

COLT RESOURCES INC.
(An Exploration Stage Company)

Consolidated Financial Statements
March 31, 2009 and 2008

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Colt Resources Inc. are the responsibility of the Company's management. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements as at and for the years ended March 31, 2009 and 2008 have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Nikolas Perrault"

Nikolas Perrault
Chief Executive Officer

Vancouver, British Columbia
June 16, 2009

"Aurelio Useche"

Aurelio Useche
Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF COLT RESOURCES INC.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Colt Resources Inc. (an exploration stage company) as at March 31, 2009 and 2008 and the consolidated statements of operations, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
June 16, 2009

COLT RESOURCES INC.
(An Exploration Stage Company)
Consolidated Balance Sheets
March 31

	2009	2008 (restated - note 17)
Assets		
Current		
Cash and cash equivalents (note 6)	\$ 19,818	\$ 625,911
Sales taxes recoverable	43,846	45,116
Taxes receivable (note 8)	22,611	1,967
Prepaid expenses	7,886	12,936
Due from related party (note 11(a))	0	4,138
	94,161	690,068
Equipment (note 7)	11,464	14,023
Performance Bonds (notes 8(d), (e) and (f))	133,600	113,707
Mineral Property Interests (note 8)	1,932,549	1,267,706
	\$ 2,171,774	\$ 2,085,504
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 227,577	\$ 103,654
Due to related parties (note 11)	130,543	11,074
	358,120	114,728
Convertible Debenture (note 9)	287,917	692,440
	646,037	807,168
Shareholders' Equity		
Capital Stock (note 10)	3,358,545	1,573,182
Contributed Surplus	434,421	393,183
Equity Portion of Convertible Debt (note 9)	214,097	807,860
Deficit	(2,481,326)	(1,495,889)
	1,525,737	1,278,336
	\$ 2,171,774	\$ 2,085,504

Going Concern (note 2)

Commitments and Subsequent Events (notes 14 and 16)

Approved on behalf of the Board:

"Nikolas Perrault"

..... Director
Nikolas Perrault

"Aurelio Useche"

..... Director
Aurelio Useche

COLT RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Operations
Years Ended March 31

	2009	2008
		(restated – note 17)
Expenses		
Directors' compensation (notes 10(h) and 11)	\$ 248,423	\$ 495,939
Consulting (notes 10(h) and 11)	176,470	130,016
Interest on convertible debenture (note 9)	152,780	203,367
Salaries	129,463	43,837
Shareholder communication	87,269	98,252
Accounting and audit	47,179	27,562
Rent	33,339	27,213
Office	22,591	73,680
Property investigation	21,626	0
Listing and transfer agent fees	10,522	16,093
Filing fees	6,978	5,465
Bank charges	4,724	3,806
Insurance	3,494	1,825
Legal	2,823	30,915
Financing fee	0	4,376
Amortization	4,250	2,337
Loss Before Other Items and Income Tax	(951,931)	(1,164,683)
Other Items		
Interest	5,666	29,678
Foreign exchange gain	3,013	9,802
Write-off of mineral property interest (note 8(b))	(90,000)	0
	(81,321)	39,480
Loss Before Income Tax	(1,033,252)	(1,125,203)
Income Tax		
Future income tax recovery (note 13)	47,815	29,450
Net Loss and Comprehensive Loss for Year	\$ (985,437)	\$ (1,095,753)
Loss Per Share, basic and diluted	\$ (0.07)	\$ (0.16)
Weighted Average Number of Common Shares Outstanding	14,866,814	6,833,463

COLT RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended March 31

	2009	2008
		(restated - note 17)
Operating Activities		
Net loss	\$ (985,437)	\$ (1,095,753)
Items not involving cash		
Accrued interest, accretion and financing fees on convertible debenture (note 9)	152,780	203,367
Future income tax recovery (note 13)	(47,815)	(29,450)
Write-off of mineral property interest (note 8)	90,000	0
Issuance of finder's warrants	0	30,450
Amortization	4,250	2,337
Stock-based compensation (note 10(h))	36,650	345,939
Unrealized foreign exchange gain	(3,252)	0
	(752,824)	(543,110)
Changes in non-cash working capital		
Prepaid expenses	5,051	(12,936)
Provincial sales taxes recoverable	1,270	(40,786)
Accounts payable and accrued liabilities	3,431	(622)
Due to/from related parties	123,607	5,346
Cash Used in Operating Activities	(619,465)	(592,108)
Investing Activities		
Purchase of capital assets	(1,691)	(16,360)
Performance bonds	(19,893)	(113,707)
Expenditures on mineral property interests	(564,996)	(1,012,271)
Cash Used in Investing Activities	(586,580)	(1,142,338)
Financing Activities		
Proceeds from convertible debt, net of costs	0	1,317,350
Proceeds from shares issued, net of issuance costs	596,700	919,321
Cash Provided by Financing Activities	596,700	2,236,671
Foreign Exchange Effect on Cash	3,252	0
Inflow (Outflow) of Cash	(606,093)	502,225
Cash and Cash Equivalents, Beginning of Year	625,911	123,686
Cash and Cash Equivalents, End of Year	\$ 19,818	\$ 625,911
Cash and Cash Equivalents Consist of:		
Cash	\$ 19,818	\$ 23,546
Term deposits (note 6)	0	602,365
	\$ 19,818	\$ 625,911
Non-Cash Operating, Investing and Financing Activities		
Accounts payable for exploration of mineral property interests	\$ 126,624	\$ 68,632
Issuance of capital stock for debt conversion	\$ 1,151,066	\$ 50,867
Issuance of capital stock for acquisition of mineral property interest	\$ 90,000	\$ 55,000
Taxes receivable for exploration of mineral property interests	\$ 22,611	\$ 1,967
Interest paid	\$ 0	\$ 0
Income taxes paid	\$ 0	\$ 0

See notes to consolidated financial statements.

COLT RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity

	Number of Shares	Capital Stock	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Shareholders' Equity
Balance – March 31, 2007	5,631,783	\$ 607,894	\$ 0	\$ 16,794	\$ (400,136)	\$ 224,552
Common shares issued for cash (note 10(c))	3,908,000	900,921	0	0	0	900,921
Flow-through shares issued for cash (note 10(c))	57,143	18,400	0	0	0	18,400
Equity portion of convertible debt (note 9)	0	0	909,137	0	0	909,137
Common shares converted from convertible debt (note 9)	211,130	52,782	(31,029)	0	0	21,753
Common shares issued for mineral property interest (note 10(d))	220,000	55,000	0	0	0	55,000
Stock-based compensation (note 10(g))	0	0	0	345,939	0	345,939
Finder's fees warrants (note 10(c))	0	(30,450)	0	30,450	0	0
Renouncement of tax deductibility relating to flow- through shares	0	(29,450)	0	0	0	(29,450)
Net loss for year	0	0	0	0	(1,198,783)	(1,198,783)
Balance – March 31, 2008, as previously reported	10,028,056	1,575,097	878,108	393,183	(1,598,919)	1,247,469
Prior period restatement (note 17)	0	(1,915)	(70,248)	0	103,030	30,867
Balance – March 31, 2008, as restated	10,028,056	1,573,182	807,860	393,183	(1,495,889)	1,278,336
Common shares issued for cash (note 10(c))	1,739,000	434,750	0	0	0	434,750
Flow-through shares issued for cash (note 10(c))	711,000	177,750	0	0	0	177,750
Common shares converted from convertible debt (note 9)	4,571,040	1,151,066	(593,763)	0	0	557,303
Common shares issued for mineral property interest (note 10(d))	750,000	90,000	0	0	0	90,000
Stock-based compensation (note 10(h))	0	0	0	36,650	0	36,650
Finder's fees warrants (note 10(c))	0	(4,588)	0	4,588	0	0
Cash finder's fees (note 10(c))	0	(15,800)	0	0	0	(15,800)
Renouncement of tax deductibility relating to flow- through shares	0	(47,815)	0	0	0	(47,815)
Net loss for year	0	0	0	0	(985,437)	(985,437)
Balance – March 31, 2009	17,799,096	\$ 3,358,545	\$ 214,097	\$ 434,421	\$ (2,481,326)	\$ 1,525,737

See notes to consolidated financial statements.

