(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

June 30, 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 six months ended June 30, 2012."

Condensed Interim Consolidated Financial Statements

June 30, 2012

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)	June 30, 2012 (Note 3)	December 31, 2011 (Note 3)
ASSETS			
Current assets			
Cash and cash equivalents	4	**9,791,552**	3,885,777
Other financial assets	5	**3,019,214**	3,003,868
Trade and other receivables		**994,341**	401,279
Inventories	7 & 26	**3,316,533**	3,710,550
Prepaid expenses		**471,179**	316,298
		17,592,819	11,317,772
Non-current assets			
Property, plant and equipment	9 & 26	**4,739,187**	4,871,505
Biological assets	10 & 26	**1,630,807**	1,694,970
Exploration and evaluation assets	11	**13,467,465**	9,635,704
Performance bonds		**658,410**	229,587
Intangible assets	8 &26	**2,311,653**	2,389,656
		22,807,522	18,821,422
Total Assets		**40,400,341**	30,139,194
LIABILITIES			
Current liabilities			
Trade and other payables	12	**1,005,895**	830,247
Due to related parties	22	**50,525**	63,273
Loans payable	14 & 26	**1,283,402**	1,262,068
		2,339,822	2,155,588
Non-current liabilities			
Loans payable	14 & 26	**1,234,032**	1,262,068
Convertible preferred shares	13 & 26	**2,689,361**	2,690,174
		3,923,393	3,952,242
Total Liabilities		**6,263,215**	6,107,830
SHAREHOLDERS' EQUITY			
Share capital	15	**49,098,237**	35,222,854
Contributed surplus		**3,886,136**	3,886,136
Equity portion of convertible preferred shares	13 & 26	**700,628**	700,628
Unrealized gain on financial assets available for sale		**19,395**	6,746
Accumulated translation adjustments		**(908,242)**	(725,040)
Deficit		**(18,659,028)**	(15,059,960)
Total shareholders' equity		**34,137,126**	24,031,364
Total Liabilities and Shareholders' Equity		**40,400,341**	30,139,194
Going concern	2		
Related party transactions	22		
Commitments	25		
Subsequent events	27		

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.

		Three months ended June 30,		Six months ended June 30,	
(Canadian dollars)	**Note**	**2012**	2011	**2012**	2011
Other income		**(149,513)**	-	**(76,814)**	-
General and administrative expenses	17	**(1,795,970)**	(2,119,738)	**(3,143,848)**	(4,235,460)
Property investigation		**5,098**	(31,693)	**(2,478)**	(64,309)
Depreciation expense		**(88,731)**	(16,092)	**(185,761)**	(23,295)
Operating costs		**(1,879,603)**	(2,167,523)	**(3,332,087)**	(4,323,064)
Earnings (losses) from operations		**(2,029,116)**	(2,167,523)	**(3,408,901)**	(4,323,064)
Finance income (loss)	18	**(79,670)**	121	**(125,387)**	18,910
Foreign exchange gain (losses)	19	**(76,692)**	73,387	**(49,305)**	58,989
Earnings (losses) before income tax		**(2,185,478)**	(2,094,015)	**(3,583,593)**	(4,245,165)
Income tax		**(15,372)**	-	**(15,475)**	-
Net earnings (losses)		**(2,200,850)**	(2,094,515)	**(3,599,068)**	(4,245,165)
Other comprehensive Loss					
Unrealized gain (loss) on available for sale marketable securities		**8,148**	-	**12,649**	-
Foreign exchange gain (loss) on translation of foreign operations		**(129,020)**	-	**(183,202)**	-
Comprehensive Loss		**(2,313,348)**	(2,094,015)	**(3,769,621)**	(4,245,165)

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 six months ended June 30, 2011								
As at December 31, 2010		**11,342,980**	**2,226,212**	**-**	**-**	**-**	**(6,585,761)**	**6,983,431**
Common shares issued for cash		15,055,994						15,055,994
Share based payments			902,780					902,780
Common shares issued for settlement of convertible debenture		128,456	(128,456)					-
Finder warrants		(91,640)	91,640					-
Warrants and options exercised		2,650,846						2,650,846
Warrant cost and other non-cash adjustments		689,320	449,175				(410,428)	728,067
Net loss for the period							(4,245,165)	(4,245,165)
As at June 30, 2011		**29,775,956**	**3,541,351**	**-**	**-**	**-**	**(11,241,354)**	**22,075,953**
For the six months ended June 30, 2012								
As at December 31, 2011		**35,222,854**	**3,886,136**	**700,628**	**6,746**	**(725,040)**	**(15,059,960)**	**24,031,364**
Common shares issued for cash		7,830,780						7,830,780
Warrants and options exercised	15	6,044,603						6,044,603
Accretion to fair value					12,649			12,649
Foreign currency translation						(183,202)		(183,202)
Net loss for the period							(3,599,068)	(3,599,068)
As at June 30, 2012		**49,098,237**	**3,886,136**	**700,628**	**19,395**	**(908,242)**	**(18,659,028)**	**34,137,126**

