



## **Colt Resources Inc.**

**(An Exploration Stage Company)**

### **Management Discussion & Analysis**

**Third quarter and nine month period ended December 31 2009**

**Form 51-102 F1**

*The following discussion and analysis of the financial position and results of operations for Colt should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2009 and 2008, which were prepared in accordance with Canadian Generally Accepted Accounting Principles. The audited consolidated audited financial statements and notes thereto have been reviewed by the Company's Auditor. The following Management's Annual Discussion and Analysis **has not been reviewed by the Company's Auditor.***

**Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com) .**

#### **FORWARD LOOKING STATEMENTS**

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

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

#### **NATURE OF ACTIVITIES**

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

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

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

## **CORPORATE HIGHLIGHTS**

The fiscal year ended March 31<sup>st</sup> 2009 was marked by significant volatility in the financial markets and the price of mineral commodities. Although bullish at the beginning of the fiscal year, the market for Gold underwent a series of corrections during the second and third quarters. The financial uncertainty, which was created by global economic challenges, may also lead to liquidity shortages. Such shortages had repercussions in the mining industry as a whole, a situation that has improved but continues to be challenging.

In the new fiscal year (ending March 31<sup>st</sup> 2010), management adopted a new strategic approach that focuses exploration resources on the company's Tungsten and Gold properties in Portugal. The plan also addresses current financial market considerations and is conservative as to the preservation of cash.

### **Important events for the nine-month period ended December 31 2009**

- On April 8, 2009, the company grants Directors, Officers and Consultants 976,580 incentive stock options in accordance to the 2007 Stock Option Plan approved by the board of directors.
- On April 14, 2009, Mr. Kevin Ernst joins the company's advisory board.
- On May 5, 2009, Mr. Aurelio Useche, director, accepts his appointment as Chief Financial Officer of the corporation.
- On May 21 2009 and with the objective of broadening shareholder base and investor awareness in Europe, management listed the company on the Open Market Segment of the Frankfurt Stock Exchange under the trading symbol: **P01**.
- On May 25, 2009, management retains the services of Investel, a European Relations Firm, to support the company's listing and investor awareness efforts.
- On June 1, 2009, Mr. John D. Redfern joins the company's advisory board.
- On June 18, 2009, management announces a Non-Brokered Private Placement with an offering of up to 9 million units (1 Share + ½ warrant @0.15\$) at \$0.11.
- On July 15, 2009, management announces the first closing of the June 18 Non-Brokered Private Placement with a total of 3,339,090 units and a total gross proceeds of \$367,300.
- On July 23, 2009, Mr. David A Johnson joins the company's board of directors.
- On November 19, 2009, management announces the final closing of its June 18 Non-Brokered Private Placement with proceeds totalling \$632,000.
- On November 24, 2009, the company announces the grant of 2,150,000 Incentive Stock Options to Directors, Officers and Consultants in accordance to the 2007 Stock Option Plan approved by the board of directors.

## **EXPLORATION HIGHLIGHTS**

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

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

**Important events for the nine-month period ended December 31 2009**

- On April 1, 2009, management undertakes a 4-month exploration program focused on the Penedono Gold and Armamar-Meda Tungsten concessions located in northern Portugal.
- On June 9, 2009, management announces significant Gold, Tungsten and Tin values from multiple zones of mineralization on its Portuguese properties
- On August 6, 2009, and based on the results in the first four months of the reporting fiscal period, management announces a diamond drilling program on potential open pit Gold targets in the Penedono concession
- On September 23, 2009, management announces the granting of the Sda Margarida do Sado concession on Portugal's Iberian Pyrite Belt. The company also announces the favourable extension on the Penedono gold concession.
- On October 15, 2009, management releases an update on its diamond drilling programs in Portugal and ongoing exploration plans
- On November 26, 2009, the company begins a focused program on its Armamar-Meda Tungsten concession consisting of four holes and approximately 325 meters.

**PORTUGUESE PROPERTIES**

**1. Penedono Concession**

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

As at December 31, 2009 the company had invested \$1,372,220 (\$1,003,146 as at March 31, 2009) with respect to its Penedono Concession and Exploration License. This represents a total investment of \$369,073 over the nine-month reporting period.

On the Penedono Concession at the Santo Antonio vein system, a number of new discoveries have been reported covering vein clusters and sheeted vein systems near the previously reported and partially explored NE / SW trending veins 1-13. The new N/S to NNE/SSW veins are typically narrow (0.5 – 20 cm thick) and steeply dipping. Their intensity and continuity is being investigated for the potential of hosting several small open pits.

One area lying between Veins 3 and 4 and located near the NE end of Vein 3 returned the following chip samples from the poorly exposed veins. This cluster of samples was taken over an area of approximately 100 m x 200 m and extensions to this vein swarm are being investigated.

sample #	UTM East	UTM North	type	occurrence	Description	Au g/t
196928	632907	4541724	chip	Outcrop	quartz with aspy (mineralized quartz vein)	5.56
205085	633869	4541776	chip	Outcrop	quartz+aspy and greisen vein	27.04
205086	633877	4541774	chip	Outcrop	quartz+aspy and greisen vein	18.56
205087	633877	4541774	chip	Outcrop	quartz+aspy and greisen vein	19.68
205088	633899	4541797	chip	Outcrop	greisen with aspy	34.40
205089	633869	4541776	chip	Outcrop	quartz and greisen vein with aspy (10cm)	26.08
205090	633890	4541781	chip	Outcrop	quartz and greisen veins with aspy	11.00
205091	633914	4541773	chip	Outcrop	aspy+quartz veins, 1-2cm thick	15.68
205092	633925	4541764	chip	Outcrop	aspy+quartz (20cm)	8.40

In addition to the vein swarms associated with the Santo Antonio veins, another area - named Marofa - Castainco, was identified as having the potential for open pit targets due to its concentration of narrow high grade gold bearing veins. The Marofa - Castainco area lies approximately 1 km to the west from the Santo Antonio veins. This area hosts at least 6 known vein swarm targets represented by the following analytical results. The Marofa - Castainco area has proven to contain tungsten values that will be further assessed during the current exploration program.