COLT RESOURCES INC.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

1. NATURE OF OPERATIONS

Colt Resources Inc. (formerly Colt Capital Corp.) ("Colt" or the "Company") was incorporated on April 25, 2000. The Company was a capital pool corporation as defined in Policy 2.4 of the TSX Venture Exchange ("TSX-V"). The Company commenced trading on the TSX-V on March 12, 2001. The Company was unable to complete its qualifying transaction within the time period allowed by Policy 2.4 of the TSX-V, and effective November 10, 2003, the Company was delisted from the TSX-V.

On March 1, 2007, the Company's common shares were approved for listing and commenced trading on the Canadian Trading and Quotation System ("CNQ"), now known as the Canadian National Stock Exchange ("CNSX") under the ticker symbol "COLT". On September 26, 2008, the CNSX adopted a three character format and the Company's ticker symbol was changed to "GTP".

During the year ended March 31, 2008, the Company incorporated a Portuguese subsidiary, Eurocolt Resources Unipessoal Lda. ("Eurocolt").

Pursuant to a Special Shareholders' Resolution, the Company changed its name from "Colt Capital Corp." to "Colt Resources Inc." and consolidated its capital stock on a 5 (old) common shares for 1 (new) common share basis, effective as of July 18, 2007.

The Company is engaged in the acquisition and exploration of mineral property interests located in Canada and Portugal.

2. GOING CONCERN

The Company's consolidated financial statements have been presented in accordance with Canadian GAAP on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company reported net losses of \$985,437 for the year ended March 31, 2009 and 2008 - \$1,095,753) and has an accumulated deficit of \$2,481,326 at March 31, 2009 (2008 - \$1,495,889). These recurring losses and the need for continued funding raise substantial doubt about the Company's ability to continue as a going concern.

The Company is in the exploration stage, as such investment in and expenditures on its mineral property interests comprise substantially all of the Company's assets. The recoverability of amounts shown for mineral property interests and related deferred costs are dependent upon the Company's ability to obtain the necessary financing to complete the exploration and development of its mineral property interests in order to attain profitable mining operations or receive proceeds from the disposition of its mineral property interests. The Company's ability to continue as a going concern is further dependent on the Company being able to satisfy its liabilities as they become due. Management of the Company believes that it has the ability to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year as they fall due and to fund cash payments for planned exploration programs. There can be no assurance that management's plan will be successful given the current difficult conditions.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

COLT RESOURCES INC.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP. The functional and reporting currency of the Company is the Canadian dollar. The significant accounting policies are summarized as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Eurocolt. All intercompany balances and transactions have been eliminated.

(b) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rate at the date of transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and term deposits with maturities of less than one year at the date of acquisition. Term deposits included in cash and cash equivalents are highly liquid, can be converted to a known amount of cash at any time, and are held at Canadian chartered banks.

(d) Amortization

Amortization of equipment is calculated on the declining-balance basis at the following annual rates:

Computer equipment	30%
Mining equipment	20%

Additions during the year are amortized at one-half the annual rates.

(e) Mineral property interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property interest acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, sold or the Company's mineral rights are allowed to lapse.

COLT RESOURCES INC.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Mineral property interests (Continued)

All capitalized costs are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a mineral property interest exceeds its net recoverable amount, as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments, or when, in the Company's assessment, it will be unable to sell the mineral property interest for an amount greater than the deferred costs, the mineral property interest is written down for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such, options are exercisable entirely at the discretion of the optionee; the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as mineral property interest costs or recoveries when the payments are made or received.

Capitalized costs will be depleted over the useful lives of the properties upon commencement of commercial production or written-off if the properties are abandoned or the applicable mineral rights are allowed to lapse.

(f) Future income taxes

The Company follows the asset and liability method based on the accounting recommendations for future income taxes issued by the Canadian Institute of Chartered Accountants ("CICA"). Under the asset and liability method, future income tax assets and liabilities are computed based on differences between the financial statement carrying values of assets and liabilities and their corresponding tax values, using substantially enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets can also result by applying unused loss carry-forwards and other deductions. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax asset is limited to the amount of the benefit that is more likely than not to be realized.

(g) Stock-based compensation plans

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

COLT RESOURCES INC.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimated timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has no material AROs to record in the consolidated financial statements.

(i) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to capital stock and the tax benefit of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of future income taxes in the consolidated statements of operations.

(j) Interest income

Interest income on the term deposits is recognized on an accrual basis at the stated rate over the term to maturity.

(k) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, have not been included in the calculation of the weighted average number of common shares outstanding.

COLT RESOURCES INC.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include the valuation of charges related to financing, impairment of mineral property interests, AROs, environmental obligations, accrued liabilities, allocation of debt and equity portions of convertible debentures, rate of accretion for deferred charge of conversion feature, rates for amortization of equipment, assumptions for stock-based compensation expense and determination of the valuation allowance for future income tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(m) Financial instruments and comprehensive income

Financial assets and financial liabilities that are purchased or assumed with the intention of generating profits in the near term are classified as held-for-trading. Any financial instrument can be designated as held-for-trading as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in net income (loss).

Financial assets that have a fixed maturity date and fixed or determinable payments where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets are included in net income (loss).

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in net income (loss).

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity, or loans and receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Upon the sale of the available-for-sale asset, cumulative gains and losses arising from the sale are included in net income (loss).

Financial liabilities that are not classified as held-to-maturity are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are included in net income (loss).

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading are included in the initial carrying value of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as held-for-trading are expensed as incurred.

COLT RESOURCES INC.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments and comprehensive income (Continued)

Other comprehensive income consists of unrealized gains and losses that under GAAP are required to be recognized in a period but excluded from net income for that period. These consolidated financial statements do not contain any other comprehensive income.

(n) Accounting for equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

(o) Convertible debt

Proceeds from convertible debt are allocated between the debt and equity component by first allocating the proceeds to the equity component based on its fair value as determined using the Black-Scholes option pricing model with the residual value being allocated to the debt component. The debt component accretes over the term of the debt using the effective interest rate method such that upon maturity the debt balance recorded will equal the maturity value of the remaining outstanding debt. The related financing costs are recorded against the debt and are amortized over the term to maturity. The increase in the debt balance and amortization of related financing costs are reflected as interest, accretion and financing fees on convertible debentures in the consolidated statements of operations. The value of the equity component remains unchanged in future periods except upon conversion when the related debt and equity components are reclassified to capital stock.

