



An Exploration Stage Company

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at November 26, 2013

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Colt Resources Inc. ("Colt" or the "Company") covers the three and six-month periods ended September 30, 2013, unless otherwise noted. It should be read in conjunction with the audited financial statements and related notes as at and for the year ended December 31, 2012 and the condensed interim financial statements for the three and nine-month period ended September 30, 2013.

The condensed interim financial statements for the three and nine-month periods ended September 30, 2013 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2012 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") except for the new standards and interpretations effective November 1, 2012. All amounts are expressed in Canadian dollars unless otherwise noted.

Additional information regarding Colt Resources Inc. is available on SEDAR at [www.sedar.com](http://www.sedar.com)

The Company's securities trade on the TSX Venture, OTCQX and Frankfurt exchanges.

## **FORWARD LOOKING STATEMENTS**

Certain of the information contained in this MD&A may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements.

Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, those described in this MD&A and any other document published by the Company. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this document to reflect subsequent information, events or circumstances or otherwise, except if required by applicable laws.

## COMPANY OVERVIEW

Colt Resources is a Canadian-based exploration stage company focused on the acquisition, exploration and development of mineral properties in Portugal. The Company is led by an experienced managerial and technical team and its strategy is to provide stakeholder value from quality mineral assets located in strategic jurisdictions. The Company's common shares are listed on the TSX Venture Exchange (Symbol: GTP), OTCQX (Symbol: COLTF) and the Frankfurt Stock Exchange (Symbol: PO1). The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Ontario and Quebec.

The Company's significant exploration and development projects at September 30, 2013 included the Boa Fé gold project in southern Portugal and the Tabuaço tungsten project (previously Armamar-Meda) in northern Portugal. The Company holds a 100% interest in both projects. The Company has also initiated the preliminary evaluation of mineral assets in the Middle East.

The recoverability of investments in the Company's exploration and evaluation assets are dependent upon the economic recoverability of its reserves, the continuation of the Company's interest in the underlying resource claims and the ability by the Company to obtain necessary financing to complete their development. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

Volatility in the commodity markets remains very relevant the ability to obtain financing in this sector. Initial news about the economic recovery in the US resulted in higher activity in the financial markets, shifting investors, however, from precious metals into non-commodity based investments. The market for gold continues to reflect the uncertainty in the markets. Although the outlook for gold remains positive, prices have not been trading near the record levels seen in 2011.

As disclosed in the financial statements, the Company has not earned significant revenue and is considered to be in the exploration and evaluation stage. The Company's current committed cash resources are insufficient to cover expected expenditures in fiscal 2014. The Company's ability to continue as a going concern is also dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

## QUALIFIED PERSON

The technical information disclosed in this MD&A has been reviewed and approved by Gareth O'Donnovan of the firm SRK Exploration Services, a Qualified Person (QP) for Colt Resources, as defined by National Instrument 43-101 for the Standards of Disclosure for Mineral Projects. The Company's technical reports are available under the Company's profile on [www.sedar.com](http://www.sedar.com)

## CORPORATE HIGHLIGHTS

The three and nine month reporting period ended September 30, 2013 was marked by continued uncertainty in the financial markets, in particular, the equity markets for mineral exploration and junior producers. The uncertainty in the financial markets around the world has resulted in decreased activity in equity financings, making it more difficult for juniors to finance their projects.

During the reporting period, the Company started a program to affect cost cuts across several functional areas.

The results from these cuts are expected to continue to impact the financial statements for the current fiscal year ending December 31, 2013 and well into the new fiscal year. Management remains cautious in its outlook and its assessment of the macro economic conditions that can potentially affect the funding and development of its projects.

### **Corporate Finance**

During the nine months ended September 30, 2013, the Company closed a non-brokered private placement for a total of 8,605,041 shares at \$0.45 per unit for gross proceeds of \$3,872,269. As of December 31, 2012, the Company had already received \$2,700,000 subscription receipts corresponding to the issuance of 6,000,000 shares. The Company paid cash commissions totaling \$162,001 and \$50,601 in other costs. Additionally, the Company issued 360,000 broker warrants, entitling the holders to purchase one common share at the price of \$0.45 per share up to January 7, 2014. The fair value of the warrants amounted to \$54,986. The purchase warrants expire on July 7, 2014 and a fair value of \$54,986 was recorded in share capital using the Black Scholes option pricing model with the following assumptions: volatility 70.54%, risk free interest rate 1.13%, expected life of one year and a half and expected dividend yield of nil%.