Marofa-Castainco Rock Samples								
Tag #	UTM East	UTM North	Type	Occurrence	Description	Au g/t	W ppm	W ppm
							ICP	Mass Spect
134465	632309	4541766	grab	float	qz w aspy & greisen	0.84	6	
134466	632291	4541747	grab	float	qz rich in aspy, in old diggings	0.94	8	
134467	632334	4541790	grab	float	qz w aspy (& greisen), between 2 old diggings	13.44	<5	
134468	632349	4541796	grab	float	3-5cm qz vein w aspy	96.00	55	
134469	632349	4541796	grab	float	greisen (w aspy)	3.32	8	
134470	632425	4542118	grab	float	greisen (w aspy)	0.94	<5	
134471	632405	4542088	grab	float	greisen (w aspy)	2.84	413	455
134472	632343	4542033	grab	float	qz w aspy & greisen	24.16	24	24
134473	632405	4542088	grab	float	qz w aspy	13.44	673	887
134474	632391	4542043	chip	outcrop	thin qz(-fsp) vein w aspy, in wall of old diggings	29.44	543	2229
134475	632391	4542043	grab	float	qz w aspy (& py), in old diggings	14.08	656	1269
134476	632431	4542062	grab	float	qz w aspy	6.72	67	67
134477	632425	4542118	grab	float	qz w aspy	18.72	19	19
134478	632431	4542062	grab	float	greisen w aspy & qz	1.79	<5	<5
134479	632397	4542058	grab	float	qz w aspy	9.36	402	403
134480	631373	4539676	grab	float	granite/greisen & qz w aspy & py, in large old diggings	25.28	23	
134481	631442	4541047	grab	outcrop	greisen veins w aspy	13.60	13	
134482	631647	4540875	grab	outcrop	qz & granite/greisen (coarse pegmatitic) w dissem py & aspy, in old diggings	2.92	32	
134483	631488	4541205	grab	float	greisen w aspy, in quarry wall	10.24	608	948
134484	631872	4540922	grab	float	qz w aspy, in old diggings	13.60	50	
134485	631872	4540922	grab	float	greisen w aspy, in old diggings	5.64	48	
134486	631876	4540925	grab	float	qz w wolframite, in old diggings	0.15	242	18364
134487	632111	4541012	grab	outcrop	greisen & thin qz veins w aspy, in old diggings	12.00	259	355
134488	632043	4540970	grab	float	qz vein w aspy, py, cpy; in old diggings	9.16	85	
134489	632551	4541561	grab	float	qz w aspy & cpy, in old diggings	0.86	350	444
134490	631950	4541050	chip	outcrop	greisen w qz & aspy	4.56	61	
134491	632540	4541484	chip	outcrop	qz & greisen w aspy (thin vein)	3.48	7	



134492	632552	4541638	chip	outcrop	qz w aspy, vein>20cm, in quarry for aggregate	43.52	429	599
134493	631900	4540986	chip	outcrop	qz w aspy (& wolf), in old diggings	10.76	6	6
134494	631958	4541020	chip	outcrop	greisen w qz & aspy	10.36	485	632
134495	631591	4540912	grab	float	greisen & qz w aspy	4.52	454	536

During the reporting period an exploration program consisting of detailed sampling, mapping, trenching and diamond drilling was started.

## 2. Armamar-Meda Concession

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

As at December 31, 2009, the Company has invested \$339,901 (\$207,967 for March 31, 2009) with respect to its Armamar Meda Concession and Exploration License. This represents a total investment of \$131,934 over the nine-month reporting period.

On the Armamar Meda Concession, the company has completed detailed sampling and evaluation of several tungsten (W) and tungsten / tin (W / Sn) prospects and showings with very encouraging results. The two main areas reported on are the **TABUAÇO** area and the **BEBEZES** area.

The **TABUAÇO AREA** hosts the main (1) San Pedro das Aguias occurrence and has also been shown to host new additional important W occurrences. These new occurrences have been labeled (2) Aveleira zone and (3) Quinta-Tavora zone.

(1) The San Pedro das Aguias occurrence has had 6 widely spaced diamond drill holes completed on the mineralized skarn horizon. These holes indicated a relatively shallow dipping zone with varying thicknesses of up to 19 metres grading approximately 1 % WO<sub>3</sub>. A very preliminary resource calculation completed by earlier operators and which is not NI 43-101 compliant and which has not been confirmed by Colt, indicated 1,000,000 tonnes with an approximate grade of 0.9% WO<sub>3</sub>. The mineralization indicated in the 6 diamond drill holes appeared to be open to depth and along strike.

A detailed sampling and mapping program over the complete San Pedro das Aguias area as well as its lateral extensions plus a newly discovered parallel zone lying some 60 m below the “main” zone, resulted in the collection of 88 rock samples. This data indicates that the “main” San Pedro das Aguias target now has a potential strike length of greater than 500 m, with a thickness of 10 – 20 m and with a potential grade on surface, as indicated in the following table, of 0.673% WO<sub>3</sub>. The expanded strike potential for the “main” skarn zone with an as yet to be determined depth potential to the underlying granite contact allows a conceptual doubling or trebling of tonnage from the earlier estimate. This tonnage indication is not NI 43-101 compliant but is shown as a potential resource that may be developed.

Total channel sample results from São Pedro das Águias (main zone)

sample #	X_UTM	Y_UTM	Occurrence	sample type	true width (m)	WO3 %
<b>S.P.Águias main skarn horizon</b>						
ave.6 samples (#205051-205056)	624772	4549460	Outcrop	channel	23.30	0.454
205057	624795	4549428	Outcrop	channel	3.20	0.158
205058	624820	4549385	Outcrop	channel	2.85	0.300
ave.2 samples (#205059-205060)	624882	4549399	Outcrop	channel	5.90	0.308
ave.2 samples (#205170-205171)	624676	4549513	Outcrop	channel	1.80	0.899
205172	624670	4549514	Outcrop	channel	1.40	1.187
ave.2 samples (#205173-205174)	624673	4549521	Outcrop	channel	1.90	0.892
205175	624669	4549507	Outcrop	channel	1.70	0.499
205176	624714	4549487	Outcrop	channel	2.20	1.303
205177	624708	4549491	Outcrop	channel	2.20	0.951
205178	624739	4549481	Outcrop	channel	0.95	1.212
205179	624741	4549473	Outcrop	channel	1.70	1.645
205180	624745	4549450	Outcrop	channel	1.20	1.435
205181	624740	4549544	Outcrop	channel	1.50	0.762
205182	624856	4549395	Outcrop	channel	3.50	1.680
weighed average grade of 23 channel samples						0.673

The second parallel target is poorly exposed with a resulting lesser sample frequency, but has important tungsten values (average 0.298% WO3) with an as yet to be determined strike length and width. A total of 7 samples were collected from this zone.