4. CHANGES IN ACCOUNTING POLICIES

(a) Financial instrument disclosures

Effective April 1, 2008, the Company adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", which together comprise a complete set of disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial instruments; Section 3863 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. As a result of the adoption of this standard, additional disclosures on the risks of certain financial instruments have been included in note 5.

(b) Capital disclosures

Effective April 1, 2008, the Company adopted Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. As a result of the adoption of this standard, additional disclosures on the Company's capital management strategy have been included in note 15.

COLT RESOURCES INC.
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Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

4. CHANGES IN ACCOUNTING POLICIES (Continued)

(c) Going concern

Effective April 1, 2008, the Company adopted the amendments to Section 1400, "General Standards of Financial Statement Presentation". This section was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The Company's accounting policies were already in accordance with the requirements of the amended section and there was no effect on the Company's consolidated financial statements.

(d) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee (the "EIC") of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. On the date of adoption, the Company re-measured its financial assets and liabilities as appropriate and there was no impact on the consolidated financial statements arising from the adoption of EIC-173. In accordance with EIC-173, prior period consolidated financial statements have not been restated.

(e) Mining exploration costs

In March 2009, the EIC issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition of long-lived assets. EIC-174 is to be applied in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The adoption of this section did not have a significant impact on the Company's consolidated financial statements.

(f) Future accounting changes

(i) Business combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

COLT RESOURCES INC.
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Notes to Consolidated Financial Statements
Years Ended March 31, 2009 and 2008

4. CHANGES IN ACCOUNTING POLICIES (Continued)

(f) Future accounting changes (Continued)

(i) Business combinations (Continued)

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of business activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The IFRS standards will be effective for the Company for interim and fiscal period reporting commencing April 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for interim periods and the year ended March 31, 2011 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, performance bonds, accounts payable and accrued liabilities, amounts due to/from related parties and convertible debenture. The Company has designated its cash and cash equivalents as held-for-trading; interest receivable and amounts due from related party as loans and receivables; performance bonds as held-to-maturity; and accounts payable and accrued liabilities, due to related parties and convertible debenture as other liabilities.

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5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments (Continued)

The carrying values of financial assets by category at March 31, 2009 are as follows:

Financial Assets	Held-for-trading	Loans and receivables	Held-to-maturity
Cash and cash equivalents	\$ 19,818	\$ 0	\$ 0
Performance bonds	0	0	133,600
	\$ 19,818	\$ 0	\$ 133,600

The carrying values of financial liabilities by category at March 31, 2009 are as follows:

Accounts payable and accrued liabilities	\$ 227,577
Amounts due to related parties	130,543
Convertible debenture	287,917
	\$ 646,037

(b) Fair value

The fair values of the Company's cash and cash equivalents, performance bonds, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments. The fair value of cash and cash equivalents includes the balance of interest receivable.

The Company's convertible debenture is segregated into its debt and equity components at the date of issue, in accordance with the substance of the contractual agreements. The value of the conversion option makes up the equity component of the instrument and was recorded upon initial recognition using the Black-Scholes option pricing model. The debt component of the instrument was recorded at initial recognition using the residual approach and is carried at amortized cost using the effective interest method. The carrying value of the equity component remains unchanged in future periods except upon conversion when the related debt and equity components are reclassified to capital stock.

(c) Credit risk

The Company is exposed to credit risk with respect to cash and cash equivalents and performance bonds. 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 performance bonds with major financial institutions.

The Company's maximum exposure to credit risk is as follows:

Cash held in bank accounts	\$ 19,818
Performance bonds	133,600
	\$ 153,418

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5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk (Continued)

The Company is not exposed to concentration of credit risk with respect to cash and cash equivalents or performance bonds as the amounts are held with major financial institutions in Canada and Portugal.

(d) 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 March 31, 2009, the Company has cash and cash equivalents of \$19,818 and a working capital deficiency of \$263,959. Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, amounts due to related parties are due on demand and convertible debenture is due at maturity on June 25, 2010. The Company will require additional equity financing to meet its existing obligations as well as administrative overhead costs and planned exploration activities on its mineral property interests in fiscal 2010. While the Company has been successful in raising debt and equity funds in the past, there exists uncertainty whether it will be able to raise sufficient funds in the future.

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company's cash and cash equivalents generally consist of cash held in bank accounts and term deposits that earn interest at variable interest rates. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by purchasing highly liquid, short-term investments from major financial institutions. At March 31, 2009, cash and cash equivalents consists entirely of cash held in bank accounts; therefore, fluctuations in market rates do not have an impact on estimated fair values at year-end.

The convertible debenture is not subject to significant interest rate risk.

(ii) Foreign currency risk

The Company operates in Canada and Portugal. The Company is exposed to foreign currency risk to the extent that financial instruments are denominated in Euros.

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5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(e) Market risk (Continued)

(ii) Foreign currency risk (Continued)

As at March 31, 2009, financial instruments held by the Company denominated in Euros of €81,781, which includes €1,781 in cash and cash equivalents and €80,000 in performance bonds. As at March 31, 2009, Cdn\$1.67 equaled €1.00 and varied up to 10% in each direction during the year. At March 31, 2009, a fluctuation in the exchange rate of 10% would affect net loss by \$13,657.

The Company has not entered into any foreign currency contracts to mitigate the risk.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

6. TERM DEPOSITS

The Company held no term deposits included in cash and cash equivalents at March 31, 2009. The following term deposit, included in cash and cash equivalents, was held by the Company at March 31, 2008:

Interest Rate	Maturity Date	Face Value
Prime less 2.05%	December 19, 2008	\$ 595,000

7. EQUIPMENT

2009			
	Cost	Accumulated Amortization	Net
Computer equipment	\$ 15,710	\$ 5,931	\$ 9,779
Mining equipment	2,341	656	1,685
	\$ 18,051	\$ 6,587	\$ 11,464
2008			
	Cost	Accumulated Amortization	Net
Computer equipment	\$ 14,019	\$ 2,103	\$ 11,916
Mining equipment	2,341	234	2,107
	\$ 16,360	\$ 2,337	\$ 14,023

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8. MINERAL PROPERTY INTERESTS

	Extra High (note 8(a))	Canada			Portugal		Total
		Uranium Properties (note 8(b))	Gaspésie Properties (note 8(c))	Penedono Gold (note 8(d))	Armamar- Meda (note 8(e))	Moimenta Almendra (note 8(f))	
Balance, March 31, 2007	\$ 133,770	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 133,770
Acquisition costs	310,000	18,000	0	55,000	26,493	4,116	413,609
Property development expenditures							
Mineral exploration	81,553	72,000	0	541,837	26,904	0	722,294
Mineral exploration tax credit	(1,967)	0	0	0	0	0	(1,967)
Balance, March 31, 2008	523,356	90,000	0	596,837	53,397	4,116	1,267,706
Acquisition costs	0	0	35,150	0	0	0	35,150
Property development expenditures							
Mineral exploration	7,172	0	123,460	406,310	154,570	48,826	740,338
Mineral exploration tax credit	(2,151)	0	(18,494)	0	0	0	(20,645)
Write-off of mineral property interest	0	(90,000)	0	0	0	0	(90,000)
Balance, March 31, 2009	\$ 528,377	\$ 0	\$ 140,116	\$ 1,003,147	\$ 207,967	\$ 52,942	\$ 1,932,549

