requires additional disclosures. The Company adopted IFRS 13 on January 1, 2013 and the application of IFRS 2013 has not impact the fair values measurements of the Company. See Note 23 for required disclosures.

NEW 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.

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.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. 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 13]. The acquisition provided the Company with unhindered access to the ground for exploration to enable the development of the Tabuaço tungsten project.

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

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 13]*.

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 11 and 12 respectively] in accordance with IFRS 3.

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.

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**

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

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

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 in the amount of $1,316,500 was paid on August 24, 2012 and the second tranche in the amount of $1,345,500 was paid in September 2013.

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.

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 preferred 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 11]*.

8. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT

	2013	**2012**
	$	$
Cash at banks	**2,263,613**	5,455,984
Cash equivalents	—	1,017,514
	2,263,613	6,473,498

Cash at banks earn interest at floating rates based on daily bank deposit rates or prime rates. Cash equivalents earned interest at a rate of 0.92% [2012: 1.3%].

As at December 31, 2012, cash included $2,700,000 of subscription receipts.

The Company's QSPA operations has a bank overdraft facility in the total amount of $366,375 [€ 250,000] renewed every six months of which $183,188 [€ 125,000] was outstanding as at December 31, 2013 [2012: $nil]. The line of credit bears interest at 6 months Euribor plus a margin of 5% and is secured by QSPA's current assets and liabilities.

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

9. COMMODITY TAXES AND OTHER RECEIVABLES

	2013	**2012**
	$	$
Trade receivables, net of allowance (2013: $7,198; 2012:$10,551)	**666,544**	544,538
Commodity taxes receivable	**335,593**	966,387
Other receivables	**17,904**	8,655
	1,020,041	1,519,580

Trade receivables are non-interest bearing and are generally on a term of 30 to 60 days.

10. INVENTORIES

	2013	**2012**
	$	$
Raw material	**49,892**	42,231
Bottled wine	**965,108**	781,354
Bulk wine	**1,990,757**	2,247,642
	3,005,757	3,071,227

The other expenses, net are composed of the following:

	2013	**2012**
	$	$
Revenue from sale of wine	**897,812**	605,785
Cost of goods sold	**(895,076)**	(841,081)
	2,736	(235,296)
Write down of inventory to net realizable value	**(62,172)**	(161,671)
Change in value of biological assets *[note 12]*	**(106,579)**	130,013
Other expenses, net	**(166,015)**	(266,954)

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

11. PROPERTY, PLANT AND EQUIPMENT

	Mining Equipment $	Building $	Machinery and equipment $	Computer and office equipment $	Leasehold improvement $	Automobiles $	Construction in progress $	Total $
Cost								
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)	(6,770)	(322)	(1,295)	—	(851)	—	(9,372)
As at December 31, 2012	27,797	1,083,986	52,674	482,847	88,335	136,165	—	1,871,804
Additions	—	3,749	14,012	7,466	—	528,034	—	553,261
Disposal	—	—	—	—	—	(48,678)	—	(48,678)
Foreign currency translation adjustment	3,257	127,006	6,172	48,659	—	15,961	—	201,055
As at December 31, 2013	**31,054**	**1,214,741**	**72,858**	**538,972**	**88,335**	**631,482**	**—**	**2,,577,442**
Accumulated depreciation								
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
Disposal	—	—	—	(7,148)	—	—		(7,148)
Foreign currency translation adjustment	74	744	306	1,960	—	576	—	3,660
As at December 31, 2012	8,524	53,967	20,682	146,606	51,529	55,417	—	336,725
Charge for the year	4,601	42,308	19,096	120,719	29,445	20,926	—	237,095
Disposal	—	—	—	—	—	(26,132)	—	(26,132)
Foreign currency translation adjustment	1,323	9,311	3,772	20,978	—	7,977	—	43,361
As at December 31, 2013	**14,448**	**105,586**	**43,550**	**288,303**	**80,974**	**58,188**	**—**	**591,049**
Net book value								
December 31, 2012	19,273	1,030,019	31,992	336,241	36,806	80,748	—	1,535,079
December 31, 2013	**16,606**	**1,109,155**	**29,308**	**250,669**	**7,361**	**573,294**	**—**	**1,986,393**