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

For the six months ended June 30, (Canadian dollars)	**Note(s)**	**2012** **$**	2011 $
Cash provided by (used for) the following activities			
Operating activities			
Net loss		**(3,599,068)**	(4,245,165)
Add (deduct):			
Accrued interest, accretion and financing fees		**108,588**	(18,921)
Depreciation	8, 9 & 10	**185,761**	23,295
Share-based payment expense	15		1,629,984
Unrealised foreign exchange on non-cash item		**(87,279)**	(35,454)
		(3,391,998)	(2,646,261)
Change in non-cash working capital			
Change in trade and other receivable		**(593,062)**	(181,209)
Change in other financial assets		**(15,346)**	
Change in inventories		**394,017**	
Change in prepaid expenses		**(154,881)**	(195,385)
Change in trade and other payables		**175,647**	449,917
Change in due to related parties		**(12,748)**	(27,025)
Cash used in operating activities		**(3,598,370)**	(2,599,963)
Investment activities			
Performance bonds acquired		**(451,850)**	14,306
Additions to equipment	9	**(104,095)**	(193,816)
Additions to exploration and evaluation assets	11	**(3,831,761)**	(1,344,977)
Cash used in investing activities		**(4,387,706)**	(1,524,487)
Financing activities			
Issuance of common shares, net of issuance cost	15	**13,908,788**	17,712,714
Cash from financing activities		**13,908,788**	**17,712,714**
Net foreign exchange effect		**(16,937)**	71,607
Increase in cash and cash equivalents		**5,905,755**	13,659,871
Cash and cash equivalents, beginning of period		**3,885,777**	2,995,832
Cash and cash equivalents, end of period	4	**9,791,552**	16,655,703
Non-cash financing activities			
Warrant modification		**-**	728,067

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 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). These subsidiaries represent the interests of Colt Resources Inc. in Portugal. The address of the registered office is 2000 McGill College Avenue, 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 June 30, 2012 and June 30, 2011 of $3,599,068 and $4,245,165 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 June 30, 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 August 22, 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**	**June 30, 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
Q.S.P.A.- Sociedade Vitícola Unipessoal Lda.	Portugal	100%	100%	Consolidated

All amounts disclosed are in Canadian dollars unless otherwise stated.

4. Cash and cash equivalents

	June 30, 2012 $	December 31, 2011 $
Cash at banks and on hand	8,780,449	1,875,929
Cash equivalents	1,011,103	2,009,848
	9,791,552	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

	June 30, 2012 $	December 31, 2011 $
Marketable securities	3,019,214	3,003,868
	3,019,214	3,003,868

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

6. Trade and other receivables

	June 30, 2012 $	**December 31, 2011 $**
Current		
Trade receivables	228,561	85,186
Tax	451,930	191,430
Advances	189,302	23,500
Other receivables	124,548	101,163
	994,341	401,279

7. Inventories

	June 30, 2012 $	December 31, 2011 $
Raw material	45,580	45,276
Bottled wine	847,710	1,031,553
Bulk wine	2,423,243	2,633,721
	3,316,533	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 26.

All amounts disclosed are in Canadian dollars unless otherwise stated.

8. Intangibles assets

	Surface Rights $	Software $	Other $	Total $
Cost				
At December 31, 2011	2,353,371	52,546	1,254	2,407,171
Translation adjustments	(51,703)		(28)	(51,730)
At June 30, 2012	2,301,668	52,546	1,226	**2,355,441**
Accumulated depreciation				
At December 31, 2011	-	17,515	-	17,515
Charge for the period	-	26,273	-	26,273
At June 30, 2012	-	43,788	**-**	**43,788**
Net book value				
December 31, 2011	2,353,371	35,031	1,254	2,389,656
June 30, 2012	**2,301,668**	**8,758**	**1,226**	**2,311,653**

No impairment was required as at June 30, 2012 and December 31, 2011.
No depreciation was taken on surface rights since no extraction has commenced during the period.

