COLT resources

**(An Exploration Stage Company)**

# Condensed Interim Consolidated Financial Statements

March 31, 2012

NOTICE TO READER

"In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2012."

# Condensed Interim Consolidated Financial Statements

March 31, 2012

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# COLT RESOURCES INC.
## Condensed Interim Consolidated Statements of Financial Position
Unaudited
All amounts disclosed are in Canadian dollars unless otherwise stated.

| (Canadian dollars) | Note(s) | March 31, 2012 (Note 3) $ | December 31, 2011 (Notes 3 ) $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | **6,345,876** | 3,885,777 |
| Other financial assets | 5 | **3,011,066** | 3,003,868 |
| Trade and other receivables | | **589,301** | 401,279 |
| Inventories | 6 & 22 | **3,646,867** | 3,710,550 |
| Prepaid expenses | | **515,125** | 316,298 |
| | | **14,108,235** | 11,317,772 |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 & 22 | **4,880,739** | 4,871,505 |
| Biological assets | 9 & 22 | **1,693,941** | 1,694,970 |
| Exploration and evaluation assets | 10 | **11,168,818** | 9,635,704 |
| Performance bonds | | **629,235** | 229,587 |
| Intangible assets | 7 &22 | **2,394,357** | 2,389,656 |
| | | **20,767,090** | 18,821,422 |
| **Total Assets** | | **34,875,325** | 30,139,194 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **695,633** | 830,247 |
| Due to related parties | 18 | **220,181** | 63,273 |
| Loans payable | 13 & 22 | **1,309,297** | 1,262,068 |
| | | **2,225,111** | 2,155,588 |
| **Non-current liabilities** | | | |
| Loans payable | 13 & 22 | **1,258,951** | 1,262,068 |
| Convertible preferred shares | 12 & 22 | **2,740,415** | 2,690,174 |
| | | **3,999,366** | 3,952,242 |
| **Total Liabilities** | | **6,224,477** | 6,107,830 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 14 | **41,170,722** | 35,222,854 |
| Contributed surplus | | **3,886,136** | 3,886,136 |
| Equity portion of convertible preferred shares | 12 & 22 | **700,628** | 700,628 |
| Unrealized gain on financial assets available for sale | | **11,247** | 6,746 |
| Accumulated translation adjustments | | **(662,222)** | (725,040) |
| Deficit | | **(16,455,663)** | (15,059,960) |
| **Total shareholders' equity** | | **28,650,848** | 24,031,364 |
| **Total Liabilities and Shareholders' Equity** | | **34,875,325** | 30,139,194 |
| **Going concern** | 2 | | |
| **Related party transactions** | 18 | | |
| **Commitments** | 21 | | |
| **Subsequent events** | 23 | | |

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

# COLT RESOURCES INC.
## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

Unaudited

All amounts disclosed are in Canadian dollars unless otherwise stated.

| For the three months ended March 31 | | 2012 (Note 3) | 2011 (Notes 3) |
|---|---|---|---|
| (Canadian dollars) | Note(s) | $ | $ |
| **REVENUE** | | | |
| **Other income** | | **74,143** | - |
| **Expenses** | | | |
| Stock based compensation | 15 | **-** | (719,984) |
| Consulting | | **(138,702)** | (176,606) |
| Management fees | | **(235,846)** | - |
| Salaries | | **(130,984)** | (93,406) |
| Investor relations and marketing | | **(437,233)** | (781,761) |
| Rent | | **(49,810)** | (13,142) |
| Office | | **(248,903)** | (118,670) |
| Property investigation | | **(7,657)** | (32,616) |
| Listing and transfer agent fees | | **(15,249)** | (58,074) |
| Filing fees | | **-** | (24,953) |
| Bank charges | | **(22,024)** | (1,320) |
| Insurance | | **(42,285)** | (3,868) |
| Legal | | **(25,657)** | (123,938) |
| Other costs | | **(106)** | - |
| Depreciation expense | 7, 8 & 9 | **(97,065)** | (7,203) |
| **Loss from operations** | | **(1,377,378)** | (2,155,541) |
| **Finance** | | | |
| Interest income | | **8,860** | 18,800 |
| Interest expense | | **(54,300)** | 11 |
| Net foreign exchange gain or loss | | **27,114** | (14,398) |
| **Loss before income tax** | | **(1,395,703)** | (2,151,150) |
| Income tax recovery | | **-** | - |
| **Net loss** | | **(1,395,703)** | (2,151,150) |
| **Other comprehensive loss** | | | |
| Unrealized gain/loss on available for sale marketable securities | | **4,501** | - |
| Foreign exchange gain/loss on translation of foreign operations | | **62,817** | - |
| **Comprehensive loss** | | **(1,328,385)** | (2,151,150) |
| **Earnings per share** | 19 | | |
| Basic | | **(0.01)** | (0.05) |
| Diluted | | **(0.01)** | (0.05) |