(a) Extra High Mineral Property – Canada

On September 8, 2006, the Company entered into an Option Agreement with Kokomo Enterprises Inc. (“Kokomo”) (formerly Zab Resources Inc.), a company related by certain former common directors and officers, whereby the Company had the right to acquire a 50% undivided interest, subject to a 1.5% net smelter returns (“NSR”) royalty payable to an arm’s length party, in the Extra High Property (the “Property”) by incurring exploration expenditures of \$240,000 on the Property by no later than February 28, 2007 and by making cash payments to Kokomo totaling \$133,770 by no later than March 26, 2007 (paid). On October 31, 2006, the Company and Kokomo entered into an Amending Agreement whereby the Company was granted an extension period until June 26, 2007 to incur exploration expenditures on the Property and to make the cash payments to Kokomo.

On June 14, 2007, Kokomo amended its Option Agreement with the Company whereby the Company would have the right to acquire a 34% interest in the Property by making an additional cash payment to Kokomo in the amount of \$60,000 by no later than June 26, 2007 (paid). The Amending Agreement released the Company of the requirement to incur \$240,000 in exploration expenditures on the Property.

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8. MINERAL PROPERTY INTERESTS (Continued)

(a) Extra High Mineral Property – Canada (Continued)

On January 21, 2008, the Company entered into a second Option Agreement with Kokomo, whereby the Company has the right and option to acquire, in two separate equal tranches, Kokomo's 66% undivided interest in the Property. Pursuant to the Option Agreement, the Company has exercised the first tranche of the option by making a cash payment of \$250,000 (\$133,770 paid in 2007 and \$116,230 paid in 2008) to Kokomo and has acquired from Kokomo a 33% undivided interest in the Property. As a result of exercising the first tranche of the option, the Company now holds a 67% undivided interest in the Property and has become the operator of the Property. Furthermore, pursuant to the Option Agreement, the Company was solely responsible for all exploration and property expenditures in respect of the Property that were initiated and incurred by the Company from January 31, 2008 to December 31, 2008.

In order to exercise the second tranche of the option, the Company was required to make a cash payment of \$250,000 to Kokomo on or before December 31, 2008. Upon the Company making such payment, the Company will be deemed to have exercised the second tranche of the option and to have acquired from Kokomo the remaining 33% undivided interest in the Property, subject only to an existing 1.5% NSR royalty payable to an arm's length party (the "Arm's Length Royalty") and to a 0.5% NSR royalty payable to Kokomo (the "Kokomo Royalty"). The Company will have the option to purchase the Kokomo Royalty for the sum of \$500,000 and the Company will also have the option to purchase one-half of the Arm's Length Royalty for the sum of \$500,000.

As of December 31, 2008, the Company did not exercise the second tranche of the option, as a result of which the January 21, 2008 Option Agreement was terminated. The Company and Kokomo now operate as joint venture partners with the Company holding a 67% undivided interest in the Property and Kokomo holding a 33% undivided interest in the Property. Henceforth, each party shall contribute its proportionate share of the property expenditures. Should any party's interest be diluted to less than a 10% undivided interest in the Property, then its interest will forever be converted to a 0.5% NSR royalty.

(b) Uranium Properties – Canada

On October 5, 2007, the Company entered into a Property Option Agreement regarding the Uranium Properties with Diagnos Inc. ("Diagnos"), as further amended by a letter agreement dated November 28, 2007, whereby Diagnos has agreed, under certain terms and conditions, to grant the Company the sole and exclusive option to purchase a 100% undivided right, title and interest, subject only to a 2% NSR royalty, in two uranium exploration prospects, which are located in the province of Quebec. The Company paid Diagnos \$90,000 on February 8, 2008 of which \$18,000 related to the acquisition of the claims and \$72,000 was for exploration expenditures. The Company is obligated to drill at least three exploration holes of not less than 100 feet per hole on each prospect by December 31, 2008. If not drilled, Diagnos has the right to terminate the Property Option Agreement. Furthermore, in the event that a favorable feasibility study is completed in respect of each property, then the Company is obligated to issue a number of fully issued and non-assessable common shares of the Company, which shall be calculated by dividing \$70,000 by the average closing trading price of the shares of the Company for the 30 days after the completion date of such favorable feasibility study. Additionally, the Company has the right to reduce the 2% NSR royalty to 1% by making a cash payment of \$1,000,000 to Diagnos.

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8. MINERAL PROPERTY INTERESTS (Continued)

(b) Uranium Properties – Canada (Continued)

During the year ended March 31, 2009, the Company decided not to pursue to the Uranium Properties option and as such wrote-off \$90,000 in acquisition costs to operations.

(c) Gaspésie Properties – Canada

On December 15, 2008, the Company entered into an agreement with Diagnos to acquire a 100% interest in four mineral properties (the “Gaspésie Properties”) located in the Gaspésie Region of Quebec (the “Gaspésie Agreement”). The terms of the proposed acquisition include the acquisition of the mineral claims on the four properties for \$35,150 and incurring exploration expenditures in the amount \$214,850. This total debt was to be settled by a payment of \$62,500 in cash and \$187,500 in restricted common shares of the Company at a deemed value of \$0.25 per share for 750,000 common shares, on or before March 27, 2009.

During the year ended March 31, 2009, the Company issued 750,000 common shares to Diagnos valued at their quoted market value on the date of issue of \$90,000 or \$0.12 per common share (note 10(d)), which resulted in a reduction of mineral property acquisition and exploration costs of \$97,500.

The Gaspésie Agreement was amended by letter dated March 26, 2009, whereby the due date of the payment of \$62,500 in cash was extended to May 15, 2009 and further amended by letter dated May 15, 2009 whereby Diagnos would accept settlement of the payment for common shares of the Company at a deemed value of \$0.15 per share for 416,667 common shares (note 16) and \$27,662 in cash.

Additionally, Diagnos will retain a 2% NSR of \$1,000,000 at any time within the first five years of an economic discovery. The Company is required to spend a minimum of \$450,000 in exploration and drilling on the Gaspésie Properties by December 15, 2010.

(d) Penedono Gold Property – Portugal

On March 20, 2007, the Company entered into a binding letter of intent, and a Definitive Agreement was executed on May 7, 2007, with Rio Narcea Gold Mines S.A. Sucursal Em Portugal (“Rio Narcea”), whereby Rio Narcea agreed to assign all of the rights, benefits and obligations of Rio Narcea covered under the exploration contract dated October 29, 2004 between the Government of Portugal and Rio Narcea in respect to the Penedono Gold Property (the “Penedono Exploration License”).

Upon the Government of Portugal approving the Company’s requested amendments to the terms and conditions of the Penedono Exploration License, and upon approving its assignment to the Company, Rio Narcea and the Company closed the transaction contemplated in the Definitive Agreement.