9. 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	6,242	81,960	62,126			10,868	161,196
Disposal			(2,377)				(2,377)
Transfer						(57,101)	(57,101)
Translation adjustments	(474)	(96,589)	(4,575)		(3,010)		(104,648)
At June 30, 2012	**27,356**	**4,381,864**	**343,846**	**88,335**	**134,006**	**10,868**	**4,986,275**
Accumulated depreciation							
At December 31, 2011	3,784	38,399	32,490	22,084	20,942	-	117,699
Charge for the period	2,346	55,736	42,276	14,722	17,205	-	132,285
Translation adjustments	(107)	(1,396)	(636)		(637)		(2,776)
Reversal			(122)				(122)
At June 30, 2012	**6,023**	**92,740**	**74,008**	**36,806**	**37,510**	**-**	**247,088**
Net book value							
December 31, 2011	17,804	4,358,093	256,183	66,251	116,074	57,101	4,871,505
June 30, 2012	**21,333**	**4,289,124**	**269,838**	**51,529**	**96,496**	**10,868**	**4,739,187**

No impairment was required as at June 30, 2012 and December 31, 2011.

All amounts disclosed are in Canadian dollars unless otherwise stated.

10. Biological assets

	Biological Assets $
Cost	
At December 31, 2011	1,713,323
Translation adjustments	(37,641)
At June 30, 2012	**1,675,682**
Accumulated depreciation	
At December 31, 2011	18,353
Charge for the period	27,205
Translation adjustments	(682)
At June 30, 2012	**44,875**
Net book value	
December 31, 2011	1,694,970
June 30, 2012	**1,630,807**

No impairment was required as at June 30, 2012 and December 31, 2011.

11. 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	-	-	250,427	1,183,537	26,871	274,123	1,622,749	457,100	16,954	3,831,761
At June 30, 2012	**534,012**	**190,507**	**2,683,196**	**3,877,771**	**344,387**	**620,948**	**4,742,590**	**457,100**	**16,954**	**13,467,465**
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
June 30, 2012	**534,012**	**190,507**	**2,683,196**	**3,877,771**	**344,387**	**620,948**	**4,742,590**	**457,100**	**16,954**	**13,467,465**

PORTUGUESE MINING INTERESTS

A. Boa Fé Property (GOLD)

The Company holds, through its wholly-owned subsidiary Aurmont Resources, Unipessoal, Lda, a 100% interest of the Boa Fé property, an area of 46.78km^2 located in south central Portugal. The property is located approximately 100kms from Lisbon.

On January 28, 2009, Iberian Resources Portugal Recursos Minerais Unipessoal Lda (Iberian) a Portuguese subsidiary of Australian Iron Ore PLC (AIOC), submitted to the Direcção-Geral de Energia e Geologia (DGEG), a division of the Portuguese Ministry of Economy, Innovation and Development, a request for an Experimental Mining License covering the Boa Fé gold project.

On July 30, 2010, an agreement was formed between the Company and AIOC stating that upon DGEG approval, the Company would pay AIOC €60,000 and become 51% owner and operator of the project. Subsequently the Company obtained a 51% beneficial ownership and became the operator of the project.

Upon award of the Experimental Mining License, the Company paid AIOC €125,000 and issued to 3,000,000 restricted common shares. Colt Resources became the 100% owner of the “Boa Fé” experimental mining license on January 2012 when the ownership of the concession was transferred to its wholly-owned subsidiary Aurmont Resources, Unipessoal, Lda. The ownership transfer was published in the official gazette in Aviso Nº6215/2012 (D.R. 2ªS Nº89). The restricted common shares become free trading in gradual releases of 500,000 shares every four (4) months over a twenty-four (24) month period from the date of granting of the experimental mining license.

Contractual Obligations

The Term of the Boa Fé Experimental Mining License is for a period of three years, which started November 2, 2011 and will end on November 1, 2014. The Term may be extended for an additional six months and will end on May 1, 2015.

During the Term, of the Boa Fé Experimental Mining License the Company is obligated to incur prospecting and exploration expenditures of not less than €1,000,000 by November 1, 2012, €1,000,000 by November 1, 2013 and €1,000,000 by November 1, 2014. During the extended term, the Company is required to incur prospecting and exploration expenditures of approximately €500,000.

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 €300,000 in respect to the Boa-Fé Experimental License.

The original property area is 46.78km^2. Upon expiry of the term, the Company will not be required to relinquish any portion of the area covered by the Experimental Mining License if it is successful in receiving an extension of six months. The Company is not obligated to pay to the Government of Portugal an annual license fee for the ground covered by its Experimental Mining license.

