Management Discussion & Analysis

First quarter ended June 30, 2010

Form 51-102 F1

The following discussion and analysis of the financial position and results of operations for Colt should be read in conjunction with the Audited Consolidated Financial Statements for the years ended March 31, 2010 and 2009(filed on July29, 2010) and with the Unaudited Consolidated Financial Statements for the three-month period ended June 30, 2010 (filed at the same time as the Management Discussion & Analysis), which were prepared in accordance with Canadian Generally Accepted Accounting Principles.

The audited consolidated audited financial statements for the years ended March 31, 2010 and 2009 as well as the accompanying notes were reviewed by the Company's Auditor.

The reader is encouraged to visit www.sedar.com for more information relating to the Company and its ongoing disclosures.

FORWARD LOOKING STATEMENTS

Certain statements contained herein are "forward-looking" and are based on the opinions and estimates of management, or on opinions and estimates provided to and accepted by management. Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied. Readers are therefore cautioned not to place reliance on any forward-looking statement.

The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

NATURE OF ACTIVITIES

Incorporated in April of 2000, Colt Resources is a junior mining Exploration Company engaged in the acquisition, exploration and, if warranted, the development of mineral property interests. The company's mining properties are located in Portugal and Canada. All of the company's properties are in exploration stages and the company only records income from interest earned from funds on deposit.

The Company's common shares are listed on the Canadian National Stock Exchange ("CNSX") under the ticker symbol "GTP". The Company is currently a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

The Company operates a wholly owned subsidiary in Portugal by the name of Eurocolt Resources Unipessoal Lda ("Eurocolt"). The President and CEO of Eurocolt is Mr. Jorge Valente, who is also a director and Chief Operating Officer of Colt.

CORPORATE HIGHLIGHTS

The first quarter of fiscal year 2011, ended June 30, 2010 was marked by an overall improvement in the financial markets and mineral commodities. Although bullish at the beginning of the fiscal year, the market for Gold underwent a series of corrections during the reporting period. Financial uncertainty, nonetheless, remains as relevant as ever and management remains cautiously optimistic in its outlook for 2011.

During the reporting period ended June 30, 2010, the company identified stronger investor interest in our projects, particularly the company's Tungsten and Gold properties in Portugal. Management continues to address financial markets cautiously and remains conservative in its uses of funds for exploration.

Important corporate events for the three-month period ended June 30 2010

- On April 26, 2010 the Company reports its participation in an important European Investor Road Show that attracts 15,000 visitors every year.
- On May 6, 2010 the Company announced it had retained the services of Helen Bilhete IRO for investor relations support in Canada.
- On May 25, 2010 the Company announced its intention to proceed with a second closing on its February 2010 private placement previously announced. The closing consisted of 4,400,000 shares for total gross proceeds of $1,100,000.
- During the three-month period ended June 30, 2010, the Company begun the process for listing its shares in the OTCQX market in the US.
- On June28, 2010 the company announced the maturity and settlement of its obligations relating to its convertible debenture. The outstanding, non-converted portion, of the convertible debenture became due and payable at the end of June 2010 and was paid in shares in accordance to the terms and provisions in the convertible debenture agreement. A total of 883,964 shares were issued at $0.34.
- On June 28, 2010 the company announced the extension of the expiry of the share purchase warrants that were attached to the 2007 convertible debenture. The warrants were extended for a period of one year and now expire on June 29, 2011

EXPLORATION HIGHLIGHTS

The Company's diamond drilling and property evaluation / exploration programs were under the supervision of J.W. Murton, P. Eng., a qualified person as defined by National Instrument 43-101. Mr. J.W. Murton is a director of Colt and is also responsible for the technical information presented in this MD&A.

During the year ended March 31, 2009, the Company commissioned Mr. Warner Gruenwald, P. Geo of Geoquest Consulting Ltd. to prepare for the Company a technical report compliant with NI 43-101 in respect to the Penedono Exploration Concession. Mr. Warner Gruenwald is a qualified person as defined by National Instrument 43-101, and is independent of the Company. This technical report was completed on November 28, 2008 and has been filed on the Company's corporate website, www.coltresources.com.