Total channel, chip & grab sample results from the San Pedro das Aguias lower skarn horizons

sample #	X_UTM	Y_UTM	Occurrence	sample type	true width (m)	WO3 %
<b>S.P.Águias lower skarn horizons</b>						
205071	625061	4549493	Outcrop	channel	1.00	0.151
205183	625060	4549487	Outcrop	channel	1.50	0.076
205184	625020	4549445	Outcrop	chip	?	1.414
205185	625044	4549428	Outcrop	chip	?	0.011
205186	625055	4549411	Outcrop	chip	?	0.012
205187	625014	4549424	Outcrop	chip	?	0.261
205196	625051	4549441	sub outcrop	grab	?	0.159
			7 samples	average grade	0.298	

(2) The Aveleira zone is located immediately to the north and on strike with the San Pedro das Aguias area and may represent a continuation of the permissive skarn stratigraphy an additional 950 m to the north, effectively connecting the southern most San Pedro das Aguias area with the more northern Quinta Tavora area.

Outcrop is poorly exposed due to deep weathering and thick soil cover but at least 2 skarn horizons were located and sampled. No overall widths of mineralized skarn horizons were observed due to the cover.

A total of 9 samples were collected with the results as follows.

Total chip and grab sample results from Quinta da Aveleira zone

sample #	X_UTM	Y_UTM	Occurrence	sample type	true width (m)	WO3 %
Aveleira NW						
205153	624327	4550258	outcrop	chip	?	0.740
205154	624368	4550214	outcrop	chip	?	0.884
205155	624378	4550220	sub outcrop	grab	?	0.397
205156	624341	4550190	outcrop	chip	?	0.385
205157	624317	4550206	outcrop	chip	?	0.010
205169	624357	4550219	outcrop	chip	?	0.981
average grade						0.566
Aveleira SE ("skarn near Ponte do Fumo")						
205072	624768	4549985	Sub outcrop	chip	?	1.574
205193	624770	4550042	Sub outcrop	grab	?	1.551
205194	624640	4549943	Sub outcrop	grab	?	0.300
average grade						1.142

- (3) The Quinta – Tavora zone lies to the north of the Aveleira area and may represent a continuation of that mineralization to the north. Once again, outcrop was scarce and the true width of skarn beds could not be determined. At least 3 separate zones of skarn were sampled ( a total of 23 samples) with the results as follows.

Total channel, chip & grab sample results from the Quintã – Távora Zone

sample #	X_UTM	Y_UTM	Occurrence	sample type	true width (m)	WO3 %
Quintã south slope						
196916	624151	4550358	Outcrop	Chip	?	0.127
ave.2 sampl.(#205063-205064)	624137	4550331	Outcrop	channel	2.70	0.728
ave.2 sampl.(#205068-205069)	624133	4550342	Outcrop	channel	1.95	0.210
205070	624131	4550345	Outcrop	channel	1.80	0.308
205062	624150	4550349	Outcrop	channel	0.65	0.160
ave.2 sampl.(#205065-205066)	624149	4550354	Outcrop	channel	1.30	0.097
205061	624158	4550352	Outcrop	channel	1.05	0.435
205067	624159	4550358	Outcrop	channel	0.53	0.035
205192	624160	4550383	Outcrop	channel	1.50	0.395
weighed average grade of 11 channel samples						0.368
Quintã east slope						
205191	624192	4550425	Outcrop	Chip	?	0.056

sample #	X_UTM	Y_UTM	Occurrence	sample type	true width (m)	WO3 %
ave.3 sampl.(#205093-205095)	624217	4550437	Outcrop	channel	3.70	0.343
205096	624221	4550452	Outcrop	channel	0.75	0.126
205189	624226	4550447	Outcrop	channel	1.60	0.296
205190	624231	4550452	Outcrop	channel	1.90	0.267
weighed average grade of 6 channel samples						0.295
Távora river slope						
196911	623684	4551132	Outcrop	Grab	?	0.060
205188	624238	4550612	Outcrop	Chip	?	0.166
205195	624399	4550676	Outcrop	Chip	?	0.417
205197	624280	4550483	Outcrop	Chip	?	0.184
average grade						0.207

An assessment of all the tungsten results from the Tabuaço area indicates a positive potential for the development of several possible open pit and/or underground bulk mining zones. A significant amount of diamond drilling is required to define these areas of mineralization, but the potential is there.

The **BEBEZES AREA** area is located on the southern boundary of the Armamar Meda Concession, north east of the Santo Antonio vein system which lies 3 km to the south west. This mineralized area, (unlike the Santo Antonio veins), carries little to no gold with the arsenopyrite content but contains significant W and Sn values.

The mineralized quartz veins are hosted in granite, are steeply dipping and have widths varying up to > 2 m. A secondary system of narrow veins is evident in close proximity to some of the main veins, which when combined with the main veins may have potential for an open pit resource.

Nearly all the sampled locations are from within and from the dumps of old diggings, dating from likely World War 2 when tungsten was in high demand. One factor must be kept in mind when considering the tungsten values as reported in assay. All dump samples were taken from hand sorted material that was left over after most if not all of the visible wolframite (tungsten) mineralization had been removed, hence tungsten values could be significantly underreported. As well, samples from vein remnants on the walls of old diggings would have been left behind by the original miners as likely to be "barren".