Upon the completion of the term and 6 month extension, the Company may apply for an Exploitation License, which if granted, shall have a term of 10 years and which may be extended with the approval of the Portuguese Government, for two periods not exceeding 5 years each.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then the Company shall be obligated, at the Portuguese Government’s sole discretion, either to pay 10% to 20% of net profits based on a sliding scale, depending on the price of gold or, alternatively, pay a 4% net smelter return “NSR” royalty on production. The Company will only be required to pay 10% to 20 % of net profits based on a sliding scale once all capital and exploration expenditures incurred on the project have been fully recovered.

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

B. Montemor-o-Novo Property (GOLD)

The Company holds, through its wholly-owned subsidiary Aurmont Resources, Unipessoal, Lda, a 100% interest in the Montemor-o-Novo property which has an area of 728.22 km2 and completely surrounds the Boa Fé property (see above). The property is located in south central Portugal and is approximately 100Kms from Lisbon.

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 May 28, 2012 the ownership of the concession was transferred to its wholly owned subsidiary Aurmont Resources, Unipessoal, Lda. The ownership transfer was published in the official gazette in Aviso Nº8253/2012 (D.R. 2ªS Nº117).

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

Contractual Obligations

The Initial Term of the Montemor-o-Novo Concession and Exploration License is for a period of three years, which started November 2, 2011 and will end November 1, 2014 (the "Initial Term"). This initial term may be extended twice on an annual basis. The first extended term will begin on November 2, 2014 and will end on November 1, 2015. The second extended term will begin on November 2, 2015 and will end on November 1, 2016.

During the Initial Term, the Company is obligated to incur prospecting and exploration expenditures of not less than €180,000 by November 1, 2012, €270,000 by November 1, 2013 and €450,000 by November 1, 2014. During the first extended term, the Company is required to incur prospecting and exploration expenditures of not less than €300,000 and will be required to incur prospecting and exploration expenditures of not less than €300,000 during the second extended term.

The original property area is 728.22 km^2. Upon expiry of the Initial Term, the Company will be required to relinquish 50% of the area covered by the Montemor-o-Novo Exploration License (364.11 km^2). At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Exploration License (182.05 km^2).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €25 per sq. km. of ground covered by its license.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then The Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% to 20 % of the net profit derived from its mining activities or, alternatively, pay a NSR on production of 3%, depending on the price of gold.

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

C. Armamar-Meda Property (TUNGSTEN)

The Company holds a 100% interest in 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.

On December 10, 2007, the Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby the Company has been granted the exclusive right to prospect and explore for base, precious and strategic metals on the property, which is partially contiguous with the Company's Penedono and Moimenta Almendra Exploration Concessions.

On January 22, 2008, the Company lodged a bank guarantee in favour of the Government of Portugal, as a performance bond, for the amount of €20,000 in respect to the Armamar-Meda Concession and Exploration License.

Contractual Obligations

The Initial Term of the Armamar-Meda Exploration License was for a period of three years, which started December 10, 2007 and ended December 9, 2010 (the "Initial Term"). This initial term may be extended twice on an annual basis. The first extended term began on December 10, 2010 and ended on December 9, 2011. The second extended term began on December 10, 2011 and will end on December 9, 2012.

During the Initial Term, the Company was obligated to incur prospecting and exploration expenditures of not less than €25,000 by December 9, 2008, €50,000 by December 9, 2009 and €75,000 by December 9, 2010. During the first extended term, the Company was required to incur prospecting and exploration expenditures of not less than €100,000 and will be required to incur prospecting and exploration expenditures of not less than €100,000 during the second extended term.

The original property area was 436.81 km^2. Upon expiry of the Initial Term, the Company was required to relinquish 50% of the area covered by the Armamar-Meda Exploration License (218.40 km^2). This first relinquished area was requested by the Company, through the submission of a new application, with the Cedovim name (see item G below). At the end of the first extended term, the Company was required to relinquish a further 50% of the area covered by the Armamar-Meda Exploration License (109.20 km^2).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €35 per sq. km. of ground covered by its license.

Upon the completion of the Initial and extended terms, the Company may apply for an exploitation license, which if granted, shall have a term of 30 years and which may be extended with the approval of the Portuguese Government, for a period not exceeding 20 years.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then the Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% of the net profit derived from its mining activities or, alternatively, pay a Net Smelter Return Royalty on production at NSR rates ranging from 1% to 4% depending on the price of gold. For other metals half of these amounts shall be considered, with gold as a reference.