Important exploration events for the three-month period ended June 30, 2010

- On April 13, 2010 the company announced the results from a diamond drilling campaign on its Penedono Gold Project. The results indicated high grade intersections 7.73 g/t Au over 0.60 m to 75.64 g/t Au through a 1.6m wide mine stope with thin vein material.
- On June 7, 2010 the company announced high grade Gold and Tungsten results from regional exploration on its Portuguese concessions. In terms of its Gold intersects the company reported

from 10 g/t Au to 38.29 g/t Au. In terms of its Tungsten intersects, the company reported results varying from 1.0% to 2.9% WO3

- On June 14, 2010 the company announced Tungsten intersects of 0.54% WO3 over 21.60m at Armamar-Meda's Tabuaco Tungsten Project.

PORTUGUESE PROPERTIES

1. Penedono Concession

The Penedono Concession consists of 51.231km^2, which represents a reduction from the original concession area as an annual requirement under Portuguese mining law. Colt has subsequently been successful in negotiating an extension of the concession for an additional 3 years and has increased the size of the concession to 102.471 km^2.

As at June 30, 2010 the company had invested $1,606,747 ($1,493,078 as at March 31, 2010) with respect to its Penedono Concession and Exploration License. This represents a total investment of $113,669 over the reporting period.

2. Armamar-Meda Concession

The Armamar Meda Concession consists of 436.81 km^2 which in turn is partially surrounded by the Moimenta-Almendra concession consisting of 566.58 km^2.

As at June30, 2010, the Company has invested $641,885 ($530,623 for March 31, 2010) with respect to its Armamar Meda Concession and Exploration License. This represents a total investment of $111,262 over the reporting period.

3. Moimenta-Almendra Concession

The exploration license for the Moimenta Almendra Property in Portugal was approved by the Portuguese Government on July 1, 2008 and as a result, the formal signing of the contract between the Government of Portugal and the Company took place on October 1, 2008. The Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby Colt has been granted the exclusive right to prospect and explore for base and precious metals on the MOIMENTA-ALMENDRA Property which has a surface area of approximately 566 sq. km. and which is partially contiguous to the Company's Penedono and Armamar-Meda Exploration Concessions (the "MOIMENTA-ALMENDRA EXPLORATION LICENSE").

The initial term of the MOIMENTA-ALMENDRA EXPLORATION LICENSE is for 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 shall be required to relinquish 50% of the area covered by the MOIMENTA-ALMENDRA EXPLORATION LICENSE.

In respect to the MOIMENTA-ALMENDRA EXPLORATION LICENSE, Colt has lodged a bank guarantee, as a performance bond, for the amount of 10,000 € in favor of the Government of Portugal.

As at June 30, 2010, the Company has invested $176,932 ($141,263 for March 31, 2010). This represents a total investment of $35,669 over the reporting period.

4. Santa Margarida do Sado Concession

The Company was officially informed that the Company's application for an exploration license for the Santa Margarida do Sado Concession in Portugal was approved by the Portuguese Government on November 11, 2008 and that the formal signing of the contract between the Government of Portugal and the Company is expected to take place shortly. A bank guarantee in the amount of 10,000 € has been lodged by the Company in favor of the Government of Portugal in support of the Company's application for an exploration license for the Santa Margarida do Sado Concession.

On September 23, 2009, the company announced the granting of the Santa Margarida do Sado concession consisting of 360.46 km2 of prospective ground situated on the western extension of the Iberian Pyrite Belt, where the favourable basement geology is concealed under Tertiary cover sediments of the Lower Sado Basin. The IPB extends for more than 250 km from southern Spain through southern Portugal and is the host for numerous volcanogenic massive sulphide deposits in both countries, including several giant deposits with (greater than) 100 Mt total geologic resources, such as Rio Tinto and Tharsis in Spain, and Aljustrel and Neves-Corvo in Portugal.

The Santa Margarida do Sado concession is located in southern Portugal, 70 km to the south east of Lisbon and extends from near the Atlantic coast south-eastward for approximately 45 km. Situated near the center of the concession is the town of Grandola.

As at June 30, 2010, the Company has invested $36,171 ($33,317 for March 31, 2010) with respect to its Santa Margarida do Sado Concession and Exploration License. This represents a total of $ $2,854 in over the reporting period.