Sample #	UTME	UTM W	occurrence	type	Description	WO3 %	Sn %
205158	636467	4543418	walls of diggings	chip	Narrow qtz vn with layered sil aplite? Little aspy	0.002	0.004
205159	636480	4543407	old mine dump	grab	Vein qtz + aspy + py	0.065	1.770
205160	636496	4543404	wall of diggings	chip	Remains of qtz vn+aspy+py	0.003	0.580
205161	636506	4543429	wall of diggings	chip	Narrow qtz vns (3) + aspy+py + wolf	0.034	0.214
205162	636508	4543433	old mine dump	grab	Vn qtz + aspy+py+wolf in dump of sample 205161	0.171	0.808
205163	636522	4543388	walls of	chip	Qtz vn 60-80 cm +	0.005	0.301

Sample #	UTM E	UTM W	occurrence	type	Description	WO3 %	Sn %
			diggings		aspy+py + wolf + cass?		
205164	636525	4543387	old mine dumps	grab	Qtz + aspy + py + wolf + cass in dump of sample 205163	0.002	2.163
205165	636509	4543351	walls of diggings	chip	Qtz vn 25-40 cm +aspy + py + wolf?	0.016	4.161
205166	636503	4543314	old mine dumps	grab	Vn qtz + aspy + py	0.013	0.628
205167	636472	4543364	walls of diggings	chip	Qtz vn 25-30 cm + aspy + py	0.049	0.011
205168	636441	4543338	walls of diggings	chip	Qtz vn 25-30 cm + aspy + py + wolf? + cass	0.049	1.058

The Bebezés veins remain open in all directions from the locations sampled and more sampling and mapping is required to gain a full understanding of this large mineralized vein swarm.

### 3. Moimenta-Almendra Concession

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

The initial term of the MOIMENTA-ALMENDRA EXPLORATION LICENSE is for three years ending January 10, 2011 (the "Initial Term"), which can be extended twice on an annual basis (the "Extended Term"). During the Initial Term, Colt is obligated to incur prospecting and exploration expenditures of not less than 25,000 € by January 10, 2009 (incurred), 50,000 € by January 10, 2010 and, 75,000 € by January 10, 2011. During the Extended Term, Colt is obligated to incur exploration expenditures on an annual basis of not less than 100,000 €. During the Initial and Extended Terms, Colt shall be required to relinquish 50% of the area covered by the MOIMENTA-ALMENDRA EXPLORATION LICENSE.

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

As at December 31, 2009, the Company has invested \$95,293 (\$52,942 for March 31, 2009). This represents a total investment of \$42,351 over the nine-month reporting period.

During the Initial and Extended Terms, Colt is obligated to pay to the Government of Portugal an annual fee in the amount of 25 € per sq. km of ground covered by the MOIMENTA-ALMENDRA EXPLORATION LICENSE. The License fee for the first year in the amount of €14,344.07 was paid during the year ended March 31, 2009.

Upon the completion of the Initial and Extended Terms, Colt may apply for an Exploitation License, which, if granted, shall have a term of 30 years and which may be extended by Portuguese Government approval for a period not to exceed 20 years (the "Exploitation License"). Upon the granting of the Exploitation License, and in the event that mining activities are to take place, then Colt shall be obligated, at Colt's sole discretion, either to pay 10% of the net income, exclusive of all taxes, derived from its mining activities or, alternatively, pay Net Smelter Returns Royalty ("NSR") on production at

NSR rates ranging from 1% to 4% depending on the price of gold (the "Exploitation License Fees"). However, during the first 2 years of mining activities, the Government of Portugal shall fully waive the payment of the Exploitation License Fees. Additionally, as soon as the Exploitation License is granted to Colt, and 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, then Colt will be obligated to pay 100,000 € as a commercial discovery bonus to the Government of Portugal.

#### **4. Santa Margarida do Sado Concession**

The Company was officially informed that the Company's application for an exploration license for the Santa Margarida do Sado Concession in Portugal was approved by the Portuguese Government on November 11, 2008 and that the formal signing of the contract between the Government of Portugal and the Company is expected to take place shortly. A bank guarantee in the amount of 1,000 € has been lodged by the Company in favor of the Government of Portugal in support of the Company's application for an exploration license for the Santa Margarida do Sado Concession.

On September 23, 2009, the company announced the granting of the Santa Margarida do Sado concession consisting of 360.46 km<sup>2</sup> of prospective ground situated on the western extension of the Iberian Pyrite Belt, where the favourable basement geology is concealed under Tertiary cover sediments of the Lower Sado Basin. The IPB extends for more than 250 km from southern Spain through southern Portugal and is the host for numerous volcanogenic massive sulphide deposits in both countries, including several giant deposits with (greater than) 100 Mt total geologic resources, such as Rio Tinto and Tharsis in Spain, and Aljustrel and Neves-Corvo in Portugal.

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

As at December 31, 2009, the Company has invested \$27,386 (\$0 for March 31, 2009) with respect to its Santa Margarida do Sado Concession and Exploration License. This represents a total of \$20,217 in taxes paid to the Portuguese government for the granting of the concession and \$7,169 in exploration efforts.

Adjacent ground surrounding Colt's concession is currently held by Redcorp Ventures Ltd. and Metallica Mining AS. Previous neighbouring companies included Lundin Mining Corp and Iberian Resources Ltd.

Three known VMS deposits are located in the immediate area of Colt's new concession: Lousal, Caveira and Lagoa Salgada. The Lousal mine (approximately 8 km to the south) was active until 1988 and produced a reported historical resource of around 6 Mt averaging 0.7% Cu, 0.8% Pb, 1.4% Zn, 1 g/t Au and 20 g/t Ag. Caveira (approximately 2 km to the south) is a smaller deposit whose surface gossan cap was exploited in Roman times for gold and silver; while its deep seated massive sulphides were exploited during the 20th century.

Approximately 6 km to the north east, is the Lagoa Salgada deposit, equally concealed under the Tertiary cover sediments of the Lower Sado Basin, and which was discovered in 1992 by the Portuguese Geological Survey IGM, based on drill testing a gravity anomaly. Currently being explored by Redcorp, this deposit has a reported drill indicated and inferred resource in the order of 4 Mt averaging 0.35% Cu, 4.63% Pb, 5.08% Zn, 1.24 g/t Au and 80 g/t Ag.