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8. MINERAL PROPERTY INTERESTS (Continued)

(d) Penedono Gold Property – Portugal (Continued)

As consideration for the Assignment, the Company has issued to Rio Narcea, as fully paid and non-assessable, 200,000 restricted common shares of the Company on the closing date of the transaction. Of these 200,000 restricted common shares, 50,000 common shares became tradable effective on each of December 29, 2007, March 29, 2008, June 29, 2008 and September 29, 2008. Furthermore, from commercial production and under certain terms and conditions, the Company is obligated to pay to Rio Narcea a 1% NSR royalty to a maximum amount of US\$1,000,000.

In respect to this transaction, as a finder's fee, the Company has issued to a director and officer of the Company, who at the time was a consultant of the Company, 20,000 fully paid and non-assessable common shares of the Company.

In respect to the formal transference to the Company of the Penedono Exploration License, the Company has lodged a performance bond in the form of a bank guarantee for the amount of €50,000 in favor of the Government of Portugal. Furthermore, the Company has paid the Government of Portugal an exploration license fee of €5,125 and €2,563 during the years ended March 31, 2008 and 2009, respectively, and is required to pay €5,125 by October 29, 2009. The Company is also obligated to incur expenditures in the amount of US\$150,000 by October 29, 2007 (incurred), €200,000 by October 29, 2008 (incurred) and €250,000 by October 29, 2009. Should the property be placed into commercial production, then the Company is obliged to pay a 4% NSR royalty to the Government of Portugal.

(e) Armamar-Meda Concession and Exploration License - Portugal

On December 10, 2007, the Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby the Company has been granted the exclusive right to prospect and explore for base and precious metals on the Armamar-Meda Property, which is partially contiguous to the Company's Penedono Exploration Concession (the "Armamar-Meda Concession and Exploration License"). The initial term of the Armamar-Meda Concession and Exploration License is for three years ending December 10, 2010 (the "Initial Term"), which can be extended twice on an annual basis (the "Extended Term"). During the Initial Term, the Company is obligated to incur prospecting and exploration expenditures of not less than €25,000 by December 10, 2008 (incurred), €50,000 by December 10, 2009, and €75,000 by December 10, 2010. During the Extended Term, Colt is obligated to incur exploration expenditures on an annual basis of not less than €100,000.

Upon the expiry of the Initial Term, the Company shall be required to relinquish, on an annual basis, 50% of the area covered by the Armamar-Meda Concession and Exploration License. During the Initial and Extended Terms, the Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €35 per square kilometre of ground covered by the Armamar-Meda Concession and Exploration License. On January 22, 2008, the Company lodged a bank guarantee in favor of the Government of Portugal, as a performance bond, for the amount of €20,000 in respect of the Armamar-Meda Concession and Exploration License.

8. MINERAL PROPERTY INTERESTS (Continued)

(e) Armamar-Meda Concession and Exploration License – Portugal (Continued)

Upon the completion of 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 by the Government of Portugal's approval for a period not to exceed 20 years (the "Exploitation License"). Upon the granting of the Exploitation License, and in the event that mining activities are to take place, then the Company shall be obligated, at the Company's sole discretion, either to pay 10% of the net income derived from its mining activities or, alternatively, pay NSR royalty on production at NSR rates ranging from 1% to 4% depending on the price of gold. Additionally, as soon as the Exploitation License is granted to the Company, and provided that production from the mining activities is determined to exceed 1,000,000 ounces of gold or gold equivalent during the life of the mining activities, then the Company will be obligated to pay €100,000 as a commercial discovery bonus to the Government of Portugal.

(f) Moimenta Almendra Property – Portugal

On January 10, 2008, the Company entered into a prospecting and exploration license agreement with the Government of Portugal (the "Moimenta Almendra License") whereby the Company has been granted the exclusive right to prospect and explore the Moimenta Almendra property, which is partially contiguous to the Penedono and Armamar-Meda Exploration concessions.

The initial term of the Moimenta Almendra License is for a period of three years ending January 10, 2011 (the "Initial Term"), which can be extended twice on an annual basis (the "Extended Term"). During the Initial Term, Colt is obligated to incur prospecting and exploration expenditures of not less than €25,000 by January 10, 2009 (incurred), €50,000 by January 10, 2010, and €75,000 by January 10, 2011. During the Extended Term, Colt is obligated to incur exploration expenditures on an annual basis of not less than €100,000. During the Initial and Extended Terms, Colt is obligated to pay to the Government of Portugal an annual fee in the amount of €25 per square kilometre of ground covered by the Moimenta Almendra License.

In respect to the Moimenta Almendra License, Colt has lodged a bank guarantee, as a performance bond, for the amount of €10,000 in favour of the Government of Portugal.

Upon completion of the Initial and Extended Terms, Colt may apply for an Exploitation License which, if granted, shall have a term of 30 years, which may be extended by Portuguese Government approval for a period not to exceed 20 years (the "Exploitation License"). Upon the granting of the Exploitation License and in the event that mining activities are to take place, then Colt shall be obligated, at Colt's sole discretion, either to pay 10% of the net income, exclusive of all taxes, derived from its mining activities or, alternatively, pay NSR on production at rates ranging from 1% to 4% depending on the price of gold (the "Exploitation License Fees"). However, during the first two years of mining activities, the Government of Portugal shall fully waive the payment of the Exploitation License Fees. Additionally, as soon as the Exploitation License is granted to Colt, provided production from the mining activities is determined to exceed 1,000,000 ounces of gold or gold equivalent during the life of the mining activities, Colt will be obligated to pay €100,000 as a commercial discovery bonus to the Government of Portugal.

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8. MINERAL PROPERTY INTERESTS (Continued)

Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title

Although the Company has taken steps to verify the title to mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental obligations

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

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9. CONVERTIBLE DEBENTURE

At March 31, 2009, convertible debentures with a face value of \$375,000 (2008 - \$1,415,000) and accrued interest of \$71,394 (2008 - \$109,732) due June 28, 2010, bearing interest at 10% per annum due at maturity, were outstanding. The debt is convertible into units, each unit consisting of one common share and one share purchase warrant. If converted before June 29, 2008, the conversion price was \$0.25 per unit; if converted before June 29, 2009, the conversion price will be \$0.30 per unit; and if converted before June 29, 2010, the conversion price will be \$0.35 per unit. Each warrant is exercisable to purchase one common share at \$0.25 to June 29, 2008, \$0.30 to June 29, 2009 and \$0.35 to June 29, 2010, expiring on June 29, 2010 (note 10(g)).

During the year ended March 31, 2008, \$50,000 of principal and \$2,782 of interest were redeemed for 211,130 units. The non-equity portion related to this conversion in the amount of \$19,539, the equity portion related to this conversion in the amount of \$28,546, and accrued interest in the amount of \$2,782 were recorded as a reduction in the convertible debenture (notes 10(e) and (g)).

During the year ended March 31, 2009, \$1,040,000 of principal and \$102,760 of interest were redeemed for 4,571,040 units. The non-equity portion related to this conversion in the amount of \$454,543, the equity portion related to this conversion in the amount of \$593,763, and accrued interest in the amount of \$102,760 were recorded as a reduction in the convertible debenture.