The accompanying notes are an integral part of these unaudited condensed interim consolidated interim financial statements

## COLT RESOURCES INC.
## Condensed Interim Consolidated Statements of Changes in Equity

Unaudited

All amounts disclosed are in Canadian dollars unless otherwise stated.

| (Canadian dollars) | Note | Share capital $ | Contributed surplus $ | Equity portion conv. preferred $ | Other comprehensive loss: Fair value on AFS $ | Other comprehensive loss: Accumulated translation adjustments $ | Deficit $ | Total Equity $ |
|---|---|---|---|---|---|---|---|---|
| **For the three months ended March 31, 2011** | | | | | | | | |
| **As at December 31, 2010** | | **11,342,980** | **2,226,212** | | | | **(6,585,761)** | **6,983,431** |
| Common shares issued for cash | | 5,328 | | | | | | 5,328 |
| Share based payments | | | (7,216) | | | | | (7,216) |
| Common shares issued for settlement of convertible debenture | | 128,456 | (128,456) | | | | | - |
| Finder warrants | | (91,640) | 91,640 | | | | | - |
| Warrants and options exercised | | 150,671 | | | | | | 150,671 |
| Warrant cost and other non-cash adjustments | | 689,320 | 449,175 | | | | (410,428) | 728,065 |
| Net loss for the period | | | | | | | (2,151,150) | (2,151,150) |
| **As at March 31, 2011** | | **12,225,115** | **2,631,351** | **-** | **-** | **-** | **(9,147,339)** | **5,709,127** |
| **For the three months ended March 31, 2012** | | | | | | | | |
| **As at December 31, 2011** | | **35,222,854** | **3,886,136** | **700,628** | **6,746** | **(725,040)** | **(15,059,960)** | **24,031,364** |
| Warrants and options exercised | 14 | 5,947,868 | | | | | | 5,947,868 |
| Accretion to fair value | | | | | 4,501 | | | 4,501 |
| Foreign currency translation | | | | | | 62,817 | | 62,817 |
| Net loss for the period | | | | | | | (1,395,703) | (1,395,703) |
| **As at March 31, 2012** | | **41,170,722** | **3,886,136** | **700,628** | **11,247** | **(662,222)** | **(16,455,663)** | **28,650,848** |

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

All amounts disclosed are in Canadian dollars unless otherwise stated.

| **For the three months ended March 31**<br>(Canadien dollars) | **Note(s)** | **2012**<br>**$** | 2011<br>$ |
|---|---|---|---|
| **Cash provided by (used for) the following activities** | | | |
| **Operating activities** | | | |
| Net loss | | **(1,395,703)** | (2,151,150) |
| Add (deduct): | | | |
| Accrued interest, accretion and financing fees | | **54,300** | (18,800) |
| Depreciation | 7 8 & 9 | **97,065** | 7,203 |
| Loss on disposal of fixed assets | | | |
| Share-based payment expense | 15 | | 719,984 |
| Income tax recovery | | | |
| Unrealised foreign exchange on non-cash item | | **(4,202)** | 29,398 |
| | | **(1,248,540)** | (1,413,365) |
| Change in non-cash working capital | | | |
| Change in trade and other receivable | | **(188,022)** | (57,889) |
| Change in other financial assets | | **(7,198)** | |
| Change in inventories | | **63,683** | |
| Change in prepaid expenses | | **(198,827)** | 11,191 |
| Change in trade and other payables | | **(134,614)** | 530,708 |
| Change in due to related parties | | **156,909** | |
| | | **(1,556,610)** | (929,355) |
| **Investment activities** | | | |
| Performance bonds acquired | | **(399,000)** | 14,306 |
| Additions to equipment | 8 | **(36,072)** | (184,790) |
| Disposal of equipment | 8 | **2,449** | |
| Additions to exploration and evaluation assets | 10 | **(1,533,114)** | (835,182) |
| **Cash used in investing activities** | | **(1,965,737)** | (1,005,666) |
| **Financing activities** | | | |
| Issuance of common shares, net of issuance cost | 14 | **5,947,868** | 161,873 |
| **Cash from financing activities** | | **5,947,868** | **161,873** |
| Net foreign exchange effect on cash and cash equivalents | | **34,578** | (19,947) |
| Increase in cash and cash equivalents | | **2,460,099** | (1,759,753) |
| Cash and cash equivalents, beginning of period | | **3,885,777** | 2,995,832 |
| **Cash and cash equivalents, end of period** | 4 | **6,345,876** | 1,236,079 |
| **Non-cash financing activities** | | | |
| Warrant modification | | - | 728,065 |

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

# 1. General information

Colt Resources Inc. (the "Company") is a publicly traded junior mining exploration company engaged in the acquisition, exploration and development of mineral property interests in Portugal and Canada.