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

12. BIOLOGICAL ASSETS

	$
As at December 31, 2011	1,466,579
Change in fair value	130,013
Change due to harvest	(120,000)
Foreign currency translation adjustment	(8,902)
As at December 31, 2012	1,467,690
Change in fair value	(106,580)
Change due to harvest	(152,290)
Foreign currency translation adjustment	153,679
As at December 31, 2013	**1,362,499**

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, 2013, the Company held grape vines planted on 27.04 hectares of land [2012 – 28.29 hectares].

During the year, the Company harvest 114 tonnes of grapes [2012 – 89 tonnes].

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

	2013	**2012**
Yield	4 235kg/ha	3 429kg/ha
Discount rate	4.5%	4%
Annual vineyard operating costs	50,000€/ha	2 750€/ha
Selling price less delivery costs	0.5€ - 1.7€ / kg	0.38€ - 1.27€ / kg
Remaining life	33 years	34 years

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

13. EXPLORATION AND EVALUATION ASSETS

	December 31, 2012 $	Additions/ (Disposals) $	Foreign currency translation adjustments $	Impairment	December 31, 2013
Tabuaço	10,997,708	1,489,788	1,087,395	—	13,574,891
Santo António (formerly Penedono)	2,942,191	(29,577)	—	—	2,912,614
Boa Fé	9,324,634	1,671,136	687,142	—	11,682,912
Montemor-o-Novo	946,277	434,731	110,873	—	1,491,881
Moimenta Almendra	430,578	10,941	—	(441,519)	—
Cedovim	23,340	29,500	2,735	—	55,575
Cercal	—	180,817	—	—	180,817
Borba	—	28,661	—	—	28,661
	24,664,728	**3,815,997**	**1,888,145**	**(441,519)**	**29,927,351**

	December 31, 2011 $	Additions $	Foreign currency translation adjustments $	Impairment $	December 31, 2012 $
Tabuaço	8,515,182	2,512,559	(30,033)	—	10,997,708
Penedono	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)	—
Gaspesie	190,507	—	—	(190,507)	—
	15,456,652	**10,634,244**	**(30,033)**	**(1,396,134)**	**24,664,728**

Intangibles

Intangible assets included in exploration for and evaluation assets amounted to $26,293,371 as at December 31, 2013 [2012 – $21,413,973].

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

Tangibles

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

	Land $	Building $	Total $
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
Additions	—	2,345	2,345
Foreign currency translation adjustment	213,070	167,810	380,880
As at December 31, 2013	2,031,583	1,602,397	3,633,980

PORTUGUESE MINING INTERESTS

Tabuaço [Tungsten]

The Company holds a 100% interest in the Tabuaço property, which has an area of 45.128 km^2 located in north central Portugal. The Tabuaço Experimental Mining License, which replaces the Company's Armamar-Meda concession was granted to the Company on February 20, 2013.

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.

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €4,500,000 [$6,594,750].

The Company lodged a bank guarantee in favor of the Government of Portugal for the amount of €225,000 [$329,738] in respect of the Tabuaço Experimental Mining License. The related bank deposit amounts to €112,500 [$164,869] and has been recorded as deposits in the consolidated statements of financial position as at December 31, 2013 [2012: nil].

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

The Company is obligated to pay to the Government of Portugal an annual license fee of €12,000 [$17,586] for the ground covered by its Tabuaço 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 [$73,275] 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.

Santo António (Penedono) Property [Gold]

On June 29, 2012, the Company and Contecnica Consultoria Técnica, Lda. ["Contécnica"], an unrelated entity applied jointly for the Santo António Experimental Mining License. On February 20, 2013, the Company Contécnica was granted the Santo António Experimental Mining License covering a total area of 35.34km^2 in which the latter will be the operator. As of December 31, 2013, the Company held 93% and Contécnica held 7% of the San Antonio Experimental Mining License

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 [$4,396,500].