On granting of an exploitation license the Company will be obligated to pay €100,000 as a commercial discovery bonus to the Government of Portugal, provided that production from the mining activities is determined to exceed 1,000,000 ounces of gold or of gold equivalent during the life of the mining activities.
The Company is in compliance with its contractual obligations for this property.

D. Penedono Property (GOLD)

The Company holds a 100% interest in 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.

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

As part of the transaction, the Company requested that the Government of Portugal amend the terms and conditions of the original exploration concession. The amendments requested included a onetime, three year extended term, beginning on October 29, 2009 and ending on October 28, 2012 so as to allow the Company the opportunity of adequately exploring the property. This has been granted.

Upon the Government of Portugal approving the Company's requested amendments to the terms and conditions of the Penedono Exploration License, and upon approving its assignment to the Company, Rio Narcea and the Company closed the transaction contemplated in the Definitive Agreement. As consideration for the assignment, the Company has issued to Rio Narcea, as fully paid and non-assessable, 200,000 restricted common shares of the Company on the closing date of the transaction. Of these 200,000 restricted common shares, 50,000 common shares became tradable effective on each December 29, 2007, March 29, 2008, June 29, 2008 and September 29, 2008.

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

Contractual Obligations

The one time extended term of the Penedono Exploration License is for a period of three years (which started October 29, 2009 and will end on October 28, 2012).

During the extended term, the Company is required to incur prospecting and exploration expenditures of not less than €500,000 during each of the first and second year of the extended term and exploration expenditures of not less than €250,000 during the third year of the extended term.

The original property area was 102.47 km^2. The Company was required to relinquish 50% of the area covered by the Penedono Exploration License (51.22 km^2) at the end of the second year of the extended Term (October 28, 2011).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €50 per sq. km, of ground covered by its license. Upon the completion of the extended term, the Company may apply for an Exploitation License, which if granted, shall have a term of 30 years and which may be extended by the approval of the Portuguese Government, for two periods not to exceed 10 years each.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then the Company shall be obligated, to pay a Net Smelter Return Royalty on production at NSR rates ranging from 2% to 4% depending on the price of gold to the Portuguese Government.

Under certain terms and conditions, the Company is obligated to pay Rio Narcea Portugal (the seller of the concession) a 1% NSR for a maximum amount of US $1,000,000.

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

E. Moimenta-Almendra Property (TUNGSTEN and GOLD)

The Company holds a 100% interest in the Moimenta-Almendra property which is comprised of two separate blocks totaling 283.15 km^2 in area, namely, from West to East: Block-A (Castainço block) (102.72 km^2) and Block-B (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.

On October 1, 2008, the Company entered into a prospecting and exploration license agreement with the Government of Portugal (the "Moimenta Almendra Exploration License") whereby the Company has been granted the exclusive right to prospect and explore the Moimenta Almendra property which is partially contiguous to the Penedono and Armamar-Meda Exploration concessions.

The Company has lodged a bank guarantee, in favour of the Government of Portugal, as a performance bond, for the amount of €10,000, in respect to the Moimenta Almendra Concession and Exploration License.

Contractual Obligations

The Initial Term of the Moimenta Almendra Exploration License is for a period three years, which started October 1, 2008 and ended on September 30, 2011 (the "Initial Term"). This initial term may be extended twice on an annual basis. The first extended term began on October 1, 2011 and will end on September 30, 2012. The second extended term will begin on October 1, 2012 and will end on September 30, 2013.

During the Initial Term, the Company was obligated to incur prospecting and exploration expenditures of not less than €25,000 by September 30, 2009, €50,000 by September 30, 2010 and €75,000 by September 30, 2011. During the first extended term, the Company is required to incur prospecting and exploration expenditures of not less than €100,000 and will be required to incur prospecting and exploration expenditures of not less than €100,000 during the second extended term.

The original property area is 566.58 km^2. Upon expiry of the Initial Term, the Company was required to relinquish 50% of the area covered by the Moimenta-Almendra Exploration License (283.43 km^2). At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Moimenta-Almendra Exploration License (141.57 km^2).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €25 per sq. km, of ground covered by its license.

Upon the completion of the Initial and extended terms, the Company may apply for an Exploitation License, which if granted, shall have a term of 30 years and which may be extended with the approval of the Portuguese Government, for a period not exceeding 20 years.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then the Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% of the net profit derived from its mining activities or, alternatively, pay a NSR on production at rates ranging from 1% to 4% depending on the price of gold. For other metals half of these amounts shall be considered, with gold as a reference.

