(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

March 31, 2014

Unaudited

NOTICE TO READER

"In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not audited or reviewed the interim consolidated financial statements as at and for the three months ended March 31, 2014."

Condensed Interim Consolidated Financial Statements

March 31, 2014

General information

Directors

Richard Quesnel, Executive Chairman of the Board

James Ladner

James Wayne Murton

Nikolas Perrault

Paul Yeou

Legal Counsel and Corporate Secretary

David A. Johnson

Auditors

Ernst & Young LLP

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[Canadian dollars]

	March 31, 2014 $	December 31, 2013 $
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	**805,536**	2,263,613
Commodity taxes and other receivables *[note 5]*	**385,212**	1,020,041
Inventories	**3,148,171**	3,005,757
Prepaid expenses and deposits	**533,752**	536,288
	4,872,671	6,825,699
Non-current		
Property, plant and equipment *[note 6]*	**1,458,666**	1,986,393
Biological assets	**1,435,128**	1,362,499
Exploration and evaluation assets *[note 7]*	**31,125,723**	29,927,351
Goodwill	**848,704**	813,804
Investment in an associate *[note 8]*	**2,500,000**	—
Deposits	**606,242**	598,023
	42,847,134	41,513,769
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**334,994**	183,188
Accounts payable and accrued liabilities *[note 9]*	**2,047,802**	2,812,431
	2,382,796	2,995,619
Non-current		
Senior secured notes	**1,275,246**	1,211,355
Derivative financial liability - Warrants *[note 10]*	**250,536**	953,136
Deferred income taxes	**684,950**	617,300
Convertible preferred shares	**3,425,701**	3,261,481
Total liabilities	**8,019,229**	9,038,891
Shareholders' equity		
Share capital *[note 10]*	**59,084,782**	58,934,878
Warrants	**1,063,238**	1,063,238
Contributed surplus	**4,522,611**	4,522,611
Equity component of convertible preferred shares	**700,628**	700,628
Accumulated other comprehensive income	**2,998,282**	1,977,283
Accumulated deficit	**(33,541,637)**	(34,723,760)
Total shareholders' equity	**34,827,904**	32,474,878
	42,847,134	41,513,769

Going concern *[note 2]*
Related party transactions *[note 13]*
Commitments *[notes 15]*
Subsequent events *[note 16]*

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

On behalf of the Board:

Director   Director

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/ (LOSS)

Quarter ended March 31 **Unaudited**
[Canadian dollars]

	Quarter ended March 31, 2014 $	2013 $
EXPENSES		
Administrative expenses *[note 12]*	**(956,912)**	(1,770,562)
Gain on disposal of property, plant and equipment	—	6,594
Depreciation *[note 6]*	**(57,517)**	(63,030)
Other income, net *[note 8]*	**1,831,988**	67,792
Income from operations	**817,559**	(1,759,206)
Interest income	**410**	16,554
Finance costs	**(157,849)**	(59,323)
Change in fair value of derivative financial liability - warrants *[note 10]*	**728,294**	—
Foreign exchange (loss)/gain	**(163,038)**	13,719
Income (Loss) before income taxes	**1,225,376**	(1,788,257)
Income tax expense		
Deferred	**43,253**	34,074
	43,253	34,074
Net Income (loss) for the period	**1,182,123**	(1,822,331)
Other comprehensive loss		
Other comprehensive income (loss) to be reclassified to profit or loss		
Foreign exchange gain on translation of foreign subsidiaries	**1,020,999**	(121,065)
Comprehensive income (loss) for the period	**2,203,122**	(1,943,396)
Net earnings/(loss) per share		
Basic and fully diluted	**0.01**	(0.01)
Weighted average number of outstanding shares		
Basic	**159,614,785**	136,950,043
Diluted	**163,964,785**	-

Going concern *[note 2]*

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Quarter ended March 31 **Unaudited**
[Canadian dollars]