The Company lodged a bank guarantee in favor of the Government of Portugal for the amount of €75,000 [$109,913] in respect of the Santo António Experimental Mining License which has been recorded as deposits on the consolidated statements of financial position as at December 31, 2013 [2012: nil].

The property area held by the Company 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 [$17,586] 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 [$1,063,600] 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.

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 €150,000 [$219,825] 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, 2013 [2012: €300,000 ($393,540)].

During the initial term of the Boa Fé Experimental Mining License the Company is obliged to incur prospecting and exploration expenditures of not less than €3,000,000 [$4,396,500]. During the extended term, the Company is required to incur prospecting and exploration expenditures of approximately €500,000 [$732,750].

The property area held by the Company 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.

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 km^2 which surrounds the Boa Fé property. The property is located in south central Portugal.

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 €25,000 [$36,638] 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, 2013 [2012: €50,000 ($65,590)].

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €180,000 [$263,790] by November 1, 2012, €270,000 [$395,685] by November 1, 2013 and €450,000 [$659,475] 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 [$439,650] and will be required to incur prospecting and exploration expenditures of not less than €300,000 [$439,650] 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.

Moimenta-Almendra Property [Tungsten and Gold]

The second extended term of the exploration license for Moimenta-Almendra expired September 30, 2013 and the entire carrying amount in exploration and evaluation assets of $441,519 was written off and the Company returned the whole area to the Government of Portugal.

The Company lodged a bank guarantee in favor of the Government of Portugal, for the amount of €10,000 [$14,655] in respect to this Moimenta-Almendra Property which has been recorded as deposits in the consolidated statements of financial position as at December 31, 2013 [2012: nil].

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.

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.

The Company lodged a bank guarantee in favor of the Government of Portugal, for the amount of €15,000 [$21,982] in respect to this Cedovim Property which has been recorded as deposits in the consolidated statements of financial position as at December 31, 2013 [2012: nil].

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €40,000 [$58,620] by November 1, 2012, €50,000 [$73,275] by November 1, 2013 and €60,000 [$87,930] 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 [$73,275] and will be required to incur prospecting and exploration expenditures of not less than €50,000 [$73,275] 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.

Cercal Property [Gold]

The Company holds a 100% interest in the Cercal property, which has an area of 455 km^2. The property is located in southern Portugal.

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.

The Company lodged a bank guarantee in favor of the Government of Portugal, for the amount of €20,000 [$29,310] in respect to this Cercal Property. The related bank deposit amounts to €10,000 [$14,655] and has been recorded as deposit in the consolidated statements of financial position as at December 31, 2013 [2012: €10,000 ($13,118)].

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €50,000 [$73,275] by February 19, 2014, €75,000 [$109,913] by February 19, 2015 and €75,000 [$109,913] by February 19, 2016. During the first extended term, the Company is required to incur prospecting and exploration expenditures of not less than €100,000 [$146,550] and will be required to incur prospecting and exploration expenditures of not less than €100,000 [$146,550] during the second extended term.

The original property area is 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.

Borba Property [Gold]

The Company holds a 100% interest in the Borba property which has an approximate area of 633.935 km^2 located in central Portugal.

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.

The Company lodged a bank guarantee in favor of the Government of Portugal, for the amount of €19,000 [$27,845] with respect to the Borba Property. The related bank deposit amounts to €9,500 [$13,922] and has been recorded in the annual consolidated statements of financial position as at December 31, 2013 [2012: nil].

During the initial term, the Company is obligated to incur prospecting and exploration expenditures of not less than €60,000 [$87,930] by February 19, 2014, €60,000 [$87,930] by February 19, 2015 and €70,000 [$102,585] by February 19, 2016. During the first extended term, the Company is required to incur prospecting and exploration expenditures of not less than €80,000 [$117,240] and will be required to incur prospecting and exploration expenditures of not less than €80,000 [$117,240] during the second extended term.

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.

During 2013, the Company entered into an agreement with privately owned Star Mining Limited ("Star Mining"), an unrelated entity, establishing the key terms for the definitive agreement on the Borba License.