On granting of an Exploitation License the Company will be obligated to pay €100,000 as a commercial discovery bonus to the Government of Portugal, provided that production from the mining activities is determined to exceed 1,000,000 ounces of gold or of gold equivalent during the life of the mining activities.

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

F. Santa Margarida do Sado Property (Base Metals)

The Company holds a 100% interest in 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, 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 >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 Initial Term of the Santa Margarida do Sado Exploration License is for a period of two years, which started September 17, 2009 and ended on September 16, 2011 (the “Initial Term”). This initial term was extended and the first extension term began on September 17, 2011 and will end on September 16, 2012. The second extended term will begin on September 17, 2012 and will end on September 16, 2013.

During the Initial Term, the Company was obligated to incur prospecting and exploration expenditures of not less than €100,000 by September 16, 2010 and to incur prospecting and exploration expenditures of not less than €300,000 by September 16, 2011. During the first extended term, the Company will be required to incur prospecting and exploration expenditures of not less than €500,000 and will be required to incur prospecting and exploration expenditures of not less than €500,000 during the second extended term.

The original property area was 360.46 km^2. Upon expiry of the Initial Term, the Company was required to relinquish 50% of the area covered by the Exploration License (180.23 km^2). At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Exploration License (90.12 km^2).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €35 per sq. km. of ground covered by its license.

Upon the completion of the Initial and extended terms, the Company may apply for an Exploitation License, which if granted, shall have a term of 45 years and which may be extended two times with the approval of the Portuguese Government, for a period not exceeding 15 years each.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then the Company shall be obligated, at the discretion of the Government of Portugal, either to pay 10% of the net profit derived from its mining activities or, alternatively pay a 3% NSR on production.

The Company will be obligated to pay the Government of Portugal, €200,000, on granting of an Exploitation License, €150,000, one year after commercial production has been established and €150,000, two years after commercial production has been established.

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

G. Cedovim Property (GOLD)

The Company holds, through its wholly-owned subsidiary Eurocolt Resources Unipessoal Lda, a 100% interest in 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 Initial Term of the Cedovim Exploration License is for a period three years, which started November 2, 2011 and will end on November 1, 2014 (the “Initial Term”). This initial term may be extended twice on an annual basis. The first extended term will begin on November 2, 2014 and will end on November 1, 2015. The second extended term will begin on November 2, 2015 and will end on November 1, 2016.

During the Initial Term, the Company is obligated to incur prospecting and exploration expenditures of not less than €40,000 by November 1, 2012, €50,000 by November 1, 2013 and €60,000 by November 1, 2014. During the first extended term, the Company is required to incur prospecting and exploration expenditures of not less than €50,000 and will be required to incur prospecting and exploration expenditures of not less than €50,000 during the second extended term.

The original property area is 218.13 km^2. Upon expiry of the Initial Term, the Company will be required to relinquish 50% of the area covered by the Cedovim Exploration License (109.06 km^2). At the end of the first extended term, the Company will be required to relinquish a further 50% of the area covered by the Cedovim Exploration License (54.53 km^2).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €15 per sq. km, of ground covered by its license.

Upon the completion of the Initial and extended terms, the Company may apply for an exploitation license, which if granted, shall have a term of 30 years and which may be extended two times with the approval of the Portuguese Government, for a period not exceeding 20 years each.

Upon the granting of an exploitation license, and in the event that mining activities are to take place, then the Company shall be obligated, at the Portuguese Government’s sole discretion, either to pay 10% to 20% of the net profit derived from its mining activities or, alternatively, pay a NSR on production of 3% depending on the price of gold.

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

CANADIAN MINING INTERESTS

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

The company holds a 67% interest in 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.

On January 23, 2008, the Company entered into an Option Agreement with Kokomo Inc., whereby the Company had the right and option to acquire, in two separate equal tranches, Kokomo's 67% undivided interest in the Extra High Property (the “Option Agreement”). Pursuant to the Option Agreement, the Company exercised the first tranche of the option by making a cash payment of $250,000 to Kokomo and acquired a 33% undivided interest in the property. As a result of exercising the first tranche of the option, the Company holds a 67% undivided interest in the property and has become the operator.

Contractual Obligations

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.

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

All amounts disclosed are in Canadian dollars unless otherwise stated.