	2009	2008
Convertible debt, beginning of year	\$ 692,440	\$ 0
Initial debt portion of convertible debenture	0	555,863
Finders' fees	0	(44,469)
Interest	152,780	203,367
Conversion of debt	(557,303)	(22,321)
Convertible debt, end of year	\$ 287,917	\$ 692,440
Equity portion of convertible debenture, beginning of year	\$ 807,860	\$ 0
Initial equity portion of convertible debenture	0	909,137
Finders' fees	0	(72,731)
Equity allocation of conversion	(593,763)	(28,546)
Equity portion of convertible debenture, end of year	\$ 214,097	\$ 807,860

Using the Black-Scholes option pricing model, the Company valued the equity portion of the convertible debt at \$909,137 by assuming a 188% volatility, an interest rate of 4.56%, and a term to expiry of 3 years and attributed this value to the deferred charge for conversion feature, which is accreted over the term to maturity using the effective interest rate method, by charges to operations.

Finders' fees of \$117,200 were incurred to independent third parties by way of cash payments and were allocated pro rata to the debt and equity components of the convertible debenture with \$44,469 allocated to the debt portion and \$72,731 allocated to the equity portion.

The debt portion of the convertible debenture is amortized to its face value plus accrued interest using an effective interest rate of 46%.

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10. CAPITAL STOCK

(a) Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares, issuable in series

(b) Consolidation

On July 18, 2007, the Company consolidated its 29,258,915 old common shares, exchanging 5 (old) common shares for 1 (new) common share resulting in 5,851,783 new common shares outstanding. All common shares and per share amounts have been restated to give retroactive effect to the 5:1 share consolidation that took effect on July 18, 2007.

(c) Issued

During 2009 and 2008, the Company closed the following non-brokered private placements:

- (i) During 2008, the Company closed non-brokered private placements with various investors for a total of 364,000 units at \$0.25 per unit for proceeds of \$91,000. Each unit consists of one common share and one warrant, exercisable at \$0.30 per share for 36 months. Issue costs related to this issuance totaled \$7,280.
- (ii) During 2008, the Company closed non-brokered private placements with various investors for a total of 3,400,000 units at \$0.25 per share for proceeds of \$850,000. Each unit consists of one common share and one warrant, exercisable at \$0.30 per share for 36 months. Issue costs related to this issuance totaled \$68,000.
- (iii) During 2008, the Company closed non-brokered private placements with various investors for a total of 57,143 flow-through shares at \$0.35 per share for net proceeds of \$20,000. Issue costs related to this issuance totaled \$1,600.
- (iv) During 2008, the Company closed non-brokered private placements with various investors for a total of 144,000 units at \$0.25 per unit for proceeds of \$36,000. Each unit consists of one common share and one warrant, exercisable at \$0.30 per share for 36 months. Issue costs related to this issuance totaled \$800.
- (v) During 2009, the Company closed a non-brokered private placement with various investors for a total of 1,660,000 units at \$0.25 per unit for gross proceeds of \$415,000. Each unit consists of one common share and one warrant, exercisable at \$0.30 per share for 36 months.
- (vii) During 2009, the Company closed a non-brokered private placement for a total of 60,800 flow-through units at \$2.50 per unit for gross proceeds of \$152,000. Each unit consists of nine flow-through common shares, one non-flow-through common share and ten warrants. Each warrant entitles the holder to purchase one non-flow-through common share at \$0.35 per share for 12 months. Issue costs related to this issuance totaled \$15,438 of which \$12,160 was paid in cash and \$3,278 was the fair value of the 48,640 finders' warrants issued (note 10(g)).

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10. CAPITAL STOCK (Continued)

(c) Issued

(viii) During 2009, the Company closed a non-brokered private placement for a total of 18,200 flow-through units at \$2.50 per unit for gross proceeds of \$45,500. Each unit consists of nine flow-through common shares, one non-flow-through common share and ten warrants. Each warrant entitles the holder to purchase one non-flow-through common share at \$0.35 per share for 12 months. Issue costs related to this issuance totaled \$4,950 of which \$3,640 was paid in cash and \$1,310 was the fair value of the 14,560 finders' warrants issued (note 10(g)).

(d) Issued for mineral property interest

During 2008, the Company issued 200,000 common shares valued at \$0.25 per share as per the Company's agreement with Rio Narcea for the acquisition of the Penedono Property. The Company issued a further 20,000 common shares, valued at \$0.25 per share for a total value of \$5,000, as finder's fees related to this issuance (note 8(d)).

During 2009, the Company issued 750,000 common shares valued at \$0.12 per share based on the quoted market value of the Company's shares on the date of issue for the settlement of exploration expenditures on the Gaspésie Properties (note 8(c)).

(e) Issued for conversion of debt

During 2008, convertible debt valued at \$50,867 was converted into units at a rate of \$0.25 per unit. Each unit consisted of one common share and one warrant, yielding 211,130 common shares and warrants (notes 9 and 10(g)).

During 2009, convertible debt valued at \$1,151,066 was converted into units at a rate of \$0.25 per unit. Each unit consisted of one common share and one warrant yielding 4,571,040 common shares and warrants (notes 9 and 10(g)).

(f) Stock options

The Company has a stock option plan under which officers, directors, employees, management company employees and consultants are eligible to receive stock options. The total number of common shares reserved under option for issuance may not exceed 20% of the common shares outstanding at the date of the grant. The terms of the options are set by the Board of Directors at the time of grant with the exercise price being not less than \$0.05 per share and the term not exceeding five years.

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10. CAPITAL STOCK (Continued)

(f) Stock options (Continued)

The following summarizes the stock option activity during the years ended March 31, 2009 and 2008:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Balance, March 31, 2007	533,160	\$ 0.05	4.90
Options granted	1,572,451	\$ 0.25	
Options forfeited	(100,000)	\$ 0.25	
Balance, March 31, 2008	2,005,611	\$ 0.25	4.74
Options granted	600,000	\$ 0.25	
Options forfeited	(829,031)	\$ 0.25	
Balance, March 31, 2009	1,776,580	\$ 0.25	2.78

The following stock options are outstanding and exercisable at March 31, 2009 and 2008:

Expiry Date	Exercise Price	Number of Options	
		2009	2008
June 30, 2009	\$ 0.25	500,000	0
March 19, 2011	\$ 0.25	100,000	0
February 22, 2012	\$ 0.25	53,160	433,160
March 19, 2013	\$ 0.25	1,123,420	1,572,451
Total stock options outstanding and exercisable		1,776,580	2,005,611

(g) Warrants

The following summarizes the warrant activity during the years ended March 31, 2009 and 2008:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Balance, March 31, 2007	200,000	\$ 0.75	0.75
Warrants expired	(200,000)	\$ 0.75	
Warrants issued	4,429,850	\$ 0.30	
Balance, March 31, 2008	4,429,850	\$ 0.30	2.59
Warrants expired	(310,720)	\$ 0.25	
Warrants issued	7,084,240	\$ 0.30	
Balance, March 31, 2009	11,203,370	\$ 0.30	1.62

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10. CAPITAL STOCK (Continued)

(g) Warrants (Continued)

At March 31, 2009 and 2008, the following warrants are outstanding. Each warrant entitles the holder to purchase one common share at the exercise price per common share with the following expiry dates:

Expiry Date	Exercise Price	Number of Warrants	
		2009	2008
December 30, 2008	\$ 0.25	0	310,720
September 28, 2009	\$ 0.25	48,640	0
September 28, 2009	\$ 0.30	608,000	0
November 27, 2009	\$ 0.25	4,960	0
November 27, 2009	\$ 0.35	62,000	0
December 30, 2009	\$ 0.25	9,600	0
December 30, 2009	\$ 0.35	120,000	0
December 30, 2010	\$ 0.30	3,908,000	3,908,000
June 29, 2010*	\$ 0.30/\$ 0.35	4,782,170	211,130
July 30, 2011	\$ 0.30	900,000	0
November 30, 2011	\$ 0.30	460,000	0
March 3, 2012	\$ 0.30	300,000	0
Total warrants outstanding and exercisable		11,203,370	4,429,850

*The 4,782,170 (2008 – 211,130) warrants expiring June 29, 2010 were exercisable at \$0.25 per share until June 29, 2008 and are exercisable at \$0.30 per share until June 29, 2009 and at \$0.35 per share until June 29, 2010 (note 9).