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

The Company and Star Mining will jointly explore the Borba License and have agreed that Star Mining will develop a work program and has the right to earn-in progressively full ownership of the Borba License. Upon the completion of a work program and expenditures of not less than $350,000 USD [$372,260] over a period of up to 18 months, Star Mining will initially earn a 25% interest in the Borba License. Subsequently and upon the completion of a work program and expenditures of not less than $750,000 USD [$797,700] over a further period of up to 30 months, Star Mining will earn a 35% interest in the Borba License. Star Mining may then elect to spend a further $1,000,000 USD [$1,063,600] by carrying out additional technical, commercial and environmental programs on the Borba License 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 License, 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 License at either $5,000,000 USD [$5,318,000] within 24 months of obtaining an 80% interest or for $10,000,000 USD [$10,636,000] at any time during a subsequent 42-month period.

As at December 31, 2013, the Company is in compliance with all its contractual obligations for all the properties.

14. GOODWILL

	Net
	$
As at December 31, 2011	733,007
Foreign currency translation adjustment	(4,554)
As at December 31, 2012	728,453
Foreign currency translation adjustment	85,351
As at December 31, 2013	**813,804**

15. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	2013	**2012**
	$	$
Trade payables	**1,353,526**	4,011,502
Accrued liabilities	**869,874**	445,060
Employees and social institutions	**241,295**	194,710
Related parties	**84,456**	48,325
Other payables	**263,280**	—
	2,812,431	4,699,597

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

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

16. SENIOR SECURED NOTES

On November 1, 2013, the Company issued 10 units at $250,000 per unit for gross proceeds of US$2,500,000 ($2,603,750) *[note 24]*. Each Unit consists of US$250,000 in principal amount of 10% Senior Secured Notes and common share purchase warrants to purchase up to 555,555 common shares of the Company. The Units mature on November 1, 2018, or earlier if the Company closes a financing equal to or greater than US$25,000,000. Interest is payable on June 30 and December 31 in by way of issuance of the Company's common shares or cash at the holder's option.

The fair value of the Notes was estimated using a present value of future cash flows method, applying a discount rate of 20%.

The Warrants entitle their holders to purchase an aggregate of 5,555,550 common shares at an exercise price of US$0.45 per Common Share on or before November 1, 2018. The fair value of the warrants recorded as derivative financial liability on the consolidated statements of financial position was estimated using the Black-Scholes option pricing model using the assumptions presented in the table below.

Share price ($ per share)	$0.42
Expected risk free interest rate [%]	1.53
Expected volatility [%]	139%
Expected life [in years]	5 years
Expected dividends [$]	Nil
Weighted average fair value per warrant (US$)	0.365

The share issue cost included $73,250 in commissions and 111,111 broker warrants entitling the holder to purchase common shares at the price of US$0.45 per Common Share until November 1, 2016. The fair value of these broker warrants amounted to $22,713 *[note 18]*.

As at November 1, 2013, the pro-rata relative fair value for the Notes and warrants amounted to $1,163,747, net of transaction costs of $40,814 and $1,399,189 *[note 18]* respectively. Transaction cost on the warrants amounted to $55,149 and was recorded in the consolidated statements of operations.

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

17. INCOME TAXES

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

	2013 $	2012 $
Loss before income taxes	**(10,034,689)**	(9,571,802)
Income tax recovery at the combined federal and provincial tax rate 26.9% [2012 – 26.9%]	**(2,699,326)**	(2,574,815)
Stock-based compensation	**—**	21,650
Other non-deductible expenses or non-taxable revenues	**1,197,009**	(200,810)
Share issue costs charged to equity	**(75,680)**	(111,743)
Minimum taxes paid in Portugal	**84,831**	126,745
Other	**(26,443)**	—
Changes in valuation allowance	**1,716,250**	2,604,073
Income taxes expense/(recovery) at an effective income tax rate	**196,641**	(134,900)

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

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

	2013 $	2012 $
Current	**84,831**	126,745
Deferred	**111,810**	(261,645)
	196,641	(134,900)