During the nine months ended September 30, 2013, the Company issued 400,000 common shares at an average exercise price of \$0.255 per share for a total cash amount of \$102,000 for stock options exercised, and an amount of \$100,159 related to exercised stock options was transferred from contributed surplus to capital stock.

During the nine months ended September 30, 2013, the Company closed a second private placement consisting of 14,285,715 Units at a price of \$0.35 per Unit for total gross proceeds of approximately \$5,000,000 (the "Private Placement"). This placement has been fully subscribed for by Worldlink Resources Ltd. Each Unit is comprised of one common share and one fourth ( $\frac{1}{4}$ ) of one Warrant. Each whole Warrant will be exercisable at a price of \$0.45 during a period of 60 months. The fair value of the warrants amounted to \$985,539. The purchase warrants expire on July 27, 2018 and a fair value of \$985,539 was recorded in share capital using the Black Scholes option pricing model with the following assumptions: volatility 138.5%, risk free interest rate 1.69%, expected life of five year and a half and expected dividend yield of nil%.

The Company has also as part of this placement granted a right of first refusal to Worldlink by which it has the option to maintain proportionate interest in the Company in any subsequent equity financings.

### **Corporate Development**

During the nine months ended September 30, 2013, the Company announced it had been awarded two Experimental Mining Licenses ("EML"). The Tabuaço EML replaces the exploration license under the name of Armamar-Meda, the company's 100% owned tungsten project in Northern Portugal. The company was also awarded the Santo Antonio EML, which replaces the Penedono exploration license. This new license was granted to the Joint Cooperation Consortium formed between Colt Resources and Contécnica a Brazilian company that will become the operator of the project.

During the nine months ended September 30, 2013, the Company announced it had signed an MOU with Star Mining for the joint exploration and development of the Borba Licence on an earn-in basis. Colt and Star Mining will jointly explore the Borba Licence (Press Release: February 20, 2013) and have agreed that Star Mining will develop a work program and has the right to earn-in progressively full ownership of the Borba Licence. Upon the completion of a work program and expenditures of not less than \$350,000 USD [\$355,460] over a period of up to 12 months, Star Mining may initially earn a 25% interest in the Borba Licence. Subsequently and upon the completion of a work program and expenditures of not less than \$750,000 USD [\$761,700] over a further period of up to 24 months, Star Mining may earn a 35% interest in the

Borba Licence. Star Mining may then elect to spend a further \$1,000,000 USD [\$1,015,600] by carrying out additional technical, commercial and environmental programs on the Borba Licence area for the purposes of working towards the completing a National Instrument 43-101 technical compliant resources report to earn a further 20% ownership of the concession. Once Star Mining has obtained an 80% ownership interest in the Borba Licence, Colt's remaining 20% ownership will revert to a carried interest. Star Mining will also have the option to purchase this remaining 20% interest of the Borba Licence at either \$5,000,000 USD [\$5,078,000] within 18 months of obtaining an 80% interest or for \$10,000,000 USD [\$10,156,000] at any time during a subsequent 42-month period.

On May 7, 2013, the Company filed a Preliminary Economic Assessment (PEA) for its Boa Fe gold project. The PEA was prepared by SRK Consulting (UK) and it concluded that the project is economically on target. The Company highlighted that it plans to complete a feasibility study in the new fiscal year. The entire report is available on SEDAR at [www.sedar.com](http://www.sedar.com)

On June 21, 2013, the Company announced that Jean Depatie was stepping down from his role as chairman of the board of directors. The Company also announced that Mr. Richard Quesnel had accepted to assume the role of executive chairman of the corporation.