	Share capital $	Subscription receipts $	Warrants	Contributed surplus $	Equity component of preferred shares $	Accumulated other comprehensive income (loss) $	Deficit $	Total equity $
As at December 31, 2012	48,353,634	2,700,000	195,928	4,522,206	700,628	(677,721)	(24,492,430)	31,302,245
Net loss for the period	—	—	—	—	—	—	(1,822,331)	(1,822,331)
Other comprehensive income	—	—	—	—	—	(121,065)	—	(121,065)
Comprehensive loss for the period	—	—	—	—	—	(121,065)	(1,822,331)	(1,943,396)
Issuance of shares for warrants and options exercised *[note 10]*	202,159	—	—	(100,159)	—	—	—	102,000
Issuance of common shares, net of share issue costs *[note 10]*	3,604,681	(2,700,000)	54,986	—	—	—	—	959,667
As at March 31, 2013	**52,160,474**	—	**250,914**	**4,422,047**	**700,628**	**(798,786)**	**(26,314,761)**	**30,420,516**
As at December 31, 2013	**58,934,878**	—	**1,063,238**	**4,522,611**	**700,628**	**1,977,283**	**(34,723,760)**	**32,474,878**
Net income for the period	—	—	—	—	—	—	**1,182,123**	**1,182,123**
Other comprehensive income	—	—	—	—	—	**1,020,999**	—	**1,020,999**
Comprehensive income for the period	—	—	—	—	—	**1,020,999**	**1,182,123**	**2,203,122**
Issuance of common shares	**149,904**	—	—	—	—	—	—	**149,904**
As at March 31, 2014	**59,084,782**	—	**1,063,238**	**4,522,611**	**700,628**	**2,998,282**	**(33,541,637)**	**34,827,904**

Going concern *[note 2]*

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

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Quarter ended March 31 **Unaudited**
[Canadian dollars]

	Quarter ended March 31, 2014	2013
	$	$
OPERATING ACTIVITIES		
Net income/(loss) for the period	**1,182,123**	(1,822,331)
Items not impacting cash:		
Accretion expense *[note 10]*	**157,849**	43,516
Change in fair value of derivate financial liability - warrants *[note 10]*	**(728,294)**	—
Depreciation *[note 6]*	**57,517**	63,030
Gain on disposal of property, plant and equipment	—	(6,594)
Change in fair value of biological assets	**(19,315)**	(7,412)
Non- cash accounting gain on disposition of assets to an associate *[note 8]*	**(1,736,966)**	—
Deferred income taxes	**43,253**	34,074
Unrealized foreign exchange loss/(gain)	**173,402**	(13,515)
	(870,431)	(1,709,231)
Change in non-cash working capital	**(100,184)**	(2,184,917)
Net cash flows used in operating activities	**(970,615)**	(3,837,835)
INVESTING ACTIVITIES		
Increase in bank overdraft	**151,807**	—
Increase in deposits	**(8,219)**	(170,375)
Additions to property, plant and equipment *[note 6]*	**(2,564)**	(13,937)
Proceeds on disposal of property, plant and equipment	—	26,618
Additions to exploration and evaluation assets *[note 7]*	**(380,190)**	(974,671)
Funds transferred to associate [*note 8]*	**(1,735,000)**	—
Funds received from an associate *[note 8]*	**1,500,000**	—
Net cash flows used in investing activities	**(474,166)**	(1,132,365)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares and warrants *[note 10]*	—	1,061,667
Net cash flows from financing activities	—	1,061,667
Foreign exchange loss on cash and cash equivalents	**(13,296)**	(10,522)
Net decrease in cash and cash equivalents	**(1,458,077)**	(3,919,055)
Cash and cash equivalents, beginning of period	**2,263,613**	6,473,498
Cash and cash equivalents, end of period *[note 4]*	**805,536**	2,554,442

Going concern *[note 2]*

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

1. NATURE OF OPERATIONS

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

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

Colt Resources Inc. is incorporated in Canada and operates from its headquarters in Montreal, Canada and also through its wholly owned subsidiary ColtInvestco SGPS S.A. and its subsidiaries, Q.S.P.A. – Sociedade Vitícola Unipessoal Lda. ["QSPA"], Eurocolt Resources Unipessoal Lda. ["Eurocolt"], Aurmont Resources Unipessoal Lda. ["Aurmont"], TungSPA Unipessoal Lda. ["TungSPA"]. It also holds an equity interest in its associate entity, Colt Resources Middle East (Cayman) ("Colt Middle East" or the "Associate"). These subsidiaries and the associate represent the interests of Colt Resources Inc. in Portugal and the Greater Middle East area respectively.