K. 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”). The terms of the proposed acquisition include the acquisition of the mineral claims on the four properties for $35,150 and incurring exploration expenditures in the amount $214,850. This total debt was to be settled by a payment of $62,500 in cash and $187,500 in restricted common shares of the Company at a deemed value of $0.25 per share for 750,000 common shares, on or before March 27, 2009. During the year ended March 31, 2009, the Company issued 750,000 common shares to Diagnos valued at their quoted market value on the date of issue of $90,000 or $0.12 per common share which resulted in a reduction of mineral property acquisition and exploration costs of $97,500.

The Gaspésie Agreement was amended by letter dated March 26, 2009, whereby the due date of the payment of $62,500 in cash was extended to May 15, 2009 and further amended by letter dated May 15, 2009 whereby the Company issued 416,667 common shares (issued) to Diagnos at a deemed value of $0.15 per share for the Gaspésie Properties and is obligated to pay Diagnos $27,662 in cash. Additionally, Diagnos will retain a 2% NSR to a maximum of $1,000,000 at any time within the first five years of an economic discovery.

In August 2010, the Company amended the terms of the concessions on the Gaspésie Properties and reduced the required minimum of exploration expenditures from $450,000 to $200,000 by August 31, 2010. The Company committed to an initial exploration program of $52,000, which was paid in September 2010.

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.

The Company is in compliance with its contractual obligations for these properties.

12. Trade and other payables

	June 30, 2012 $	**December 31, 2011 $**
Current		
Trade payables	708,771	395,937
Accrued expenses	26,243	353,134
Employees and social institutions	214,843	39,237
Derivatives	29,500	-
Other payables	26,538	41,939
	1,005,895	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.

13. 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	(813)
Liability component as at June 30, 2012	**2,689,361**

	Equity component $
Equity component as at December 31, 2011	700,628
Equity component	-
Equity component as at June 30, 2012	**700,628**

14. 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 and foreign exchange	(6,702)
Loan as at June 30, 2012	**2,517,434**

Classified as follows:

	June 30, 2012 $	December 31, 2011 $
Current	1,283,402	1,262,068
Non-current	1,234,032	1,262,068
	2,517,434	2,524,136

All amounts disclosed are in Canadian dollars unless otherwise stated.

15. 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
Shares issued for cash (i)	10,000,000	5,000,000
Shares issued for cash (ii)	7,400,000	3,700,000
Share issue costs (i) and (ii)		(869,220)
Warrants exercised	13,050,890	6,019,603
Options exercised	100,000	25,000
As at June 30, 2012	**129,571,430**	**49,098,237**

(i) During the six-month period ended June 30, 2012, the Company closed brokered private placements for a total of 10,000,000 units at $0.50 per unit for gross proceeds of $5,000,000.

(ii) During the six-month period ended June 30, 2012, the Company closed a private placement for a total of 7,400,000 shares at $0.50 per unit for gross proceeds of $ 3,700,000.

(iii) The cost of issuance included $513,000 in commissions and $356,220 in other costs. In addition, the Company issued 1,226,000 broker warrants, entitling the holder to purchase one common share at the price of the offering until May 2, 2013.

C. Issued warrants

A summary of the changes in the Company's share purchase warrants during the six-month period ended June 30, 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	
Issued (broker)	1,226,000	$0.50	
Expired/exercised	(16,064,839)	$0.44	
At June 30, 2012	**3,025,360**	$0.63	**0.55**

During the six-month period ended June 30, 2012, the Company issued 1,226,000 broker warrants.

All amounts disclosed are in Canadian dollars unless otherwise stated.

The purchase warrants expire on May 2, 2013 and a value of $195,928 was recorded in shareholders equity using the Black Scholes option pricing model with the following assumptions: (volatility 74%, risk free interest rate 1.42%, expected life of one year and expected dividend of 0%)

As at June 30, 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 $	June 30, 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
May 2, 2013	0.50	1,226,000	-
Total warrants outstanding and exercisable		3,025,360	17,719,699

16. Share-based payments

During the six-month period ended June 30, 2012 no stock-options were issued.

A summary of the share option transactions for the six-month period ended June 30, 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 June 30, 2012	**12,100,000**	**$0.45**	**3.06**

The following table summarizes stock options outstanding and exercisable:

	Exercise price	Number of Options	
Expiry Date	$	June 30, 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

All amounts disclosed are in Canadian dollars unless otherwise stated.