Respectively at 35 km and 75 km to the south east of Colt's concession are located the giant Aljustrel and Neves-Corvo VMS deposits, both in operation and each one comprising at least 5 massive sulphide lenses summing up to nearly 200 Mt of total original geologic resources. Neves-Corvo was first discovered in 1977, through drill testing of a major gravity anomaly. At one of the lenses of Aljustrel

there was copper mining by the Romans from its upper enrichment zone; while other sulphide lenses were discovered between 1956 and 1970, which were found based again on testing gravity anomalies.

The area now granted to COLT at Santa Margarida do Sado was not explored for its possible underlying VMS deposits until 1990, when the Portuguese Geological Survey IGM first carried out ground geophysical surveys there. Subsequent explorers included Rio Tinto Plc, and more recently Redcorp Ventures Ltd, but both of these companies concentrated around the Lagoa Salgada discovery.

As a result of these past exploration programs, the Santa Margarida do Sado concession has a good exploration data base, comprising mainly aeromagnetic survey, ground gravity survey, some sparse geophysical surveys by other methods, and some scout drill holes. It is believed that the data compilation and assessment of this data base should reveal ready to drill targets.

The concession period is for an immediate term of 4 years with a 50% area reduction at the end of the 2nd and 3rd year. The required minimum investment for the 1st year is 100,000 Euros, 2nd year 300,000 Euros and 3rd and 4th year each 500,000 Euros.

## **CANADIAN PROPERTIES**

### **1. Extra High Property, British Columbia**

On January 21, 2008, the Company entered into an second Option Agreement (the "2008 Option Agreement") with Kokomo whereby Colt was granted the right and option to acquire, in two separate equal tranches, Kokomo's 66% undivided interest in the Extra High Property (the "Property"). Pursuant to the 2008 Option Agreement, Colt has exercised the first tranche of the option by making a cash payment of \$250,000 to Kokomo and has acquired from Kokomo a 33% undivided interest in the Property. As a result of exercising the first tranche of the option, Colt now holds a 67% undivided interest in the Property and has become the operator of the Property. Furthermore, pursuant to the 2008 Option Agreement, Colt will be solely responsible for all exploration and Property expenditures in respect of the Property which are initiated and incurred by Colt from January 31, 2008 to December 31, 2008.

In order to exercise the second tranche of the option, Colt must make a cash payment of \$250,000 to Kokomo on or before December 31, 2008. And upon Colt making such payment, then Colt will be deemed to have exercised the second tranche of the option and to have acquired from Kokomo the remaining 33% undivided interest in the Property, subject only to an existing 1.5% NSR Royalty payable to an arm's length party (the "Arm's Length Royalty") and to a 0.5% NSR Royalty payable to Kokomo (the "Kokomo Royalty"). Colt will have the option to purchase the Kokomo Royalty for the sum of \$500,000 and Colt will also have the option to purchase 50% or 0.75% of the Arm's Length Royalty for the sum of \$500,000.

As of December 31, 2008, the Company did not exercise the second tranche of the option, as a result of which, the 2008 Option Agreement has terminated. Colt and Kokomo shall operate as Joint Venture partners with Colt holding an initial 67% undivided interest in the Property and Kokomo holding an initial 33% undivided interest in the Property. Henceforth, each party shall contribute its proportionate share of the Property expenditures. Should any party's interest be diluted to less than a 10% undivided interest in the Property, then its interest will forever be converted to a 0.5% NSR Royalty.

As at December 31, 2009, the Company has invested \$532,494 (\$532,494 for March 31, 2009) with respect to its Extra High Concession and Exploration License. There was no material investment in this concession over the nine-month reporting period.

## **2. Uranium Property, Quebec**

The Company entered into a Property Option Agreement with Diagnos Inc. on the 5<sup>th</sup> day of October, 2007, as further amended by letter agreements dated November 28, 2007 and September 5, 2008, whereby Diagnos has agreed, under certain terms and conditions, to grant the Company the sole and exclusive option to purchase 100% undivided right, title and interest, subject only to a 2% NSR Royalty, in two uranium exploration prospects which are located in the Province of Quebec. The Company exercised the option and on February 8, 2008 paid Diagnos \$90,000 plus G.S.T. The Company is obligated to drill at least three exploration holes of not less than 100 ft per hole on each prospect by June 30, 2009. Furthermore, in the event that a favourable feasibility study is completed in respect to each property, then the Company is obligated to issue a number of fully issued and non assessable common shares of the Company, which shall be calculated by dividing \$70,000 by the average closing price of the shares of the Company for the 30 days after the completion date of such favourable feasibility study. Additionally, the Company has the right to reduce the 2% NSR Royalty to 1% NSR Royalty by making a cash payment of \$1,000,000 to Diagnos.

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

## **3. Gaspésie Mineral Property, Quebec**

On December 15, 2008 the Company entered into an Agreement with Diagnos Inc. ("Diagnos") to acquire a 100% interest in four mineral properties located in the Gaspésie Region of the Province of Quebec, namely, the Restigouche, West l'Alverne, Gaspésie-1 and Gaspésie-4 properties. These four properties comprising 267 claims, cover an area of approximately 153 km<sup>2</sup>, and are located in the south-western part of the Gaspésie region, close to St-André-de-Restigouche. The terms of the proposed acquisition include a payment of \$62,500 in cash and the issuance of 750,000 restricted common shares in the capital of the Company at a price of \$0.25 per share, on or before March 27, 2009.

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

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

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

As at December 31, 2009, the Company has invested \$0 (\$158,610 for March 31, 2009) with respect to its Gaspésie Concession and Exploration License. There was no material investment in this concession over the nine-month reporting period.



## RESULTS FROM OPERATIONS

### Nine-Month Ended December 31, 2009

For the nine-month period ended December 31, 2009, the company reported a loss before other items and income taxes of \$775,459 a 6% decrease as compared to \$827,908 in the same period last year. The reduction in the company's net and comprehensive loss was due primarily to the net decrease in Directors Compensation, Interest accretion on the long term debt and salaries.

The company reported a total weighted average number of commons shares outstanding of 21,823,641. As a result Colt Resources reported a net and comprehensive loss per share of \$0.04 in the reporting period as compared to \$0.06 a decrease of 33% as compared to the same reporting period last year.