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

The Company is a reporting issuer in the provinces of Alberta, British Columbia, Ontario and Quebec. On March 1, 2007, the Company's common shares were approved for listing and commenced trading on the Canadian National Stock Exchange ("CNSX") under the ticker symbol "GTP". During fiscal 2009, the Company listed on the Open Market Segment of the Frankfurt Stock Exchange under the ticker symbol "P01". On August 31, 2010, the Company listed its shares on the OTCQX (Ticker: COLTF). On February 8, 2011, the Company listed its shares on the TSX Venture Exchange (Ticker: GTP) and delisted from the CSNX.

The Company operates from its headquarters in Montreal, Canada and also through its wholly-owned subsidiaries: Eurocolt Resources Unipessoal Lda. ("Eurocolt"), Aurmont Resources Unipessoal Lda. ("Aurmont"), TungSPA Unipessoal Lda. ("TungSPA), Coltinvestco SGPS S.A. and its subsidiary, Q.S.P.A.-Sociedade Vitícola Unipessoal Lda. ("QSPA"). These subsidiaries represent the interests of Colt Resources Inc. in Portugal. The address of the registered office is 2000 McGill College, Suite 2010, Montreal, Quebec, Canada H3A 3H3.

The Company is in the exploration stage with regards to its mineral assets.

# 2. Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation.

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, and the attainment of successful production from the properties or ultimate 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 Company's ability to continue as a going concern is further dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. Management believes that the Company has the ability to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year as they fall due, and to fund cash payments for planned exploration programs. There can be no assurances that management will be successful in securing adequate financing.

The Company reported net losses for the fiscal periods ended March 31, 2012 and March 31, 2011 of $1,395,703 and $2,151,150 respectively. These recurring losses and the need for continued financing to further successful exploration raise substantial doubt as to the Company's ability to continue as a going concern.

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

## 3. Basis of preparation

**Statement of compliance**
The unaudited condensed consolidated interim financial statements ("consolidated interim financial statements") for the first quarter ended March 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and do not include all of the information required for full annual consolidated financial statements. Accordingly certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB. Accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2012, as issued and outstanding as of May 23, 2012, the date the Board of Directors approved these financial statements for issue.

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

**Significant accounting judgments, estimates and assumptions**
The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

**Functional and presentation currency**
These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

**Basis of consolidation**
The condensed consolidated interim financial statements include the financial statements of Colt Resources Inc. and its subsidiaries, listed in the following table:

| | | % equity interest | | Accounting method |
|---|---|---|---|---|
| **Name** | **Country of incorporation** | **March 31, 2012** | **December 31, 2011** | |
| Eurocolt Resources Unipessoal Lda. | Portugal | 100% | 100% | Consolidated |
| Aurmont Resources Unipessoal Lda. | Portugal | 100% | 100% | Consolidated |
| TungSPA Unipessoal Lda. | Portugal | 100% | 100% | Consolidated |
| ColtInvestco SGPS S.A. | Portugal | 100% | 100% | Consolidated |

All amounts disclosed are in Canadian dollars unless otherwise stated.

## 4. Cash and cash equivalents

| | **March 31, 2012 $** | December 31, 2011 $ |
|---|---|---|
| Cash at banks and on hand | **5,337,946** | 1,875,929 |
| Cash equivalents | **1,007,930** | 2,009,848 |
| | **6,345,876** | 3,885,777 |

Cash at banks earn interest at floating rates based on daily bank deposit rates. Cash equivalents earn interest at floating prime rates.

## 5. Other financial assets

| | **March 31, 2012 $** | December 31, 2011 $ |
|---|---|---|
| Marketable securities | 3,011,066 | 3,003,868 |
| | **3,011,066** | 3,003,868 |

Other financial assets consist of marketable securities and are redeemable any time.

## 6. Inventories

| | **March 31, 2012 $** | December 31, 2011 $ |
|---|---|---|
| Raw material | 44,248 | 45,276 |
| Bottled wine | 889,124 | 1,031,553 |
| Bulk wine | 2,713,495 | 2,633,721 |
| | **3,646,867** | 3,710,550 |

In 2011, the Company acquired a wine producer who owns the key surface rights of the Tabuaço tungsten project (located in the company's Armamar-Meda concession). For more detail please refer to Note 22.