During 2008, the Company issued finders' warrants totalling 310,720 warrants related to the issuance of private placements of 3,908,000 units exercisable at \$0.25 per share for one year (notes 10(c)(i)(ii) and (iv)). The finders' warrants were valued using the Black-Scholes option pricing model with the following assumptions: 99.00% volatility, 3.78% risk free interest rate, 0.00% dividend yield and 1 year expected life. The fair value of the warrants in the amount of \$30,450 was recognized as share issuance costs and credited to contributed surplus.

During 2009, 48,640 finders' warrants related to the issuance of a private placement of 60,800 flow-through units exercisable for one unit at \$0.25 per unit for one year were issued (note 10 (c)(vii)) Each unit consists of one common share and one share purchase warrant exercisable for \$0.35 per share for one year from the issuance of the finders' warrants. The finders' warrants were valued using the Black-Scholes pricing model with the following assumptions: 80.44% volatility, 2.66% risk free interest rate, 0.00% dividend yield and 1 year expected life. The fair value of the warrants in the amount of \$3,278 was recognized as share issuance costs and credited to contributed surplus.

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10. CAPITAL STOCK (Continued)

(g) Warrants (Continued)

During 2009, 14,560 finders' warrants related to the issuance of a private placement of 18,200 flow-through units exercisable at \$0.25 per share for one year were also issued (note 10(c)(viii)). Each unit consists of one common share and one share purchase warrant exercisable for \$0.35 per share for one year from the issuance of the finders' warrants. The finders' warrants were valued using the Black-Scholes pricing model with the following assumptions: 188.00% volatility, 3.50% risk free interest rate, 0.00% dividend yield, and 1 year expected life. The fair value of the warrants in the amount of \$1,310 was recognized as share issuance costs and credited to contributed surplus.

(h) Stock-based compensation

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, stock-based compensation in the amount of \$36,650 (2008 - \$345,939) was recognized in 2009. The amount was allocated to consulting in 2009 and directors' compensation in 2008.

The fair value of each option grant was calculated using the following weighted average assumptions:

	2009	2008
Expected life (years)	2	5
Interest rate	1.10%	2.88%
Volatility	74.60%	134.79%
Dividend yield	0.00%	0.00%
Forfeiture rate	0.00%	0.00%
Grant date fair value	\$ 0.19	\$ 0.25

11. RELATED PARTY TRANSACTIONS

- (a) The Company shared office space and certain employees with Las Vegas From Home.com Entertainment Inc. ("Las Vegas"), a company related by certain former common officers and directors. Effective August 1, 2007, Las Vegas increased the monthly fee charged to the Company for providing office space, telephone and photocopy services, office supplies, reception, accounting, secretarial services and other miscellaneous office services.

Pursuant to the Company's relocation to new office premises, the Company terminated its office services arrangement with Las Vegas effective January 1, 2008.

For the year ended March 31, 2009, the Company paid \$nil to Las Vegas (2008 - \$63,593) for office rent and office expenses.

As of January 1, 2008, the Company entered into an agreement with Mountain Capital Inc. ("MCI"), a company related by a common director and certain former directors and officers, whereby MCI paid the Company \$1,500 per month for office rent and office services. MCI terminated the agreement effective October 1, 2008.

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11. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

During the year ended March 31, 2009, a total of \$9,000 (2008 - \$4,500) was charged to MCI for office rent and office services. At March 31, 2009, \$nil (2008 - \$4,138) was due from MCI.

(b) On September 8, 2006, the Company entered into an option agreement for the Extra High Property with Kokomo, a company related through certain former common directors; this agreement was subsequently amended on October 31, 2006 and June 14, 2007. The terms of the agreement were completed in full on June 26, 2007 (note 8(a)).

On January 21, 2008, the Company entered into a second option agreement for the Extra High Property with Kokomo (note 8(a)).

During the year ended March 31, 2009, the Company paid Kokomo a total of \$nil (2008 - \$310,000) for the acquisition of the Extra High Property.

(c) A director and the Chief Operating Officer (“COO”) of the Company who is also President and Chief Executive Officer of Eurocolt, the Company’s wholly-owned Portuguese subsidiary, receives a monthly fee of \$7,500. For the year ended March 31, 2009, the Company accrued \$90,000 (2008 - \$56,500) in relation to these services. All related costs were capitalized against mineral property interests during the year. The Company reimburses the COO for all out-of-pocket expenses. At March 31, 2009, \$20,298 (2008 - \$4,511) was owed to the related party.

(d) A director of the Company charged the Company a fee of \$500 per day for geological services whenever that director’s services were required by the Company and the Company reimbursed the director for all out-of-pocket expenses. During the year ended March 31, 2009, the Company accrued \$22,815 (2008 - \$53,500) in relation to these services. All related costs were capitalized against mineral property interests during the year. In addition, the director charged \$923 (2008 - \$nil) for general consulting fees, which were expensed as directors’ compensation. At March 31, 2009, \$2,699 (2008 - \$nil) was owed to the related party.

(e) A director and Chief Executive Officer (“CEO”) of the Company charged the Company a fee of \$10,000 per month for services as CEO. During the year ended March 31, 2009, the Company accrued \$40,000 (2008 - \$nil), which was allocated to directors’ compensation. The Company also accrued \$79,500 (2008 - \$nil) for consulting services prior to this party assuming the role of CEO. At March 31, 2009, \$47,658 (2008 - \$nil) was owed to the related party.

(f) A director and Chief Financial Officer (“CFO”) of the Company charged the Company a fee of \$6,250 per month for services pursuant to a contract with the Company. During the year ended March 31, 2009, the Company accrued \$75,000 (2008 - \$18,500). Of this amount \$37,500 (2008 - \$18,500) was allocated to consulting fees and \$37,500 (2008 - \$nil) was allocated to directors’ compensation. At March 31, 2009, \$28,388 (2008 - \$6,563) was owed to the related party.