### Three-Month Ended December 31, 2009

For the three-month period ended December 31, 2009, the company reported a loss before other items and income taxes of \$316,209, a 10% increase as compared to \$286,647 in the same period last year. The increase in the company's net and comprehensive loss was due primarily to the net increase Shareholder Communications arising from the company's European initiatives in this sector and higher Foreign Exchange expense due to the appreciation of the Euro during the reporting period.

Colt Resources reported a net and comprehensive loss per share of 0.015 as compared to 0.02 a decrease of 25% as compared to the same reporting period last year. The decrease was primarily due to the increase in the weighted average number of common shares outstanding, from 14,962,273 on December 2008 to 21,823,641 on December 31, 2009.

## Summary of Quarterly Results

<b>For the Quarterly Periods ended:</b>	<b>December 31, 2009 Q3 (\$)</b>	<b>September 30, 2009 Q2 (\$)</b>	<b>June 30, 2009 Q1 (\$)</b>	<b>March 31, 2009 Q4 (\$)</b>
Total Revenues	0	0	0	0
Loss before other Items	(316,311)	(172,540)	(286,769)	(124,023)
Loss per common share before other items	(0.015)	(0.02)	(0.02)	(0.01)
Fully diluted earnings / (loss) per common share before other item	n/a	n/a	n/a	n/a
Net loss for the period	(316,209)	(172,134)	(286,575)	(162,872)
Basic net loss per common share	(0.015)	(0.01)	(0.02)	(0.01)
Diluted net gain / (loss) per share	n/a	n/a	n/a	n/a



**Summary of Quarterly Results (Continued)**

<b>For the Quarterly Periods ended:</b>	<b>December 31, 2008 Q3 (\$)</b>	<b>September 30, 2008 Q2 (\$)</b>	<b>June 30, 2008 Q1 (\$)</b>	<b>March 31, 2008 YE (\$)</b>
Total Revenues	0	0	0	0
Loss before other Items	(287,879)	(245,913)	(294,116)	(809,033)
Loss per common share before other items	(0.02)	(0.02)	(0.02)	(0.12)
Fully diluted earnings / (loss) per common share before other items	n/a	n/a	n/a	n/a
Net loss for the period	(287,405)	(242,912)	(292,248)	(770,618)
Basic net loss per common share	(0.02)	(0.02)	(0.02)	(0.11)
Diluted net gain / (loss) per share	n/a	n/a	n/a	n/a

**LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2009, total assets were \$2,717,219 compared to \$2,171,774 for the previous year. Mining interests increased from \$2,503,293 to \$1,932,549 during the year due to exploration program in Portugal. During the year, Cash and Equivalents increased from \$19,818 on March 31, 2009 to \$32,203 on December 31, 2009. Compared to the previous period, the company's working capital deficiency increased by \$102,442.

In the past, the company was successful in financing its liquidity requirements through the issuance of equity and debt securities. At the end of this fiscal exercise the company did not have sufficient liquidity to meet its obligations and carry-on its business for the next 12 months. As the company is currently incurring operating losses, additional capital may be required to continue exploration activities on the properties. The exploration budget for the fiscal year exercise ending on March 31<sup>st</sup> 2010 for its Portuguese properties is \$1,300,000. On December 31, 2009 the company had already committed and spent \$563,575 on the Portuguese properties.

For the three-month period ended December 31, 2009,

*Operating Activities*

Cash flow used in operating activities amounted to \$182,164 as compared to \$116,350 in the previous period. The increase was primarily the result of higher net losses from operations.

*Financing Activities*

Cash provided by financing activities amounted to \$519,062 as compared to \$156,860 in the previous year. The amount provided by financing activities was the result of equity raised through private placements.

*Investing Activities*

Cash used in Investing Activities amounted to \$312,633 as compared to \$220,172 in the previous period. The decrease is the result of higher levels in mining expenditures during the reporting period. This increase was the result of the company's focused approach to its Gold and Tungsten properties in Portugal.



At the end of the reporting period the company held approximately \$32,203 (December 31, 2009) in cash as compared to \$8,004 (March 31, 2009).

### **Convertible Debenture**

The Company closed a Private Placement on June 29, 2007 and issued to various investors, Convertible Debentures for the total amount of \$1,465,000. At March 31, 2008, convertible debentures with a face value of \$375,000 (2008 - \$1,414,000) and accrued interest of \$71,019 (2008 - \$109,966) due June 28, 2010, bearing interest at 10% per annum paid at maturity, were outstanding. The debt is convertible into units, each unit consisting of one common share and one share purchase warrant. If converted before June 29, 2008 the conversion price was \$ 0.25 per unit if converted before June 29, 2009 the conversion price will be \$0.30 per unit and if converted before June 29, 2010, the conversion price will be \$0.35 per unit. Each warrant is exercisable to purchase one common share at \$0.25 prior to June 29, 2008; at \$0.30 prior to June 29, 2009 and \$0.35 prior to June 29, 2010, expiring on June 29, 2010.

As of the reporting period,

	<b>Dec 31, 2009</b>	<b>March 31, 2009</b>
Convertible debt, beginning balance	\$ 287,917	\$ 692,440
Initial debt portion of convertible debenture	0	0
Finders' fees	0	0
Interest	84,427	152,780
Conversion of debt	(128,280)	(557,303)
<b>Convertible debt, balance</b>	<b>\$ 242,173</b>	<b>\$ 287,917</b>
Equity portion of convertible debenture, beginning balance	\$ 128,458	\$ 807,860
Initial equity portion of convertible debenture	0	0
Finders' fees	0	0
Equity allocation of conversion	0	(593,763)
<b>Equity portion of convertible debenture, balance</b>	<b>\$ 128,458</b>	<b>\$ 214,097</b>

### **Non-Brokered Private Placement Financings**

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

The Company intends to use the flow-through portion of the proceeds for exploration expenditures on the Company's mineral prospects in the Province of Quebec, Canada.