## 7. Intangibles assets

| | **Surface Rights $** | **Software $** | **Other $** | **Total $** |
|---|---|---|---|---|
| **Cost** | | | | |
| At December 31, 2011 | 2,353,371 | 52,546 | 1,254 | 2,407,171 |
| Translation adjustments | 17,828 | | 10 | 17,838 |
| **At March 31, 2012** | 2,371,199 | 52,546 | 1,264 | **2,425,009** |
| **Accumulated depreciation** | | | | |
| At December 31, 2011 | - | 17,515 | - | 17,515 |
| Charge for the period | - | 13,137 | - | 13,137 |
| **At March 31, 2012** | - | 30,652 | **-** | **30,652** |
| **Net book value** | | | | |
| December 31, 2011 | 2,353,371 | 35,031 | 1,254 | 2,389,656 |
| **March 31, 2012** | **2,371,199** | **21,894** | **1,264** | **2,394,357** |

No impairment was required as at March 31, 2012 and December 31, 2011.
No depreciation was taken on surface rights since no extraction has commenced during the period.

All amounts disclosed are in Canadian dollars unless otherwise stated.

# 8. Property, plant and equipment

| | Mining equipment | Land, building and machinery | Computer and office equipment | Leasehold improvements | Automobiles | In progress | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | |
| At December 31, 2011 | 21,588 | 4,396,493 | 288,672 | 88,335 | 137,016 | 57,101 | 4,989,204 |
| Additions | 6,431 | 54,439 | 15,267 | - | - | - | 76,137 |
| Disposal | - | - | (2,449) | - | - | - | (2,449) |
| Transfer | - | - | - | - | - | (40,065) | (40,065) |
| Translation adjustments | 164 | 44,186 | 1,577 | - | 1038 | 129 | 47,094 |
| **At March 31, 2012** | **28,182** | **4,495,118** | **303,068** | **88,335** | **138,054** | **17,165** | **5,069,922** |
| **Accumulated depreciation** | | | | | | | |
| At December 31, 2011 | 3,784 | 38,399 | 32,490 | 22,084 | 20,942 | - | 117,699 |
| Charge for the period | 1,158 | 32,789 | 20,275 | 7,361 | 8,657 | - | 70,240 |
| Translation adjustments | 44 | 726 | 321 | - | 274 | - | 1,365 |
| Reversal | - | - | (122) | - | - | - | (122) |
| **At March 31, 2012** | **4,987** | **71,914** | **52,964** | **29,445** | **29,873** | **-** | **189,182** |
| **Net book value** | | | | | | | |
| December 31, 2011 | 17,804 | 4,358,093 | 256,183 | 66,251 | 116,074 | 57,101 | 4,871,505 |
| **March 31, 2012** | **23,196** | **4,423,204** | **250,104** | **58,890** | **108,181** | **17,165** | **4,880,739** |

No impairment was required as at March 31, 2012 and December 31, 2011.

# 9. Biological assets

| | Biological Assets |
|---|---|
| | $ |
| **Cost** | |
| At December 31, 2011 | 1,713,323 |
| Translation adjustments | 12,980 |
| **At March 31, 2012** | **1,726,303** |
| **Accumulated depreciation** | |
| At December 31, 2011 | 18,353 |
| Charge for the period | 13,688 |
| Translation adjustments | 321 |
| **At March 31, 2012** | **32,362** |
| **Net book value** | |
| December 31, 2011 | 1,694,970 |
| **March 31, 2012** | **1,693,941** |

No impairment was required as at March 31, 2012 and December 31, 2011.

All amounts disclosed are in Canadian dollars unless otherwise stated.

# 10. Exploration and evaluation assets

| | Extra High | Gaspésie Properties | Penedono | Armamar Meda | Moimenta Almendra | Santa Margarida | Boa Fé | Montemor-o-Novo | Cedovim | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | | |
| At December 31, 2011 | 534,012 | 190,507 | 2,432,769 | 2,694,234 | 317,516 | 346,825 | 3,119,841 | - | - | 9,635,704 |
| Exploration and evaluation expenditure | 7,199 | - | 103,053 | 608,804 | 5,389 | 24,650 | 721,126 | 52,391 | 10,503 | 1,533,114 |
| **At March 31, 2012** | **541,211** | **190,507** | **2,535,822** | **3,303,038** | **322,905** | **371,475** | **3,840,967** | **52,391** | **10,503** | **11,168,818** |
| **Net book value** | | | | | | | | | | |
| December 31, 2011 | 534,012 | 190,507 | 2,432,769 | 2,694,234 | 317,516 | 346,825 | 3,119,841 | - | - | 9,635,704 |
| **March 31, 2012** | **541,211** | **190,507** | **2,535,822** | **3,303,038** | **322,905** | **371,475** | **3,840,967** | **52,391** | **10,503** | **11,168,818** |

## A. PORTUGUESE MINING INTERESTS

### a. Montemor Gold Property

On November 2, 2011 the Direcção-Geral de Energia e Geologia (DGEG) granted the Company a 100% ownership of the experimental mining license for the Montemor region and the concession was divided into two separate properties: Boa Fé and Montemor-o-Novo.