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CANADIAN PROPERTIES

1. Extra High Property, British Columbia

On January 21, 2008, the Company entered into an second Option Agreement (the "2008 Option Agreement") with Kokomo whereby Colt was granted the right and option to acquire, in two separate equal tranches, Kokomo's 66% undivided interest in the Extra High Property (the "Property"). Pursuant to the 2008 Option Agreement, Colt exercised the first tranche of the option by making a cash payment of $250,000 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, Colt now holds a 67% undivided interest in the Property and has become the operator of the Property. Furthermore, pursuant to the 2008 Option Agreement, Colt is solely responsible for all exploration and Property expenditures in respect of the Property, which are initiated and incurred by Colt from January 31, 2008 to December 31, 2008.

In order to exercise the second tranche of the option, Colt had to make a cash payment of $250,000 to Kokomo on or before December 31, 2008. And upon Colt making such payment, then Colt would 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"). Colt has the option to purchase the Kokomo Royalty for the sum of $500,000 and Colt will also have the option to purchase 50% or 0.75% of the Arm's Length Royalty for the sum of $500,000.

As of December 31, 2008, the Company had not exercise the second tranche of the option, as a result of which, the 2008 Option Agreement has terminated. Colt and Kokomo operate as Joint Venture partners with Colt holding an initial 67% undivided interest in the Property and Kokomo holding an initial 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.

As at June 30, 2010, the Company has invested $533,512 ($533,110 for March 31, 2010) with respect to its Extra High Concession and Exploration License. There was no material investment in this concession over the reporting period.

2. Gaspésie Mineral Property, Quebec

On December 15, 2008 the Company entered into an Agreement with Diagnos Inc. ("Diagnos") to acquire a 100% interest in four mineral properties located in the Gaspésie Region of the Province of Quebec, namely, the Restigouche, West l'Alverne, Gaspésie-1 and Gaspésie-4 properties. These four properties comprising 267 claims, cover an area of approximately 153 km^2, and are located in the south-western part of the Gaspésie region, close to St-André-de-Restigouche. The terms of the proposed acquisition include a payment of $62,500 in cash and the issuance of 750,000 restricted common shares in the capital of the Company at a price of $0.25 per share, 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 which resulted in a recovery 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 and $27,662 in cash.

Additionally, Diagnos will retain a 2% Net Smelter Return (NSR) royalty on each property and Colt will have the option to buy back 1% of the NSR for $1,000,000 at any time within the first five years of an economic discovery. Colt is required to spend a minimum of $450,000 on exploration and drilling by December 15, 2010.

As at June 30, 2010, the Company has invested $135,999 ($135,999 for March 31, 2010) with respect to its Gaspésie Concession and Exploration License. There was no material investment in this concession over the reporting period.

RESULTS FROM OPERATIONS

Three-month period ended June 30, 2010

For the reporting period ended June 30, 2010, the company reported a loss before other items and income taxes of $439,438 as compared to $286,575 over the same period last year. The increase in the company's net and comprehensive loss was due primarily to the increased efforts to increase investor awareness and raise capital in Europe.

The company reported a total weighted average number of commons shares outstanding of 33,313,862. As a result Colt Resources reported a net and comprehensive loss per share of $0.01 in June 30, 2010 as compared to $0.02 in the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2010, total assets were $4,370,497 as compared to $3,542,806 (March 31, 2010). Mining interests increased by $263,856 from $2,867,390 to $3,131,246. The increase represents the capitalization of all expenditures arising from mineral property exploration and development in Portugal.

During the reporting period, Cash and Cash Equivalents increased from $484,445 (March 31, 2010) to $831,959 (June, 2010). This is the result of the successful closing of three private placements during the fiscal year.

For the three-month period ended June 30, 2010 the company improved its working capital ratio from a deficiency of $189,358 (March 31, 2010) to an excess of $786,117.

In the past, the company was successful in financing its liquidity requirements through the issuance of equity and debt securities. At the end of fiscal 2010 the company reported that the February 2010 Private Placement remained open and outstanding. Management believes the company has sufficient liquidity to meet its operating obligations for the next 6 months. As the company is currently incurring operating losses, additional capital will be required to continue exploration activities on the properties.