17. General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
$	**2012**	2011	**2012**	2011
Stock based compensation		(910,000)		(1,629,984)
Management fees	**(252,981)**		**(488,851)**	
Professional and consulting fees	**(143,106)**	(165,262)	**(281,971)**	(341,868)
Salaries	**(147,671)**	(206,423)	**(278,679)**	(299,829)
	(543,757)	**(1,281,685)**	**(1,049,501)**	**(2,271,681)**
Investor relations and marketing	**(533,744)**	(514,585)	**(971,039)**	(1,296,346)
Legal expenses	**(88,257)**	(44,947)	**(113,896)**	(168,885)
Insurance	**(64,988)**	(18,139)	**(107,278)**	(22,007)
Other administrative expenses	**(565,224)**	(260,382)	**(902,134)**	(476,541)
General and administrative expenses	**(1,795,970)**	**(2,119,738)**	**(3,143,848)**	(4,235,460)

18. Finance income (loss)

	Three months ended June 30,		Six months ended June 30,	
$	**2012**	2011	**2012**	2011
Interest income	**3,839**	121	**12,701**	18,921
Finance income	**3,839**	**121**	**12,701**	**18,921**
Interest expenses	**-**	**-**	**0**	(11)
Accretion expense	**(54,009)**	**-**	**(108,588)**	**-**
Derivatives gain (loss)	**(29,500)**	**-**	**(29,500)**	**-**
Finance costs	**(83,509)**	**-**	**(138,088)**	**(11)**
Finance income (loss)	**(79,670)**	**121**	**(125,387)**	**18,910**

All amounts disclosed are in Canadian dollars unless otherwise stated.

19. Foreign exchange gain (loss)

	Three months ended June 30,		**Six months ended June 30,**	
$	**2012**			2011
Realized gain (loss) on foreign exchange	**12,675**	8,536	**35,860**	23,535
Unrealized gain (loss) on foreign exchange	**(89,367)**	64,852	**(85,165)**	35,454
	(76,692)	**73,387**	**(49,305)**	58,989

20. 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.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the six-month period ended June 30, 2012. The Company is not subject to externally imposed capital requirements.

21. 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:

	June 30, 2012	**December 31, 2011**
	$	**$**
Cash and cash equivalents	9,791,552	3,885,777
Other financial assets	3,019,214	3,003,868
Performance bonds (held in Portugal)	658,410	229,587
Accounts receivable	228,561	85,186
	13,697,737	**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 June 30, 2012, the Company has cash and cash equivalents of $9,791,552 and other financial assets for $3,019,214 ($3,885,777 and $3,003,868 respectively as at December 31, 2011) and working capital of $15,252,998 (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

All amounts disclosed are in Canadian dollars unless otherwise stated.

22. Related party transactions

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

	June 30, 2012 (six-months) $	June 30, 2011 (six-months) $
Management and consulting fees	770,822	341,868
Share-based payment	-	1,629,984
	770,822	1,971,852

As of June 30, 2012, $56,811 is owed to related parties (December 31, 2011: $63,273).

23. Earnings per share

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six-months ended June 30, 2012 was based on net loss of $3,599,068 (six-months ended June 30, 2011: $4,245,165), and a weighted average number of common shares outstanding of 113,059,900 for the six months ended June 30, 2012 (six-months ended June 30, 2011: 62,992,886).

	Loss for the period	Weighted average number of shares	Per share amount $
As at June 30, 2012	**(3,599,068)**	113,059,900	(0.03)
As at June 30, 2011	(4,245,165)	62,992,886	(0.07)

24. 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	June 30, 2012 $	December 31, 2011 $
Canada	13,686,627	7,444,258
Portugal	26,713,714	22,694,936
	40,400,341	**30,139,194**

All amounts disclosed are in Canadian dollars unless otherwise stated.

25. 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:	**June 30, 2012 $**	December 31, 2011 $
Less than 1 year	**99,455**	98,450
Later than 1 year and less than 5 years	**82,879**	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:	**June 30, 2012 $**	December 31, 2011 $
Less than 1 year	**62,172**	62,172
Later than 1 year and less than 5 years	**194,288**	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.

26. 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 (Säo 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.

All amounts disclosed are in Canadian dollars unless otherwise stated.

As at the end of June 30, 2012, the provisional fair value amounts recognized for QSPA as of the acquisition date were as follows:

	August 24, 2011 Provisional fair value	
	Euros	**$[1]**
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 amount to $5,927,092 (€4,591,086) as of June 30, 2012.

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

[1] Using the exchange rate at the date of acquisition

27. Subsequent events

Subsequently to the six month period ended June 30, 2012:

On July 3, 2012, the Company announced an initial NI 43-101 compliant resource estimate for the Chaminé and Casas Novas deposits, both located within its 100% Boa Fé Gold Project in Southern Portugal.