#### 1. Boa Fé Experimental Mining License

On January 2012, the Boa Fé experimental mining license was transferred to Aurmont Resources Unipessoal Lda, a wholly-owned subsidiary of Colt Resources. The Company owns a 100% interest of the Boa Fé property which has an area of 46.78 $km^2$. Located in south central Portugal, the property is approximately one hour driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

On January 2012, the Company lodged a bank guarantee in favor of the Government of Portugal, as a performance bond, for the amount of €300,000 in respect to this Concession and Exploration License.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Boa Fé experimental mining license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

#### 2. Montemor-o-Novo Property (GOLD)

On November 2, 2011, the Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby the Company has been granted the exclusive right to prospect and explore for base, precious and strategic metals on the property, which completely surrounds the Boa Fé Experimental Mining License (the "Exploration License").

On November 2, 2011, the Company lodged a bank guarantee in favour of the Government of Portugal, as a performance bond, for the amount of €50,000 in respect to the Montemor-o-Novo Concession

On January 2012, the prospecting and exploration license was transferred to Eurocolt Resources Unipessoal Lda, a wholly-owned subsidiary to Colt Resources. The Montemor-o-Novo property has an area of 728.22 $km^2$ and it completely surrounds the Boa Fé property (see above). The property is located in south central Portugal and is approximately one hour driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Montemor-o-novo prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

### b. Armamar-Meda Property (TUNGSTEN)

The Company holds a 100% interest of the Armamar-Meda property which has an area of 109.20 $km^2$. Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Armamar-Meda prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

### c. Penedono Property (GOLD)

The Company holds a 100% interest of the Penedono property which has an area of 51.22 $km^2$. Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Penedono prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

### d. Moimenta-Almendra Property (TUNGSTEN and GOLD)

The Company holds a 100% interest of the Moimenta-Almendra property which is comprised of two separate blocks totaling 283.15 $km^2$ in area, namely, from West to East: Castainço block (102.72 $km^2$) and Almendra block (180.43 $km^2$). Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Moimenta-Almendra prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

## e. Santa Margarida do Sado Property (Base Metals)

The Company holds a 100% interest of the Santa Margarida do Sado property which has an area of 180.17 $km^2$. Located in south western Portugal, the property is approximately two hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

The property includes prospective ground situated on the north-western extension of the Iberian Pyrite Belt ("IPB"), where the favorable 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 >100 Mt total geologic resources, such as Rio Tinto and Tharsis in Spain, and Aljustrel and Neves-Corvo in Portugal.

On September 17, 2009 the Company entered into a prospecting and exploration license agreement with the Government of Portugal (the "Santa Margarida do Sado Exploration License") whereby the Company has been granted the exclusive right to prospect and explore the Santa Margarida do Sado Property in Portugal's Iberian Pyrite Belt.

On November 30, 2009 the Company lodged a bank guarantee in favour of the Government of Portugal, as a performance bond, for the amount of €10,000 in respect to this Concession and Exploration License.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Santa Margarida do Sado prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

## f. Cedovim Property (GOLD)

The Company holds, under the name of Eurocolt Resources Unipessoal Lda, a 100% interest of the Cedovim property which has an area of 218.13 $km^2$. Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

On November 2, 2011, the Company entered into a prospecting and exploration license agreement with the Government of Portugal (the "Cedovim License") whereby the Company has been granted the exclusive right to prospect and explore the Cedovim property which is partially contiguous to the Penedono, Moimenta Almendra property and Armamar-Meda Exploration concessions.

The Company has lodged a bank guarantee, in favour of the Government of Portugal, as a performance bond, for the amount of €15,000, in respect to the Cedovim Concession and Cedovim Exploration License.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Cedovim prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

All amounts disclosed are in Canadian dollars unless otherwise stated.

### B. CANADIAN MINING INTERESTS

### a. Extra High Mineral Property (GOLD, ZINC AND LEAD)

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

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Extra High prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

### b. Gaspésie Properties (Various Minerals)

On December 15, 2008 the Company entered into an Agreement with Diagnos, a publicly traded company to acquire a 100% interest in four mineral properties (the “Gaspésie Properties”) located in the Gaspésie Region of the Province of Quebec (the “Gaspésie Agreement”). Out of an initial 185 claims under the original agreement, the Company released 82 and added 21 new ones for a total now of 124 claims.