Consolidated Statements of Cash Flows as at June 30 2010,

Operating Activities
Cash flow used in operating activities amounted to $780,380 in 2010 as compared to $115,490 in 2009. The increase in cash used was primarily the result of increases net losses during the reporting period.

Financing Activities
Cash provided by financing activities amounted to $1,395,106 in 2010 as compared to $190,778 over the same period in 2009. The amount provided by financing activites is primarily the result of equity raised for cash through several private placements during the three-month period.

Investing Activities
Cash used in Investing Activities amounted to $268,586 in 2010 as compared to $89,163 over the same period last year. The increase is primarily the result of higher levels in capitalized mining expenditures on the company's Portuguese properties.

At the end of the reporting period the company held approximately $831,959 in cash as compared to $484,445 in the previous reporting period.

Summary of Quarterly Results

For the Quarterly Periods ended:	**June 30, 2010 Q1 ($)**	**March 31, 2010 Q4 ($)**	**December 31, 2009 Q3 ($)**	**September 30, 2009 Q2 ($)**
Total Revenues	0	0	0	0
Loss before other Items	(459,293)	(464,829)	(316,311)	(172,540)
Loss per common share before other items	(0.01)	(0.02)	(0.015)	(0.02)
Net loss for the period	(439,438)	(486,326)	(316,209)	(172,134)
Basic net loss per common share	(0.01)	(0.02)	(0.015)	(0.01)

For the Quarterly Periods ended:	June 30, 2009 Q1 ($)	March 31, 2009 Q4 ($)	December 31, 2008 Q3 ($)	September 30, 2008 Q2 ($)
Total Revenues	0	0	0	0
Loss before other Items	(286,769)	(124,023)	(287,879)	(245,913)
Loss per common share before other items	(0.02)	(0.01)	(0.02)	(0.02)
Net loss for the period	(286,575)	(162,872)	(287,405)	(242,912)
Basic net loss per common share	(0.02)	(0.01)	(0.02)	(0.02)

Convertible Debenture

In June 29 2007 the company closed a non-brokered Private Placement that resulted in the issuance of Convertible Debentures for the total consideration of $1,465,000. At March 31, 2010 the convertible debentures had a carrying value of $271,038 (2009 - $287,917) including accrued interest. The debentures are due June 28, 2010, bear interest at 10% per annum compounded monthly and are payable at maturity. The debt is convertible into units, each unit consisting of one common share and one share purchase warrant. 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 prior to June 29, 2010 (the expiry date).

The convertible debentures were paid at maturity in shares in accordance to the terms in the debenture agreement.

The Unaudited Consolidated Statements for the three-month period ended June 30, 2010 filed at the same time as this MD&A provide the reader with detailed information on transactions during the reporting period

Non-Brokered Private Placement Financings

Pursuant to the private placement announced on June 18, 2009 whereby the Company would proceed with a non-brokered private placement consisting of up to 9,000,000 Units at a price of $0.11 per unit to raise gross proceeds of up to $990,000, the Company closed on July 15, 2009, the First tranche of this private placement financing and issued 4,020,908 shares at 0.11$ and 2,010,454 warrants convertible at 0.15$ for a gross proceeds of $442,300. On November 13, 2009 the company announced the third and final closing of this private placement financing and issued 4,979,000 shares at 0.11$ and 2,489,500 warrants convertible at 0.15$ for a gross proceeds of $ 547,690.

On January 15, 2010 the company announced a Private Placement for a total of 800,000 shares at a price of $0.22 per share. The private placement was closed on January 18, 2010 with proceeds totalling $168,000.

On February 9, 2010 the company announced a Private Placement for a total of 18,000,000 units at a price of $0.25 per shares to raise gross proceeds of up to $4,500,000. Each unit consisted of one restricted common share and half a warrant at $0.45 expiring February 26, 2012.

On March 31, 2010 the company announced a first closing with gross proceeds of $1,000,000 (4,000,000 units).

On May 25, 2010 the company announced a second closing with gross proceeds of $1,100,000 (4,400,000).

Stock Options granted

The Company has a stock option plan under which officers, directors, 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.

On May 2010 there were 300,000 stock options exercised at 0.25$. There were no new grants of Stock Options during the reporting period.

The Unaudited Consolidated Statements for the three-month period ended June 30, 2010 filed at the same time as this MD&A provide the reader with detailed information on transactions during the reporting period.