As reported in the Interim Statements for the nine-month period ended December 31, 2009 (note 9a), the following table summarizes the changes in the share capital of the Company for the reporting period

**COLT RESOURCES INC.**  
**Management's Discussion & Analysis**  
**Third Quarter and Nine-Month Period**  
**Ended December 31, 2009**



	Number of Shares	Capital Stock	Equity Portion Convertible Debt	Contributed Surplus	Deficit	Shareholders' Equity
<b>Balance – March 31, 2009</b>	17,799,096	\$3,358,545		\$434,422	(\$2,481,326)	\$1,525,738
Common shares issued for mineral property interest	416,667	\$62,500				\$62,500
Common shares converted from convertible debt (note 8)	609,121	\$185,290	\$128,458			\$128,458
Common shares issued for Private Placement Financing	8,999,908	\$989,990				\$989,990
Net Loss for the period				\$137,994	(\$774,919)	(\$636,925)
<b>Balance – December 31, 2009</b>	27,824,792	\$4,596,325	\$128,458	\$572,416	(\$3,256,245)	\$2,040,954

**Stock Options granted**

The Company has a stock option plan under which officers, directors, employees and consultants are eligible to receive stock options. The total number of common shares reserved under option for issuance may not exceed 20% of the common shares outstanding.

**COLT RESOURCES INC.**  
**Management's Discussion & Analysis**  
**Third Quarter and Nine-Month Period**  
**Ended December 31, 2009**



As reported in the Interim Statements for the six-month period ended December 31, 2009 (note 9b), the following summarizes the stock option activity during the fiscal year ended March 31, 2009 and the nine-month period ended December 31, 2009

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Balance, March 31, 2008	2,005,611	\$ 0.25	4.74
Options granted	600,000	\$ 0.25	
Options forfeited	(829,031)	\$ 0.25	
Balance, March 31, 2009	1,776,580	\$ 0.25	2.78
Options granted	3,526,580	\$ 0.25	
Options forfeited	(850,000)	\$ 0.25	
Balance, December 31, 2009	4,403,160	\$ 0.25	3.97

As reported in the Interim Statements for the nine-month period ended December 31, 2009 (note 9b), the following stock options are outstanding and exercisable at the fiscal year ended March 31, 2009 and the reporting period ended December 31, 2009

Expiry Date	Exercise Price	Number of Options	
		Dec 31 2009	March 31 2009
June 30, 2009	\$0.25	0	500,000
March 19, 2011	\$0.25	100,000	100,000
February 22, 2012	\$0.25	53,160	53,160
March 19, 2013	\$0.25	973,420	1,123,420
April 8, 2014	\$0.25	826,580	0
May 25, 2011	\$0.25	200,000	0
May 28, 2014	\$0.25	100,000	0
November 23, 2014	\$0.25	2,150,000	0
Total stock options outstanding and exercisable		4,403,160	1,776,580

If any stock options are exercised, then all funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any stock options will be exercised prior to their respective expiry dates.



**Warrants Issued**

As reported in the Interim Statements for the nine-month period ended December 31, 2009 (note 9c); the following summarizes the warrant activity during the reporting period ended December 2009 and 2008:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Balance, March 31, 2008	4,429,850	\$ 0.30	2.59
Warrants expired	(310,720)	\$ 0.25	
Warrants issued	7,084,240	\$ 0.30	
Balance, March 31, 2009	11,203,370	\$ 0.30	1.62
Warrants expired	(723,600)	\$ 0.34	
Warrants issued	5,109,074	\$ 0.17	1.22
Balance, December 31, 2009	15,304,700	\$ 0.27	0.88

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

Expiry Date	Exercise Price	Number of Warrants	
		2009	2008
December 30, 2008	\$0.25	-	310,720
November 27, 2009	\$0.25	0	-
November 27, 2009	\$0.35	0	-
December 30, 2009	\$0.25	0	-
December 30, 2009	\$0.35	0	-
June 29, 2010*	\$0.35	609,121	-
June 29, 2010*	\$0.35	4,782,170	211,130
December 30, 2010	\$0.30	3,908,000	3,908,000
June 30, 2011	\$0.15	3,255,909	-
July 1, 2011	\$0.15	621,500	-
July 2, 2011	\$0.15	310,000	-
July 3, 2011	\$0.15	158,000	-
July 30, 2011	\$0.30	1,360,000	-
November 30, 2011	\$0.30	0	-
March 3, 2012	\$0.30	300,000	-
<b>Total warrants outstanding and exercisable</b>		<b>15,304,700</b>	<b>4,429,850</b>

## **RELATED PARTY TRANSACTIONS**

- (a) A director and the Chief Operating Officer of the Company who is also President and Chief Executive Officer of Eurocolt, the Company's wholly-owned Portuguese subsidiary receives a monthly fee of \$7,500. At December 31, 2009, \$28,400 was owed to the related party.
- (b) A director of the Company charges the Company a fee of \$500 per day for geological services whenever his services are required by the Company. At December 31, 2009, \$0 was owed to the related party.
- (c) A director and Chief Executive Officer ("CEO") of the Company charged the Company a fee of \$10,000 per month for his services as CEO. At December 31, 2009, \$0 was owed to the related party.
- (d) A director and Chief Financial Officer ("CFO") of the Company charged the Company a fee of \$7,500 per month for his services pursuant to his contract with the Company. At December 31, 2009, \$0 was owed to the related party.
- (e) During the three months ended September 30, 2009, the Company entered into a loan agreement for a loan of \$75,000 from the parents of the CEO bearing interest at 10% per annum if paid in full by November 19, 2009, otherwise bearing interest at 12% per annum due January 19, 2010 see note 12 (a). The loan was not repaid by the due date and the interest rate was modified accordingly. Subsequently, in January of 2010 the loan was renewed for another term of 6 months under the same conditions as before.

## **RISK MANAGEMENT AND GOING CONCERN**

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

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

This MD&A and the corresponding financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the Balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

The Company, and the Securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's Securities:

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

The Company has a very limited history of operations, is in the early stage of development and has received no revenues other than insignificant interest revenues. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to obtain

adequate financing in the future or, if available, that the terms of such financing will be favourable. The Company has no intentions of paying any dividends in the future.

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, no assurance whatsoever can be given that the Company's interests may not be challenged by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

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

## **CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

### ***Financial instrument disclosures***

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

### ***Capital disclosures***

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

### ***Going concern***

Effective April 1, 2008, the Company adopted the amendments to Section 1400, "General Standards of Financial Statement Presentation". This section was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial

statements are prepared and the reason why the company is not considered a going concern. The Company's accounting policies were already in accordance with the requirements of amended section and there was no effect on the Company's consolidated financial statements.