**Contractual Obligations**
The Company reported no changes to its contractual obligations relating to the Gaspésie prospecting and exploration license as reported in the Audited Consolidated Financial Statements for the fiscal years ended December 31, 2011 and March 31, 2011.

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

## 11. Trade and other payables

| | March 31, 2012 $ | December 31, 2011 $ |
|---|---|---|
| **Current** | | |
| Trade payables | 566,760 | 395,937 |
| Accrued expenses | 37,067 | 353,134 |
| Other payables | 91,806 | 81,176 |
| | **695,633** | 830,247 |

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

All amounts disclosed are in Canadian dollars unless otherwise stated.

## 12. Convertible preferred shares

As part of the business acquisition in 2011, the Company issued 5,000,000 convertible preferred shares.

| | **Liability component $** |
|---|---|
| Liability component as at December 31, 2011 | 2,690,174 |
| Accretion to fair value and foreign exchange | 50,241 |
| **Liability component as at March 31, 2012** | **2,740,415** |

| | **Equity component $** |
|---|---|
| Equity component as at December 31, 2011 | 700,628 |
| Equity component | - |
| **Equity component as at March 31, 2012** | **700,628** |

## 13. Loan payable

The loans related to the business acquisition in 2011 are as follows:

- The first tranche of €1,000,000 is a non bearing interest balance of sale payable on August 24, 2012;
- The second tranche of €1,000,000 is a non bearing interest balance of sale payable on August 24, 2013.

| | **Loan $** |
|---|---|
| Loan as at December 31, 2011 | 2,524,136 |
| Accretion to fair value | 44,112 |
| **Loan as at March 31, 2012** | **2,568,248** |

Classified as follows:

| | **March 31, 2012 $** | December 31, 2011 $ |
|---|---|---|
| Current | 1,309,297 | 1,262,068 |
| Non-current | 1,258,951 | 1,262,068 |
| | **2,568,248** | 2,524,136 |

All amounts disclosed are in Canadian dollars unless otherwise stated.

# 14. Share capital and reserves

## A. Authorised

The Company is authorized to issue an unlimited number of Common or Preferred Shares without nominal or par value.

## B. Issued and outstanding common shares

The common shares issued by the Company are shown in the following table:

| | Number of Shares | $ |
|---|---|---|
| As at December 31, 2011 | 98,452,604 | 35,222,854 |
| Warrants exercised | 13,050,890 | 5,922,868 |
| Options exercised | 100,000 | 25,000 |
| **As at March 31, 2012** | **111,603,494** | **41,170,722** |

## C. Issued warrants

A summary of the changes in the Company's share purchase warrants during the three-month period ended March 31, 2012 is as follows:

| | Number of Warrants | Weighted Average Exercise Price $ | Weighted Average Years to Expiry |
|---|---|---|---|
| At December 31, 2011 | 17,719,699 | $0.47 | 0.22 |
| Issued | 144,500 | $0.45 | |
| Expired/exercised | (16,064,839) | $0.44 | |
| **At March 31, 2012** | **1,799,360** | $0.72 | **0.59** |

As at March 31, 2012 and December 31, 2011, the following common share purchase warrants were outstanding. Each warrant entitles the holder to purchase one common share at the exercise price with the following expiry dates:

| Expiry Date | Exercise price $ | March 31, 2012 | December 31, 2011 |
|---|---|---|---|
| February 25, 2012 | 0.45 | - | 14,963,459 |
| March 3, 2012 | 0.30 | - | 300,000 |
| February 25, 2012 | 0.25 | - | 656,880 |
| November 5, 2012 | 0.72 | 1,799,360 | 1,799,360 |
| Total warrants outstanding and exercisable | | 1,799,360 | 17,719,699 |

All amounts disclosed are in Canadian dollars unless otherwise stated.

# 15. Share-based payments

During the three-month period ended March 31, 2012 no stock-options were issued.