Warrants Issued

During the first Quarter ended June 30, 2010. The company issued 2,610,000 warrants and 80,000 finder warrants resulting from the February 2010 Non-Brokered Private Placement of 5,220,000 units (each unit comprising of one share and half a warrant at $0.45). The purchase warrants expire on March 23, 2012

The Unaudited Consolidated Statements for the three-month period ended June 30, 2010 filed at the same time as this MD&A provide the reader with detailed information on transactions during the reporting period

RELATED PARTY TRANSACTIONS

(a) An officer of wholly-owned subsidiary Eurocolt (Portugal) received a monthly consulting fee of €5,000. At June 30, 2010, €10,000 was owed to the related party.

(b) A director of the Company charges the Company a fee of $500 per day for geological consulting whenever his services are required. At June 30, 2010, $14,859 was owed to the related party.

(c) A director and Chief Executive Officer ("CEO") of the Company charged the Company a fee of $10,000 per month for professional fees. On May 2010 the contract was renewed and the related party became a salaried employee of the corporation. As at June 30, 2010 $0 was owed to the related party.

(d) A director and Chief Financial Officer ("CFO") of the Company charged the Company $7,500 per month as professional fees pursuant to his contract with the Company. On May 2010 the contract was renewed with a monthly fee of $10,000. As at June 30, 2010 $0 was owed to the related party.

(e) A director and Corporate Secretary of the company charged the company an hourly rate of $250 for professional fees. On May 2010 the company retained his services for a fixed fee of $5,000 per month. As at June 30, 2010 $583 was owed to the related party

RISK MANAGEMENT AND GOING CONCERN

The MD&A and the company's financial statements have been prepared using Canadian Generally Accepted Accounting Principles (GAAP) as applicable to going concerns. However, certain facts and circumstances may cause a significant doubt on the reasonableness of this assumption. The company is currently pursuing financing alternatives to fund its operations and to continue as a going concern. Although there are no assurances that the company will be successful in these actions, management is confident that it will be able to secure the necessary funding.

There is significant doubt, at the end of this fiscal period, of the company's ability to meet its commitments and ongoing exploration activities. There is no guarantee that measures pursued by management will be successful.

This MD&A and the corresponding financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the Balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.
The Company, and the Securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's Securities:

There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This will result in further dilution to the Company's shareholders.

The Company has a very limited history of operations, is in the early stage of development and has received no revenues other than insignificant interest revenues. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to obtain adequate financing in the future or, if available, that the terms of such financing will be favourable. The Company has no intentions of paying any dividends in the future.

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, no assurance whatsoever can be given that the Company's interests may not be challenged by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. 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 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 properties, the potential for production on the properties may be diminished or negated.

The exploration of mineral properties involves significant risks which even experience, knowledge and careful evaluation may not be able to avoid. The price of metals has fluctuated widely, particularly in recent years as it is affected by numerous factors which are beyond the Company's control including international economic and political trends, expectations of inflation or deflation, currency exchange fluctuations, interest rate fluctuations, global or regional consumptive patterns, speculative activities and increased production due to new extraction methods. The effect of these factors on the price of metals, and therefore the economic viability of the Company's interests in the mineral properties cannot be accurately predicted. Furthermore, changing conditions in the financial markets, and Canadian Income Tax legislation may have a direct impact on the Company's ability to raise funds for exploration expenditures. A drop in the availability of equity financings will likely impede spending. As a result of all these significant risks, it is quite possible that the Company may lose its investments in the Company's mineral property interests.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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.

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 these standards, additional disclosures on the risks of certain financial instruments have been included in note 5.

B. 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.

C. 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.

D. 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 CICA 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.

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.

E. International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Canadian Accounting Standards Board confirmed the changeover to IFRS from Canadian GAAP will be required for Canadian publicly-listed companies effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company will adopt IFRS commencing for interim and fiscal period reporting commencing April 1, 2011. The IFRS standards will require the restatement of comparative financial statements of the Company for the interim periods and for the year ended March 31, 2011 and earlier where applicable.

Other Material Events and Highlights

The Company is presently not a party to any proceedings.