The address of the registered office of Colt Resources Inc. is 606 Rue Cathcart, Suite 330, Montreal, Quebec, Canada H3B 1K9 effective from May 1, 2014.

2. GOING CONCERN

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

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

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

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

The Company's current committed cash resource is insufficient to cover expected expenditures in fiscal year 2014. The Company's ability to continue as a going concern is also dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

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

3. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and as such do not contain all disclosures required for annual financial statements as well as the adoption of new accounting policies as of January 1, 2014.

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the consolidated financial statements for the year ended December 31, 2013 except for the following accounting policy which the Company adopted during the period ended March 31, 2014 for its investment in Colt Middle East and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2014.

Investment in an Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

As of March 31, 2014, the Company holds 37.73% equity interest in its newly formed associate. The Company's directors also have a representation on the associate's board of directors. Based on these facts and circumstances, management determined that the Company has a significant influence on its associate and hence the Company's investment in its associate should be accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate, if any, is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of operations and comprehensive loss reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Company's OCI. In addition, when where has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit represents profit and loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss in the consolidated statements of operations and comprehensive loss.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of operations and comprehensive loss.

Accounting Policies in effect January 1, 2014

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company adopted IFRIC 21 as of January 1, 2014 and there was no significant impact on the condensed interim consolidated financial statements of the Company.

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

3. FUTURE ACCOUNTING POLICY CHANGES ISSUED BUT NOT YET IN EFFECT

The following are new pronouncements approved by the IASB. The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements, however, they may impact future periods.

(i) IFRS 9 Financial Instruments (Revised) was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The effective date for IFRS 9 has not been established. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

4. CASH AND CASH EQUIVALENTS

	March 31, 2014	**December 31, 2013**
	$	$
Cash at banks	**805,536**	2,263,613
	805,536	2,263,613

Cash at banks earn interest at floating rates based on daily bank deposit rates or prime rates. Cash equivalents earned interest at a rate of 0.92% in 2013.

5. COMMODITY TAXES AND OTHER RECEIVABLES

	March 31, 2014	**December31, 2013**
	$	$
Trade receivables, net of allowance	**77,943**	666,544
Commodity taxes receivable	**296,529**	335,593
Other receivables	**10,740**	17,904
	385,212	1,020,041

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

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

6. PROPERTY, PLANT AND EQUIPMENT

	Mining Equipment $	Building $	Machinery and equipment $	Computer and office equipment $	Leasehold improvement $	Automobiles $	Total $
Cost							
As at December 31, 2012	27,797	1,083,986	52,674	482,847	88,335	136,165	1,871,804
Additions	—	3,749	14,012	7,466	—	528,034	553,261
Disposal	—	—	—	—	—	(48,678)	(48,678)
Foreign currency translation adjustment	3,257	127,006	6,172	48,659	—	15,961	201,055
As at December 31, 2013	31,054	1,214,741	72,858	538,972	88,335	631,482	2,577,442
Additions	—	—	—	2,564	—	—	2,564
Disposal (note 8)	—	—	—	—	—	(528,034)	(528,034)
Foreign currency translation adjustment	1,212	47,436	2,844	18,209	—	4,044	73,745
As at March 31, 2014	**32,266**	**1,262,177**	**75,702**	**559,745**	**88,335**	**107,492**	**2,125,717**
Accumulated depreciation							
As at December 31, 2012	8,524	53,967	20,682	146,606	51,529	55,417	336,725
Charge for the year	4,601	42,308	19,096	120,719	29,445	20,926	237,095
Disposal	—	—	—	—	—	(26,132)	(26,132)
Foreign currency translation adjustment	1,323	9,311	3,772	20,978	—	7,977	43,361
As at December 31, 2013	14,448	105,586	43,550	288,303	80,974	58,188	591,049
Charge for the year	1,082	11,695	5,638	27,720	7,361	4,021	57,517
Foreign currency translation adjustment	572	4,203	1,739	9,641	—	2,330	18,485
As at March 31, 2014	**16,102**	**121,484**	**50,927**	**325,664**	**88,335**	**64,539**	**667,051**
Net book value							
December 31, 2012	19,273	1,030,019	31,992	336,241	36,806	80,748	1,535,079
December 31, 2013	16,606	1,109,155	29,308	250,669	7,361	573,294	1,986,393
March 31, 2014	**16,164**	**1,140,693**	**24,775**	**234,081**	**—**	**42,953**	**1,458,666**