A summary of the share option transactions for the three-month period ended March 31, 2012 is as follows:

| | Number of options | Weighted average exercise price $ | Weighted Average Years to Expiry |
|---|---|---|---|
| Outstanding at December 31, 2011 | 12,200,000 | $0.45 | 3.55 |
| Granted | - | | |
| Exercised | (100,000) | $0.25 | |
| **Outstanding at March 31, 2012** | **12,100,000** | **$0.45** | **3.31** |

The following table summarizes stock options outstanding and exercisable:

| | Exercise price | Number of Options | |
|---|---|---|---|
| **Expiry Date** | **$** | **March 31, 2012** | **December 31, 2011** |
| March 19, 2013 | 0.25 | 850,000 | 850,000 |
| April 8, 2014 | 0.25 | 650,000 | 750,000 |
| May 25, 2014 | 0.25 | - | - |
| May 28, 2014 | 0.25 | 100,000 | 100,000 |
| November 23, 2014 | 0.25 | 1,850,000 | 1,850,000 |
| September 2, 2015 | 0.27 | 3,350,000 | 3,350,000 |
| November 8, 2015 | 0.56 | 1,350,000 | 1,350,000 |
| March 25, 2016 | 0.91 | 250,000 | 250,000 |
| June 4, 2016 | 0.73 | 3,250,000 | 3,250,000 |
| July 3, 2016 | 0.75 | 450,000 | 450,000 |
| Total options outstanding and exercisable | | 12,100,000 | 12,200,000 |

# 16. Capital management

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

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

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

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

All amounts disclosed are in Canadian dollars unless otherwise stated.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three-month period ended March 31, 2012. The Company is not subject to externally imposed capital requirements.

## 17. Financial instruments and risk management

### Fair values

The Company classifies its financial assets and liabilities using a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements for these assets and liabilities:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalent, other financial assets have been classified as level 1. All other financial instruments are classified as level 3.

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

### Financial risks

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

### Credit risk

The Company is exposed to credit risk with respect to cash and cash equivalents, performance bonds and trade and other receivables. The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk by maintaining cash and cash equivalents and performance bonds with major financial institutions in Canada and Portugal.

The maximum exposure to credit risk as at:

| | **March 31, 2012** | **December 31, 2011** |
|---|---:|---:|
| | **$** | **$** |
| Cash and cash equivalents | 6,345,876 | 3,885,777 |
| Other financial assets | 3,011,066 | 3,003,868 |
| Performance bonds (held in Portugal) | 629,235 | 229,587 |
| Accounts receivable | 589,301 | 85,186 |
| | **10,575,478** | **7,204,418** |

### Liquidity risk

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

As at March 31, 2012, the Company has cash and cash equivalents of $6,345,876 and other financial assets for $3,011,066 ($3,885,777 and $3,003,868 respectively as at December 31, 2011) and working capital of $11,883,124 (as compared to a $9,162,184 as at December 31, 2011). Trade and other payables have contractual maturities of 30 days or less and are subject to normal trade terms, amounts due to related parties are due on demand.

The Company has sufficient funding to meet its existing obligations as well as administrative overhead costs and planned exploration activities on its mineral property interests in fiscal 2012 but it will require additional funding going forward. While the Company has been successful in raising debt and equity funds in the past, there is always a degree of risk on whether or not it will be able to raise sufficient funds in the future.

**Currency risk**

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its results of operations from time to time. The Company currently has financial instruments denominated in European Euro.

A change in the foreign exchange rate of the Canadian dollar versus another currency may change the value of its financial instruments

## 18. Related party transactions

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

| | March 31, 2012 (three-months) $ | March 31, 2011 (three-months) $ |
|---|---|---|
| Management and consulting fees | 237,500 | 105,000 |
| Share-based payment | - | 719,984 |
| | 237,500 | 824,984 |

As of March 31, 2012, $220,182 is owed to related parties (December 31, 2011: $63,273).

## 19. Earnings per share

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the three-months ended March 31, 2012 was based on net loss of $1,395,703 (three-months ended March 31, 2011: $2,151,150), and a weighted average number of common shares outstanding of 104,075,137 for the three months ended March 31, 2012 (three-months ended March 31, 2011: 46,205,934).

| | Loss for the period | Weighted average number of shares | Per share amount $ |
|---|---|---|---|
| **As at March 31, 2012** | **(1,395,703)** | 104,075,137 | (0.01) |
| As at March 31, 2011 | (2,151,150) | 46,205,934 | (0.05) |

All amounts disclosed are in Canadian dollars unless otherwise stated.

## 20. Segmented information

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

| **Total Assets** | **March 31, 2012**<br>**$** | **December 31, 2011**<br>**$** |
|---|---|---|
| Canada | 10,257,909 | 7,444,258 |
| Portugal | 24,617,416 | 22,694,936 |
| | **34,875,325** | **30,139,194** |

## 21. Commitments

a. As part of it prospection and exploration activities, the Company has contractual obligations which are detailed in the consolidated financial statements as of December 31, 2011.