TRENDS

Although the markets have begun recovering from the worldwide adverse market conditions of 2009 and part of 2010, management expects to meet its funding requirements for the year.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The company adopted the amendments to CICA Section 3862 for these annual financial statements. The amendments require the use of a fair value hierarchy in order to classify the fair value disclosures related to the company's financial assets and financial liabilities that are recognized in the balance sheet at fair value.

The fair value hierarchy has the following levels:

- Level 1: Quoted market prices in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Unobservable inputs such as inputs for the assets or liability that are not based on observable market data.

The fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(a) Financial instruments

The carrying values of cash, short term investments sundry receivable, accounts payable and accrued liabilities, accounts payable and exploration expenses and loan payable approximate their fair values due to the relative short periods to maturity of these instruments.

The carrying values of financial assets by category at June 30, 2010 are as follows:

Financial Assets		Held-for-trading		Loans and receivables		Held to Maturity
Cash and cash equivalents	$	831,959	$		$	
Performance bonds						119,700
	$	831,959	$		$	119,700

The carrying values of financial liabilities by category at June 30, 2010 are as follows:

Accounts payable and accrued liabilities	$	292,977
Amounts due to related parties		29,584
Convertible debenture		
	$	322,561

(b) Fair value

The carrying values of the Company's cash and 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 equivalents includes the balance of interest receivable. Cash and cash equivalents and performance bonds are reflected on the balance sheet at fair value using level 1 hierarchy because measurements are determined using quoted prices in active markets for identical assets.

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.

(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.

At March 31, 2010, the Company's maximum exposure to credit risk is as follows:

		June 30	March 31
Cash held in bank accounts	$	831,959	484,445
Performance bonds (held in Portugal)		119,700	123,300
	$	951,659	607,745

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 equivalents.

As at June 30, 2010, the Company has cash and cash equivalents of $831,959 ($484,445 March 31, 2010) and a working capital excess of $786,117 (deficiency of $189,358 March 31, 2010). Accounts payable and accrued liabilities have contractual maturities of 30 days or less and are subject to normal trade terms, amounts due to related parties are due on demand. The Company 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 2011. 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 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 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. In the past, the company has managed interest rate risk by purchasing highly liquid, short-term investments from major financial institutions. At June 30, 2010, cash and cash equivalents consisted entirely of cash held in bank accounts; therefore, fluctuations in market rates do not have a material impact on estimated fair values at year-end.

(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 European Euro.

As at June 30, 2010 the Company's significant exposures to foreign currency risk, based on balance sheet values, were to the European Euro. The company held financial instruments denominated in European Euros consisting of €90,000 in guarantee deposits and €4,164 in cash for a total of €94,164

As at June 30, 2010 the Company used a foreign exchange rate of CDN$1.33 for €1.00.

The Company has not entered into any foreign currency contracts to mitigate the risk. Our sensitivity analysis assumes all other variables remain constant and are based on above net exposures. A 10% appreciation or depreciation of the Euro dollar vis-à-vis the Canadian dollar would result in $11,400 increase or decrease respectively, in net income and shareholder equity

(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.

DISCLOSURE OVER INTERNAL CONTROLS

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at June 30 2010, the CEO and CFO have evaluated the effectiveness of the Company's DC&P as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and have concluded that such controls and procedures are effective and provide reasonable assurance that material information relating to the Company, was made known to them and reported as required, particularly during the period in which the annual filings were being prepared.

Upon completion of the Company's Audit for the year ended March 31, 2010, the Auditors determined that all transactions were diligently and accurately accounted for.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the design of the Company's ICFR as of the end of the period covered by the annual filings and believes the design to be sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. There have been no significant changes to the Company's internal control environment during the year ended March 31, 2010 that would have materially affected the Company's internal controls over financial reporting.

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of the IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

SUBSEQUENT EVENTS

Subsequent to June 30, 2010:

a. On August 10, 2010 the company signed an agreement with privately owned Australian Iron Ore PLC to become the operator and acquire, in two stages, 100% ownership of the Montemor Gold Project located in Southern Portugal.

b. On August 20, the Company announced its intention to proceed with a third closing of the company`s private placement originally announced on February 9th 2010. The closing of 4,900,000 units would have gross proceeds of $1,225,000.

OUTLOOK

Management is looking forward to the exploration and, if warranted, the development of the Company's mineral property interests.