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

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

	2013 $	2012 $
Deferred income tax assets		
Non-capital loss carried forward	**7,583,899**	5,479,439
Share issue costs	**405,728**	481,408
Other	**90,175**	90,851
	8,079,802	6,051,698
Valuation allowance	**(7,405,529)**	(5,591,781)
	674,273	459,917
Deferred income tax liabilities		
Carrying amount greater than tax basis of property, plant and equipment	**(617,300)**	(445,405)
Carrying amount greater than tax basis of mineral property rights	**(329,944)**	(448,713)
Unrealized foreign exchange and other	**(344,329)**	(11,204)
	(1,291,573)	(905,322)
Net deferred income tax liabilities	**(617,300)**	(445,405)

Tax loss carry-forwards

As at December 31, 2013, the Company had non-capital carry-forwards in the amount of $21,217,000 which are available to reduce future years' income for Canadian and provincial tax purposes. These non-capital loss carry-forwards expire as follows:

	2013 $
2014	43,000
2024	26,000
2025	43,000
2026	66,000
2027	916,000
2028	925,000
2029	837,000
2030	3,536,000
2031	4,472,000
2032	5,288,000
2033	5,065,000
	21,217,000

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

In addition, the Corporation has investment tax credits as at December 31, 2013 in the amount of $42,000 which are available to reduce future taxable income and expire between 2027 and 2030.

The Company has capital losses for income tax purposes as at December 31, 2013 of approximately $73,000, which can be carried forward indefinitely.

The Company also has losses from operation as at December 31, 2013 of approximately $7,756,000 that may be carried forward to apply against future income for Portuguese tax purposes. The losses expire between 2014 and 2018.

18. SHAREHOLDERS' EQUITY

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, 2013 and 2012:

	Number of shares	$
As at December 31, 2011	98,452,604	33,114,210
Issuance of common shares [i]	17,400,000	8,700,000
Share issue costs	—	(1,058,235)
Issuance of shares for warrants exercised	13,618,826	7,572,659
Issuance of shares for options exercised	100,000	25,000
As at December 31, 2012	129,571,430	48,353,634
Issuance of common shares [ii]	29,140,756	10,472,980
Share issue costs [ii]	—	(299,009)
Issuance of shares for options exercised [ii]	825,000	407,273
As at December 31, 2013	**159,537,186**	**58,934,878**

i. During the year ended December 31, 2012, the Company issued 10,000,000 common shares at $0.50 per share for gross proceeds of $5,000,000 through a brokered private placement and an additional 7,400,000 shares at $0.50 per share 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 using 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%. These warrants expired in the year ended December 31, 2013.

ii. During the year ended December 31, 2013, the Company issued the following:

   a. 8,605,041 common shares at $0.45 per share for gross proceeds of $3,872,269 through private placement. As of December 31, 2012, the Company had already received $2,700,000 subscription receipts corresponding to the issuance of 6,000,000 shares. The share issue costs included $162,001 in commission and $50,601 in other costs. In addition, the Company issued 360,000 broker warrants, entitling the holders to purchase one common share at the price of $0.45 per share up to January 7, 2014. The fair value of the warrants amounted to $54,986 using the Black Scholes option pricing model with the following assumptions: volatility 70.54%, risk free interest rate 1.13%, expected life of one year and a half and expected dividend yield of nil%.

   b. 14,285,715 units at $0.35 per unit for gross proceeds of $5,000,000 through private placement. Each unit is comprised of one common share and one fourth (1/4) of one Warrant. The share issue cost incurred were $29,010. Each whole Warrant is-exercisable at a price of $0.45 during a period of 60 months expiring on July 27, 2018. The fair value of the 3,571,929 warrants issued amounted to $985,539 using the Black Scholes option pricing model with the following assumptions: volatility 138.5%, risk free interest rate 1.69% expected life of five years and expected dividend yield of nil%.

   c. 6,250,000 common shares at a price of US$0.40 per share through a private placement, to be gross proceeds of US$2,500,000 [$2,586,250]. The share issue costs incurred were $2,411.