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

7. EXPLORATION AND EVALUATION ASSETS

	December 31, 2013 $	Additions/ $	Foreign currency translation adjustments $	March 31, 2014
Tabuaço	13,574,891	88,591	443,061	14,106,543
Santo António (formerly Penedono)	2,912,614	—	—	2,912,614
Boa Fé	11,682,912	245,446	314,722	12,243,080
Montemor-o-Novo	1,491,881	13,437	58,230	1,563,548
Moimenta Almendra	—	—	—	—
Cedovim	55,575	15,955	2,169	73,699
Cercal	180,817	8,404	—	189,221
Borba	28,661	8,357	—	37,018
	29,927,351	**380,190**	**818,182**	**31,125,723**

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

Intangibles

Intangible assets are included in exploration and evaluation assets and amounted to $27,349,905 as at March 31, 2014 [December 31, 2013 – $26,293,371].

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

Tangibles

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

	Land $	Building $	Total $
As at December 31, 2012	1,818,513	1,432,242	3,250,755
Additions	—	2,345	2,345
Foreign currency translation adjustment	213,070	167,810	380,880
As at December 31, 2013	2,031,583	1,602,397	3,633,980
Additions	—	—	—
Foreign currency translation adjustment	79,295	62,543	141,838
As at March 31, 2014	2,110,878	1,664,940	3,775,818

As of March 31, 2014, the Company is in compliance with its contractual obligations for all of its properties.

8. INVESTMENT IN AN ASSOCIATE

During 2013, the Company incurred approximately $4,000,000 for its Middle Eastern initiatives. During March 2014, Colt Middle East, previously, a wholly owned subsidiary of the Company completed a private placement whereby it issued a total of 27,500,000 shares at C$0.15 per share for gross proceeds of $4,125,000. Of this amount, Colt Middle East returned $1,500,000 to the Company in two instalments on February 19 and March 13, 2014 respectively. Additionally, the Company partially disposed its interest in Colt Middle East and received 16,665,001 common shares of Colt Middle East at C$0.15 per share for an amount of $2,500,000 reducing its equity interest in Colt Middle East to 37.73% of the outstanding common shares, thereby recouping the initial investment of $4,000,000. As part of the partial disposition and the loss of control, the Company de-recognized certain assets at their fair values which included transfer of cash of $1,735,000 and transfer of certain automobiles for $528,034 to Colt Middle East. The balance of $1,736,966 was accounted for as gain on disposition of assets in the condensed interim consolidated statements of operations and comprehensive loss.

Colt Middle East is a private entity that is not listed on any public exchange and is involved in mining activities in the Greater Middle East area . The Company’s interest in Colt Middle East is accounted for using the equity method in the condensed interim consolidated financial statements.

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

The following table illustrates the summarized financial information of Colt Middle East as at March 31, 2014 and the proportionate carrying amount of the Company's investment in Colt Middle East.