b. The Company has an operating lease for office space in 2000 McGill College Avenue, Montreal, Quebec, Canada, which ends on April 30, 2014. The future payments are as follows:

| Expected future commitments as at: | **March 31, 2012**<br>**$** | December 31, 2011<br>$ |
|---|---|---|
| Less than 1 year | **99,455** | 98,450 |
| Later than 1 year and less than 5 years | **107,743** | 132,607 |
| Later than 5 years | **-** | - |

c. The Company has an operating lease for office space in Beloura, Portugal which ends on August 16, 2016. The future payments are as follows:

| Expected future commitments as at: | **March 31, 2012**<br>**$** | December 31, 2011<br>$ |
|---|---|---|
| Less than 1 year | **62,172** | 62,172 |
| Later than 1 year and less than 5 years | **209,831** | 225,374 |
| Later than 5 years | **-** | - |

d. Mortgage and guarantees

As part of the acquisition of QSPA, the Company has commitments which are detailed in the consolidated financial statements as of December 31, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

## 22. Business acquisition

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

As at the end of March 31, 2012, the provisional fair value amounts recognized for QSPA as of the acquisition date were as follows:

| | August 24, 2011 Provisional fair value | |
|---|---|---|
| | **Euros** | **$** |
| Cash and cash equivalents | 36,872 | 52,358 |
| Trade and other receivables | 133,379 | 189,398 |
| Inventories | 2,788,988 | 3,960,363 |
| Prepaid expenses | 6,030 | 8,563 |
| Property, plant and equipment | 3,362,413 | 4,774,626 |
| Biological assets | 1,297,972 | 1,843,120 |
| Surface rights | 1,782,857 | 2,531,657 |
| Trade payables | (22,611) | (32,108) |
| **Fair value of net identifiable assets acquired** | **9,385,900** | **13,327,977** |
| | | |
| Fair value of consideration transferred | | |
| Cash consideration transferred | 3,000,000 | 4,260,000 |
| Non-interest bearing loans payable in 12-24 months | 1,885,900 | 2,677,977 |
| Common shares | 2,000,000 | 2,840,000 |
| Convertible preferred shares | 2,500,000 | 3,550,000 |
| **Total fair value of consideration transferred** | **9,385,900** | **13,327,977** |

Part of the consideration transferred included non-interest bearing loans, 5,000,000 restricted common shares of the Company and 5,000,000 convertible preferred shares of the Company. The loans payable include $1,420,000 (€1,000,000) payable in 12 months' time from its date of issuance (on the acquisition date), and another $1,420,000 (€1,000,000) payable in 24 months' time from its date of issuance (on the acquisition date). These loans are non-interest bearing, and their fair values were estimated using a present value of future cash flows method, applying a discount rate of 4% which approximated the rates on similar loans in the market at that time. The seller of QSPA is restricted from selling the 5,000,000 common shares of QSPA to a maximum of 1,000,000 common shares annually. These shares were valued using the quoted price of the Company's shares on the acquisition date.

The 5,000,000 preferred shares are convertible at any time by the holder into 4,385,965 common shares until August 23, 2016, at which time the holder can require the Company to redeem the shares for cash consideration of $3,550,000 (€2,500,000). This instrument has been accounted for as a compound financial instrument. The fair value of the liability portion, in the amount of $3,550,000 (€2,500,000), was estimated first, using a present value of future cash flows method, applying a discount rate within a range of 4%-5%, with the difference between the fair value of the instrument and its redemption amount being allocated to the residual equity component.

The first and the second tranche of $1,420,000 (€1,000,000) respectively payable to the seller were secured by a mortgage on the land and buildings of QSPA.

The redemption amount of $3,550,000 (€2,500,000) of the preferred shares (payable to the seller) was secured by a mortgage on QSPA's land and buildings.

These mortgages have a total value of $6,390,000 (€4,500,000). The carrying amount of the land and building amounts to $6,133,483 (€4,611,641) as of March 31, 2012.

Due to the complexity of the operation, the initial acquisition accounting for the business combination is not yet completed.

## 23. Subsequent events

On April 17, 2012, the Company announced that it had entered into a bought deal private placement for 10,000,000 common shares at a price of $0.50 per share for gross proceeds of $5,000,000. The Company granted the Underwriters an option to purchase up to an additional 1,500,000 shares at the same price, which is exercisable by the Underwriters at any time up to two business days prior to closing. If this option is fully exercised, total gross proceeds will be $5,750,000.

Concurrently, the Company also announced a non-brokered private placement for up to 7,400,000 shares at a price of $0.50 per share for gross proceeds of up to $3,700,000.

On May 2, 2012, the Company announced it had completed the private placement as announced on April 17, 2012. As a result of the closing, the Company issued 17,400,000 restricted shares at a price of $0.50 for a total gross consideration of $8.7 million. The Company paid cash commissions totalling $520,000 and issued 1,226,000 broker warrants, entitling the holder to purchase one common share at the price of the offering until May 2, 2013.