On September 4, 2013, the Company announced that it had completed a Preliminary Economic Study on its 100% owned Tabuaço project. The entire report is available on SEDAR at [www.sedar.com](http://www.sedar.com)

## **EXPLORATION AND EVALUATION HIGHLIGHTS**

### **Boa Fé Experimental Mining License**

During the first quarter of 2013 most of the work done at the Boa Fé EML was focused in the assessment of previously acquired geologic and exploration data in view to plan future drilling, while the exploration drilling activities remained interrupted throughout the quarter.

During the second quarter of 2013, the Company announced a positive Preliminary Economic Assessment ("PEA") for the Boa Fé / Montemor gold projects, located in Portugal. The PEA covers the Chaminé, Casas Novas, Banhos, Bracos and Ligeiro gold deposits located within the Company's 100% owned (47km<sup>2</sup>) Boa Fé Experimental Mining License and the Monfurado gold deposit located within the Company's 100% owned (728km<sup>2</sup>) Montemor exploration license that completely surrounds the Boa Fé EML.

During the second quarter of 2013 most of the work was focused on several tasks regarding the acquisition of the legal approvals needed for the full mining application, namely the approval of the Environmental Impact Assessment (EIA). Regarding these tasks, the Company carried out the following work:

- Presentation of the existing mining project to the Boa Fé/Casas Novas and Escoural population
- The public hearing of the Boa Fé EIA was held at the municipality auditorium of Évora on Friday, April 5;
- Discussions and preparation of the reply to the documents issued by APA (Environmental Agency) regarding the conclusions of the EIA (DIA-Declaration of Environmental Impact) which includes a set of mandatory actions for the mining project
- Preparation of a set of additional documents to be approved by the government and local municipalities, needed for the mining project, namely DIM "Declaration of Municipal Interest", RIP or "Relevant Public Interest" and PIN "Project of National Interest". The PIN has been approved in June.

Other work carried out during this period:

- On the geophysical side, the preliminary IP report was received from Terratec, followed by a request for further detailed work in the project, to be possibly done towards the end of 2013
- The surface and groundwater water sampling started
- Detailed geologic mapping at Braços-Covas, Caras-Ligeiros and Braços-Covas areas
- An updated version of the NI 43-101 report was issued in April;

During the third quarter of 2013 the work was focused on the modeling process for secondary lithologies for the main deposits of the Boa Fé project. On the administrative side, the Company submitted a work and investment program for 2014, which was sent to DGEG for approval. The document included a request to change the planned experimental mining activities from the Chaminé deposit to Braços. A meeting was also held with government agencies and local authorities responsible for the mining licensing. The DIUP "Statement of indispensable public utility" was drafted, the approval of which is essential to obtain the authorization to cut trees in the properties.

As at September 30, 2013, the Company has invested and capitalized \$10,993,511 with respect to its Boa Fé EML.

#### **Tabuaço Experimental Mining License (previously the Armamar-Meda Concession)**

The Company has a 100% interest in the Tabuaço property, which has an area of 45.128 km<sup>2</sup>. Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. The Tabuaço EML contract was signed on February 20, 2013 and corresponds to the NW block of the previously owned Armamar-Meda Tungsten Concession, whose exploration license expired on December 9, 2012.

During the reporting period an LOI was prepared and signed between the owners of the Passa Frio farm and Colt Resources regarding the potential acquisition of this property, which represents an important step in the preparation of the future processing facilities. The Company also delivered the second semester report and the final report of the previously owned/named "Armamar-Meda" license to DGEG, including a bank guaranty of 225,000 € [\$294,098] for the new Tabuaço EML. During the second quarter 2013, geological and structural field mapping at Aveleira and Gap were carried out. On the geotechnical side, a study about the rock characteristics around the proposed shaft and trial mine gallery were prepared and a small tender to selected building companies was launched to choose the best proposal to build these underground structures.

During the third quarter 2013 the geological and structural field mapping at Aveleira and Gap continued and a compilation of technical and cost information were prepared to be included into the PEA report which was completed during this period. All equipment and core stored at several different warehouses were moved to a core storage located at the Convent.

On the administrative side, a work and investment program for 2014 was prepared and sent to DGEG for approval, including a preliminary budget for the first six months of the same period.

As at September 30, 2013, the Company has invested and capitalized \$12,247,150 with respect to its Tabuaço EML.