	March 31, 2014
Current assets	6,096,966
Non-current assets	528,034
Current liabilities	-
Non-current liabilities	-
Equity	6,625,000
Proportion of the Company's ownership	37.73%
Carrying amount of the Investment	**2,500,000**

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	March 31, 2014 $	**December31, 2013** $
Trade payables	**869,113**	1,353,526
Accrued liabilities	**689,714**	869,874
Employees and social institutions	**236,815**	241,295
Related parties	**6,488**	84,456
Other payables	**245,672**	263,280
	2,047,802	2,812,431

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

10. SHAREHOLDERS' EQUITY

Authorised

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

Issued and outstanding common shares

The common shares issued by the Company are shown in the following table during the period ended March 31, 2014:

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

	Number of shares	$
As at December 31, 2012	129,571,430	48,353,634
Issuance of common shares	29,140,756	10,472,980
Share issue costs	—	(299,009)
Issuance of shares for options exercised	825,000	407,273
As at December 31, 2013	159,537,186	58,934,878
Issuance of common shares [ii]	498,853	149,904
As at March 31, 2014	160,036,039	59,084,782

i. During the period ended March 31, 2014, the Company issued the following:

  a. 130,660 common shares at $0.2988 per share for an amount of $39,041 to settle the amount of interest owed to Senior secured note holders as of December 31, 2013.

  b. 368,193 common shares at $0.3011 per share for an amount of $110,863 to settle part of the outstanding debt owed to the Company's former Chief Financial Officer.

Issued warrants

A summary of the changes in the Company's share purchase warrants during three-month period ended March 31, 2014 is as follows:

	Number of warrants and exercisable	**Weighted average exercise prices** $	**Weighted average years to expiry**
As at December 31, 2012	1,226,000	$0.50	0.33
Issued (broker warrants for Senior Secured Notes)(US$0.45)	111,111	$0.48	
Issued	3,571,429	$0.45	
Issued [broker]	360,000	$0.45	
Expired	(1,226,000)	$0.50	
As at December 31, 2013 and March 31, 2014	**4,042,540**	$0.45	**3.91**

In addition, there were 5,555,550 warrants issued and outstanding as at March 31, 2014 with weighted average exercise price of US$0.45 per warrant and a weighted average years to expiry of 4.59 years

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

These warrants have been accounted for as derivative financial liability. The fair value of the warrants as at March 31, 2014 was $250,536 calculated using Black Scholes option pricing model using the following assumptions:

Share price ($ per share)	$0.3050
Expected risk free interest rate [%]	1.34
Expected volatility [%]	0.79%
Expected life [in years]	4.59 years
Expected dividends [$]	Nil
Weighted average fair value per warrant (US$)	0.163

The change in fair value of $728,294 as well as accretion on warrants of $25,694 was recorded in the condensed interim consolidated statement of operations and comprehensive loss.

11. SHARE-BASED COMPENSATION

A summary of the share option transactions during the three-month period ended March 31, 2014 is as follows:

	Number of options	**Weighted average exercise price** $	**Weighted average years to expiry**
Outstanding and exercisable as at December 31, 2012	11,800,000	$0.46	2.59
Expired/Cancelled	(2,600,000)	$0.54	1.49
Exercised	(825,000)	$0.26	1.04
Outstanding and exercisable as at December 31, 2013 and March 31, 2014	**8,375,000**	**$0.46**	**1.51**

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

The following table summarizes stock options outstanding and exercisable as of March 31, 2014:

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

12. ADMINISTRATIVE EXPENSES BY NATURE

Quarter ended March 31,

	2014 $	**2013** $
Management fees *[note 13]*	**148,500**	246,354
Professional and consulting fees	**75,011**	40,358
Salaries	**221,109**	205,351
	444,620	492,063
Investor relations and marketing	**120,124**	573,610
Legal expenses	**14,861**	122,797
Insurance	**54,301**	48,116
Office expenses	**175,908**	334,647
Listing and transfer agent fees	**18,203**	8,868
Rent	**88,878**	90,940
General and administrative expenses	**40,017**	99,521
Administrative expenses	**956,912**	1,770,562

13. RELATED PARTY TRANSACTIONS

Related party transactions include transactions with the Company's associate, Colt Middle East and transactions with the Company's Key Management Personnel which includes the Executive Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, the Chief Legal Officer, the Chief Financial Officer, the Board of Directors, Advisory Board Members, close family members and entities controlled by these individuals as well as certain consultants performing similar functions. These are the key management personnel of the Company.