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

Issued warrants

A summary of the changes in the Company's share purchase warrants during 2013 and 2012 is as follows:

	Number of warrants and exercisable	Weighted average exercise prices $	Weighted average years to expiry
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
Issued (broker warrants for Senior Secured Notes)(US$0.45)	111,111	$0.48	
Issued	3,571,429	$0.45	
Issued [broker]	360,000	$0.45	
Expired	(1,226,000)	$0.50	
As at December 31, 2013	**4,042,540**	$0.45	**4.16**

In addition, there were 5,555,550 warrants issued and outstanding as at December 31, 2013 with weighted average exercise price of US$0.45 per warrant and a weighted average years to expiry of 4.85 years *[note 16]*.

These warrants have been accounted for as derivative financial liability. The fair value of the warrants as at December 31, 2013 was $953,136 calculated using Black Scholes option pricing model using the following assumptions:

Share price ($ per share)	$0.34
Expected risk free interest rate [%]	1.51
Expected volatility [%]	129%
Expected life [in years]	5 years
Expected dividends [$]	Nil
Weighted average fair value per warrant (US$)	0.282

The change in fair value of $464,514 as well as accretion on warrants of $18,461 *[note 21]* was recorded in the consolidated statement of operations and comprehensive loss.

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

19. SHARE-BASED COMPENSATION

A summary of the share option transactions during the year ended December 31, 2013 and 2012 is as follows:

	Number of options	Weighted average exercise price $	Weighted average years to expiry
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
Expired/Cancelled	(2,600,000)	$0.54	1.49
Exercised	(825,000)	$0.26	1.04
Outstanding and exercisable as at December 31, 2013	**8,375,000**	**$0.46**	**1.76**

The weighted average fair value of options granted during the year was nil [2012: $110,000]

The fair value of stock options issued granted during the year ended December 31, 2012 was estimated on the date of grant using Black Scholes options pricing model using the following assumptions:

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

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

The following table summarizes stock options outstanding and exercisable as at December 31, 2013 and 2012:

Expiry Date	Exercise price $	Number of Options 2013	Number of Options 2012
March 19, 2013	$0.25	—	850,000
April 8, 2014	$0.25	575,000	650,000
May 28, 2014	$0.25	—	100,000
November 23, 2014	$0.25	1,475,000	1,850,000
September 2, 2015	$0.27	2,425,000	2,850,000
November 8, 2015	$0.56	1,000,000	1,350,000
March 25, 2016	$0.91	—	250,000
June 4, 2016	$0.73	2,250,000	3,250,000
July 3, 2016	$0.75	450,000	450,000
September 11, 2017	$0.55	200,000	200,000
Total options outstanding and exercisable		**8,375 ,000**	11,800,000

20. ADMINISTRATIVE EXPENSES BY NATURE

	2013 $	2012 $
Stock based compensation *[note19]*	—	80,482
Management fees *[note 24]*	**1,471,952**	1,028,496
Professional and consulting fees *[note 24]*	**1,162,351**	879,007
Salaries *[note 24]*	**734,651**	588,907
	3,368,954	2,576,892
Investor relations and marketing	**1,414,508**	2,014,691
Legal expenses	**690,464**	285,798
Insurance	**217,729**	229,452
Office expenses	**2,579,387**	1,733,231
Listing and transfer agent fees	**121,198**	160,907
Rent	**331,666**	317,297
General and administrative expenses	**292,733**	132,732
Administrative expenses	**9,016,639**	7,451,000

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

21. FINANCE COSTS

	2013 $	2012 $
Accretion expense on loan payable *[note 7]*	**45,909**	80,713
Accretion expense on derivative financial liability – warrants *[note 18]*	**18,461**	—
Interest expense on Senior Secured Notes *[note 16]*	**41,909**	—
Accretion expense on Senior Secured Notes *[note 16]*	**22,301**	—
Accretion expense on convertible preferred shares *[note 7]*	**131,028**	118,378
Other	**55,150**	—
Finance costs	**314,758**	199,091

22. 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.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

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.