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11. RELATED PARTY TRANSACTIONS (Continued)

- (g) The Company entered into a Management Services Agreement dated November 1, 2007 with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros."), a private British Columbia corporation equally owned by two former directors of the Company. The Management Services Agreement was renewable on an annual basis and the management fees payable to Kalpakian Bros. was \$15,000 per month effective as of July 1, 2007. During the year ended March 31, 2009, the Company paid Kalpakian Bros. \$165,000 (2008 - \$135,000). On December 1, 2008, the Company terminated the Management Services Agreement and provided three months' notice to Kalpakian Bros. At March 31, 2009, \$31,500 (2008 - \$nil) was owed to the related party.
- (h) During the year ended March 31, 2009, the Company paid a director \$5,000 (2008 - \$nil) for consulting fees, which were allocated to directors' compensation.
- (i) During the year ended March 31, 2009, the Company paid \$nil (2008 - \$15,000) to a former president and director as compensation for past services to the Company.
- (j) During the year ended March 31, 2009, the Company reimbursed Las Vegas in the amount of \$nil (2008 - \$13,295) for mineral exploration costs paid on behalf of the Company. Also during the year ended March 31, 2009, Las Vegas was reimbursed \$nil (2008 - \$13,387) for computer equipment purchased on behalf of the Company. At March 31, 2009, \$nil (2008 - \$nil) was owed to the related party.

The above transactions were incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties. Amounts due to/from related parties are unsecured, due on demand and bear no interest.

12. SEGMENTED INFORMATION

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

Total Assets	2009	2008
Canada	\$ 771,144	\$ 1,431,154
Portugal	1,400,630	654,350
	\$ 2,171,774	\$ 2,085,504
Capital Assets (including mineral property interests)	2009	2008
Canada	\$ 679,958	\$ 627,379
Portugal	1,264,056	654,350
	\$ 1,944,014	\$ 1,281,729

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13. INCOME TAXES

The reconciliation of income tax provision computed at the statutory tax rates for the year ended March 31, 2009 of 31.03% (2008 – 31.00%) in Canada and 26.50% (2008 – 26.50%) in Portugal to the reported income tax provision is as follows:

	2009	2008
Income tax benefit computed at statutory rates	\$ 319,511	\$ 346,585
Non-deductible write-down of mineral property interest	(27,923)	0
Non-deductible stock-based compensation	(11,371)	(107,241)
Other non-deductible items	(1,566)	(859)
Share issue and financing costs	14,372	13,381
Change in timing differences	41,523	55,379
Change in valuation allowance	(220,089)	(237,428)
Change in future income taxes resulting from enacted tax rate reduction	(66,642)	(40,367)
	\$ 47,815	\$ 29,450

Future income tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The applicable tax rate to be expected is 26.90% for 2009 and 28.70% for 2008. Significant components of the Company's future tax assets are as follows:

	2009	2008
Future income tax assets		
Non-capital loss carry-forwards in Canada	\$ 524,321	\$ 302,362
Non-capital loss carried forward in Portugal	6,177	0
Capital loss carry-forwards	1,792	1,912
Undeducted share issuance and financing costs	37,630	48,909
Cumulative eligible capital	32,723	34,912
Non-refundable mining exploration tax credit	11,163	11,056
Excess of tax basis over carrying amount of equipment	1,772	671
Excess of carrying amount over tax basis of mineral property interests	(22,938)	(27,271)
	592,640	372,551
Valuation allowance for future income tax assets	(592,640)	(372,551)
Future income tax assets, net	\$ 0	\$ 0

The Company has capital losses for income tax purposes of approximately \$13,000, which can be carried forward indefinitely.

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13. INCOME TAXES (Continued)

The Company has available non-capital losses of approximately \$1,949,000 that may be carried forward to apply against future income for Canadian tax purposes. The losses expire as follows:

2010	\$	34,000
2014		43,000
2025		26,000
2026		43,000
2027		66,000
2028		812,000
2029		925,000
	\$	1,949,000

The Company has losses from operations of approximately \$23,300 that may be carried forward to apply against future income for Portuguese tax purposes. The losses expire in 2015.

During the year ended March 31, 2009, the Company renounced \$177,750 (2008 - \$95,000) of qualifying Canadian Exploration Expenditures pursuant to the issuance of flow-through shares.

The Company has approximately \$41,500 (2008 - \$38,500) in pre-production mining expenditures income tax credits that may be used to offset federal income taxes payable. Credits may be carried forward for a maximum of 20 years to be applied against federal income taxes payable of future years.

14. COMMITMENTS

As of April 1, 2008, the Company signed a lease agreement with an arm's length party, for a lease at the existing premises. The agreement states that the Company will pay \$2,517 per month from April 2008 to September 2008; the lease payments will be \$2,613 per month thereafter until the lease expires on April 30, 2010.

The Company is committed to the following lease payments:

Year	Amount	
2010	\$	31,356
2011		2,613
	\$	33,969

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests. In the management of capital the Company includes shareholders' equity (excluding equity portion of convertible debt) in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets, especially in regard to its mineral property interests. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements or dispose of assets. There were no changes in the Company's approach to capital management during the year ended March 31, 2009. The Company is not exposed to externally imposed capital requirements.

16. SUBSEQUENT EVENTS

Subsequent to March 31, 2009, the Company:

- (a) Granted 1,076,580 stock options to directors, officers and consultants exercisable for \$0.25 each for five years expiring April 8, 2014;
- (b) Granted 100,000 stock options to consultants exercisable for \$0.25 each for five years expiring May 25, 2014;
- (c) Entered into an investor relations agreement with an investor relations consulting firm for a two-year term at a cost of €1,000 per month. Pursuant to the agreement, the Company also granted 200,000 stock options to the firm exercisable for \$0.25 each for two years expiring May 25, 2011;
- (d) Issued 416,667 common shares to Diagnos at a deemed value of \$0.15 per share to settle an outstanding payable valued at \$62,500 for the Gaspésie Properties; and
- (e) Entered into a loan agreement for a loan of \$75,000 from the parents of the CEO bearing interest at 10% per annum if paid in full by November 19, 2009, otherwise bearing interest at 12% per annum due January 19, 2010.

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17. PRIOR PERIOD RESTATEMENT

The consolidated financial statements for the year ended March 31, 2008 have been restated to adjust convertible debenture, capital stock, equity portion of convertible debt, deficit and interest on convertible debenture in accordance with CICA Section 3855, "Financial Instruments – Recognition and Measurement". The Company previously amortized the initial discount on the convertible debenture on a straight-line basis and has restated to amortize the discount using the effective interest method. Also, the finders' fee was allocated entirely to the debt portion of the convertible debenture and is restated to be allocated on a pro-rata basis to the debt portion of the convertible debenture and equity portion of convertible debenture. The resulting restatements to amounts for the year ended March 31, 2008 are as follows:

	As Previously Reported March 31, 2008		As Restated March 31, 2008
		Adjustments	
Convertible Debenture	\$ 723,307	\$ (30,867)	\$ 692,440
Capital Stock	\$ 1,575,097	\$ (1,915)	\$ 1,573,182
Equity Portion of Convertible Debt	\$ 878,108	\$ (70,248)	\$ 807,860
Deficit, End of Period	\$ 1,598,919	\$ (103,030)	\$ 1,495,889
Interest on Convertible Debenture	\$ 306,397	\$ (103,030)	\$ 203,367
Loss Per Share, basic and diluted	\$ (0.18)	\$ 0.02	\$ (0.16)