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

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

Following were the related party transactions for the quarter ended March 31, 2014 and 2013

Transactions with the Associate:

During the three months ended March 31, 2014 the Company's associate, Colt Middle East issued 16,665,001 shares to the Company. As at March 31, 2014, the Company had a 37.73% equity interest in Colt Middle East.

Transactions with Key Management Personnel:

Quarter ended March 31	**2014**	**2013**
	$	$
Management fees	**148,500**	207,326
Professional and consulting fees	**36,000**	47,605
Salaries	**37,500**	—
Short-term benefits	**58,241**	178,895
Director fees	**16,500**	24,249
	296,741	458,076

In addition to the above, during the three months ended March 31, 2014, the Company's Executive Chairman, the Company's Chief Executive Officer and one of the independent directors subscribed for 10,000,000, 1,000,000, and 2,000,000 ordinary shares of Colt Middle East, respectively.

As at March 31, 2014, $6,488 owed to related parties [December 31, 2013 – $417,308] is included in accounts payable and accrued liabilities.

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

14. SEGMENTED INFORMATION

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

Total Assets	**March 31, 2014**	**December 31, 2013**
	$	$
Canada	**3,799,265**	1,063,352
Portugal	**39,047,869**	38,183,937
Middle East	**—**	2,266,480
	42,847,134	41,513,769

Non-current Assets	**March 31, 2014**	**December 31, 2013**
	$	$
Canada	**2,727,114**	227,600
Portugal	**35,247,349**	33,932,435
Middle East	**—**	528,035
	37,974,463	**34,688,070**

15. COMMITMENTS

The Company has a contractual commitment with its drilling service provider to drill a minimum of additional 13,906 metres till the end of June 30, 2014 for a total cost of at least $2,409,500.

16. SUBSEQUENT EVENTS

Exclusivity agreement with Lake Resources NL

On May 13, 2014, the Company announced that its associate, Colt Middle East, signed an exclusivity agreement (the "Agreement") with Lake Resources NL ("Lake"), an Australian based mineral exploration company. The Agreement sets outs the terms and conditions whereby Colt Middle East can earn a majority interest in Lake's Chaghi Hills exploration licenses in Balochistan, Pakistan. The agreement sets an exclusivity period of 120 days during which the parties will conclude the final terms and conditions of a joint venture agreement.

It is expected that there will be three parties to the joint venture, namely, Lake, Colt Middle East and Amir Resources Consultants (“Amir”). Colt Middle East would subscribe to a minimum of US$ 1,900,000 for 60% shareholding in the where the funds subscribed for will be used for exploration of the territory covered by the licenses. Of the remaining interest in the, Lake will hold 27.5% and Amir will hold 12.5% shareholding. Subsequently, Colt Middle East will invest US$ 3,100,000 in exploration expenditure over the next three years for a total minimum aggregate investment of US$ 5,000,000 over 6 years subsequent to which the shareholdings would be adjusted to reflect Colt Middle East’s shareholding at 60%, Lake’s shareholding at 15%, Amir’s shareholding at 12.5% and the shareholding of the provincial government of Balochistan province at 12.5%.

Colt Middle East will have the option to increase its interest in the joint venture such that Lake’s and Amir’s shareholdings will be diluted to upto a 10% shareholding for each party should Colt Middle East exceed the minimum required investment of US$ 5,000,000. Lake’s 10% shareholding will then revert to a 10% carried interest with its share of the investment payable from 80% of Lake’s share of net profits and Amir’s shareholding will revert to a 5% free carried net profits interest. In the event, Colt Middle East invests only the minimum of US$1,900,000 over 3 years, the shareholdings will be adjusted to reflect Colt Middle East’s shareholding at 51% with Lake holding 40% and Amir holding 9%.

Resignation of Director
Further, on May 26, 2014, Mr. Declan Costelloe, Executive Vice President (EVP) and Chief Operating Officer (COO) and an executive director resigned from his role as an executive director of the Company. Mr. Costelloe continues with the Company as part of its senior management in his role as EVP and COO of the Company.