The Company's financial instruments consist of cash equivalents, receivables, deposits and accounts payables and accrued liabilities.

The fair values of the loan payable, convertible preferred shares and Senior Secured Notes are determined using the discounted cash flow method using discount rate that reflects rates currently available for debt on similar terms, considering the Company's credit risk and remaining maturity (Level 2).

The fair value of warrants is evaluated using the Black-Scholes pricing model at year end (Level 2).

Below is a comparison of the carrying amount of the financial instruments and their respective fair values as at December 31, 2013:

	Carrying Amount	Fair Value
Convertible Preferred Shares	3,261,481	2,250,480
Senior Secured Notes	1,211,355	1,752,347
Derivative Finance Liability – Warrants	953,136	1,565,650

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, Portugal and the Greater Middle East. The Company's commodity taxes receivables are not subject to significant credit risk.

The maximum exposure to credit risk as at:

	2013 $	2012 $
Cash and cash equivalents	**2,263,613**	6,473,498
Deposits [held in Portugal]	**598,023**	603,428
Accounts receivable	**666,544**	544,538
	3,528,180	7,621,464

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, 2013, the Company has cash and cash equivalents of $2,263,613 (including $1,735,000 in the Middle East). Trade and other payables have contractual maturities of 30 – 60 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, US 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, 2013 and 2012, the Company was exposed to currency risk on the cash balance of US$1,600,000 [2012: nil] held in the Middle East and the following net assets held in Portugal denominated in Euros:

	2013	**2012**
	$	$
Net financial assets and liabilities	**24,178,557**	16,126,131

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.

24. RELATED PARTY TRANSACTIONS

Related party transactions include the Executive Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, the Chief Legal Officer, the Chief Financial Officer, the Board of Directors, officers, advisory board members, close family members and entities controlled by these individuals as well as certain consultants performing similar functions. These are the key management personnel of the Company.

All of the following related party transactions were in the normal course of operations and were measured at the amount established and agreed to by the related parties.

Following were the related party transactions for the years ended 2013 and 2012:

Year ended December 31	**2013**	**2012**
	$	$
Management fees	**1,071,952**	1,226,532
Professional and consulting fees	**363,618**	202,541
Salaries	**12,500**	—
Short-term benefits	**302,712**	307,616
Termination	**400,000**	—
Director fees	**51,103**	116,359
	2,201,885	1,853,048

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

In addition, on November 1, 2013, the Executive Chairman of the Board of Directors subscribed for eight units of the Senior Secured Notes for US$ 2,000,000 of the Company's secured senior notes financing in principal amount of notes and warrants to purchase 4,444,440 common shares of the Company *[note 16]*.

As at December 31, 2013, $417,308 owed to related parties [2012 – $48,325] is included in accounts payable and accrued liabilities.

25. SEGMENTED INFORMATION

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

Total Assets	**2013**	**2012**
	$	$
Canada	**1,063,352**	5,895,741
Portugal	**38,183,937**	34,624,372
Middle East	**2,266,480**	—
	41,513,769	40,520,113

Non-current Assets	**2013**	**2012**
	$	$
Canada	**227,600**	72,043
Portugal	**33,932,435**	28,928,581
Middle East	**528,035**	—
	34,688,070	29,000,624

26. COMMITMENTS

In addition to the Company's commitments disclosed in note 13, the Company has a contractual commitment with its drilling service provider to drill a minimum of additional 15,929 metres till the end of June 30, 2014 for a total cost of at least $2,760,000

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.

27. SUBSEQUENT EVENT

Investment in Colt Resources Middle East Cayman ("Colt Middle East")

As of March 4, 2014, Colt Middle East (Cayman) completed a private placement. As a result, Colt Middle East issued a total of 27,500,000 shares at C$0.15 per share for gross proceeds of 4,125,000 and the funds will be used to pursue efforts aimed at securing mining licenses in the Greater Middle East region. Of this amount, the Company received back $1,500,000 in two instalments on February 19 and March 13, 2014 respectively. Following the completion of the Offering, the Company has maintained an interest of approximately 38% in Colt Middle East.