***Credit Risk and the Fair Value of Financial Assets and Financial Liabilities***

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

***Mining Exploration Costs***

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

***Future Accounting Changes***

*a. Business combinations*

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

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

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

*b. International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The IFRS standards will be effective for the Company for interim and fiscal period

reporting commencing April 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended March 31, 2011 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **DIRECTORS, EXECUTIVE OFFICERS AND AGM**

On May 15<sup>th</sup> 2009 The Board of Directors appointed Aurelio Useche as Chief Financial Officer.

On September 22, 2009 the Company held its Annual General Meeting of the Company's shareholders. Management presented the Audited Consolidated Financial Statements for the year ended March 31, 2009 and the Auditor's report. The shareholders appointed Nikolas Perrault as Chairman and CEO, Aurelio Useche as Director and CFO, J. Wayne Murton as Director, Jorge Valente as Director and COO and David Johnson as Director. Additionally, the shareholders approved the appointment of the Company's Independent Auditors, Smythe Ratcliffe, Chartered Accountants, for the ensuing year and authorized the Directors to fix the remuneration to be paid to the Auditor and re-approved the Company's 2007 Stock Option Plan.

### **Advisory Board**

The Company formed an Advisory Board which has the function of providing opinions and recommendations for the Company's consideration. On February 8, 2008 Mr. Jean Depatie accepted the Company's proposal and joined Colt's newly formed Advisory Board. In addition to reimbursing Mr. Depatie for travel and out-of-pocket expenses, the Company has granted Mr. Depatie 250,000 stock options exercisable at \$0.25 per share for a period of 5 years. Subsequent to the year ended, the Board of Directors appointed Mr. Kevin Ernst on April 9, 2009 and Mr. John D. Redfern on May 28, 2009. Both Mr. Ernst and Mr. Redfern were granted 100,000 stock options exercisable at \$0.25 per common shares with a term of five years.

### **Other Material Events and Highlights**

On May 21, 2009 the company listed its common shares on the Open Market Segment of the Frankfurt Stock Exchange.

On May 25, 2009 the Company appointed Investel, a Berlin based Investment Relations firm to provide marketing support and increased investor visibility in Europe. The Company has agreed to pay Investel 1,000 Euros per month commencing May 25, 2009. Either party may terminate the contract upon one month's written notice. Additionally, the Company has granted to Investel incentive share purchase options to purchase a total of 200,000 common shares at an exercise price of \$0.25 per share with a term of two years.

The Company is presently not a party to any proceedings.

## **TRENDS**

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

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **FINANCIAL INSTRUMENTS**

### **(a) Financial instruments**

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

The Company does not use derivative financial instruments to manage the risks associated with its operation and therefore, in normal course of business, it is inherently exposed to currency, interest rate and commodity price fluctuations

### **(b) Fair value**

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

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

### **(c) Interest rate risk**

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

The convertible debenture is not subject to interest rate risk as the interest is at a fixed rate. Management considers the interest rate risk to be limited.

### **(d) Credit risk**

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

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

Cash held in bank accounts	\$	32,203
Performance bonds		135,000
	\$	167,000

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

(e) 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 December 31, 2009 the Company has cash and cash equivalents of \$32,203 and a working capital deficiency of \$366,401. Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, amounts due to related parties are due on demand and convertible debenture is due at maturity on June 25, 2010. The Company will require additional equity financing to meet its existing obligations as well as administrative overhead costs and planned exploration activities on its mineral property interests in fiscal 2010. While the Company has been successful in raising debt and equity funds in the past, there exists uncertainty whether it will be able to raise sufficient funds in the future

(f) Foreign Currency Risk

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

As at December 31, 2009, financial instruments held by the Company denominated in European Euros of €90,014 which includes €1,014 in cash and cash equivalents and €90,000 in performance bonds. As at December 31, 2009, CDN\$1.48 equalled €1.00 and varied up to 10% in each direction during the year.

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

(g) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests. In the management of capital, the Company includes the components of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, option its mineral property interests for cash and/or expenditures or dispose of assets.

## **DISCLOSURE OVER INTERNAL CONTROLS**

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at March 31 2009, the CEO and CFO have evaluated the effectiveness of the Company's DC&P as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and have concluded that such controls and procedures are effective and provide reasonable assurance that material information relating to the Company, was made known to them and reported as required, particularly during the period in which the annual filings were being prepared.

Upon completion of the Company's Audit for the year ended March 31, 2009, the Auditors determined that all transactions were diligently and accurately accounted for.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")**

Management is responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the design of the Company's ICFR as of the end of the period covered by the annual filings and believes the design to be sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. There have been no significant changes to the Company's internal control environment during the year ended March 31, 2009 that would have materially affected the Company's internal controls over financial reporting.

## **CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

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

## **SUBSEQUENT EVENTS**

### **Corporate Events**

- a) On January 15, 2010 management announces its intention to proceed with Non-Brokered Private Placement consisting of up-to 800,000 shares at a price of \$0.21
- b) On January 18, 2010 management announces the closing of its January 15, 2009 Non-Brokered Private Placement with gross proceeds of \$168,000
- c) On February 1, 2010 Mr. Declan Costelloe joins the company's advisory board.
- d) On February 8, 2009 management announces its intention to proceed with a Non-Brokered Private Placement consisting of up-to 18,000,000 Units (1 common shares + ½ warranty @0.45\$) for a total raise of up-to \$4,500,000

### **Mining Events**

- a) On January 20, 2010 management announces the results of the exploration program on the Armamar-Meda Tungsten concession. The report detailed WO<sub>3</sub> average grade results from 0.52% to 1.14% with a weighted average of 0.66% over the DHT-01B hole intervals
- b) On February 3, 2010 management announces a second report from the exploration program on the Armamar-Meda Tungsten concession. The report detailed strong WO<sub>3</sub> average grade results from 0.93% to 1.44% with a weighted average of 1.10% over the DHT-02B hole intervals
- c) On Feb 18, 2010 management announces the intersection of 180.57 g/t gold from its ongoing program on the Sato Antonio vein system on the Penedono Gold concession.

### **OUTLOOK**

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