**Santo Antonio Experimental Mining License (previously the Penedono Concession)**

The "Consórcio Penedono", a Joint Cooperation Consortium between the Company and "Contécnica", has a 100% interest in the Santo António property, which has an area of 35.341 Km<sup>2</sup>. Located in north central Portugal. The Santo António EML contract was signed on February 20, 2013 and corresponds to the central block of the previously owned Penedono Gold Concession whose exploration license expired on October 28, 2012.

The Company is not expected to conduct any significant work at the Santo António EML until its partner and operator, Contécnica, has earned into the project for up-to the Company's total investment in the Penedono exploration license of \$2,942,191.

On March 11, 2013 the Company delivered to consortium facilities samples, documents and materials as well as a draft of the contractual bank guaranty of 150,000.00€ [\$196,065] for the EML. On the administrative side the final report (from the start to the end of the contract) of the Penedono exploration license was delivered to the DGEG. Additionally, a field visit to the project was performed by representatives of the DGEG, which included site visits of the old gold mine of Penedono and the Turgueira deposit.

During the second quarter, Contécnica started the process to acquire office and field equipment, as well as contracting some field and office personnel. It was also made a tender to some local drilling companies in order to start the drilling activities during the next quarter, and to environmental companies for the amendment of the existing EIA concerning the rehabilitation of the mining site of the old "Penedono" mine.

During this quarter, Contécnica launched a drilling tender for 2,000 meters, won by the drilling division of LNEG, which started the operations in September. By month end, the first hole at Turgueira reached the depth of 187.49 meters, in granite. A second rig moved in to Turgueira by the end of September. On the hydrogeology side, the characterization work is progressing. On the environmental side the Company received several proposals to execute the modified Environmental Impact Assessment, and an updated list of old shafts, galleries, trenches and any other past mining work that presents any safety risk has been prepared, and the first phase of the fencing work of these old structures started.

On the administrative side a meeting with the Penedono mayor was held after a forest fire that occurred in early August around the old mine site. The work and investment program for 2014 was prepared and sent to DGEG for approval, and a Cooperation contract was signed with McAm and LNEG.

As at September 30, 2013, the Company has invested and capitalized \$2,912,614 with respect to its Santo Antonio EML.

**Montemor-o-Novo Gold Concession**

During the first quarter of 2013 most of the work done at the Montemor license was focused in the assessment of previously acquired geologic and exploration data in view to plan future drilling, while the exploration drilling activities remained interrupted throughout the quarter.

Fieldwork during this period included soil and rock geochemistry, geological mapping and core logging. The Grou soil grid was extended to the South along the outcrop of the favourable host rock, the Grou sheared and sericitized granite with 899 samples collected. Geologic mapping of the Safira orthogenesis outcrop and Grou and magnetic Susceptibility core logging of all drill cores from Monfurado. Historical drill core from two LNEG drill holes from the Monges old Fe mine area (near Monfurado) and three other from Nogueirinha were examined and sampled with a total of 64 core samples sent for analysis.

The Company completed the ground checking of areas with dipole magnetic anomalies identified from the airborne magnetic survey. Geological prospections at Regadia North resulted in the finding of sub-outcropping mineralization similar in style to Mourel-North. A total of 28 channel samples from outcropping mineralized brecciated granite at Grou were collected and sent for analysis. In addition, analytical results for 57 rock (grab) samples were received with 18 samples showing gold grades above 1g/ton, with a maximum of 16.3 g/ton from Gouveia. The analytical results for 477 soil samples from the Grou geochemical grid were also received, with results indicating an important Au-As-Bi-Sb anomaly.

During the second quarter of 2013 the work done at the Montemor license continued with prospecting and rock sampling to investigate the catchments of the existing stream sediment anomalies.

During the third quarter of 2013 the work was focused on the modeling of the secondary lithologies in old drill hole logs in Gem's format. On the administrative side, the work program and investments for the next contractual year and the semester report for the first half of 2013 were prepared and delivered at DGEG.

As at September 30, 2013, the Company has invested and capitalized \$1,368,820 with respect to the Montemor-o-Novo exploration license.

#### **Moimenta-Almendra Concession**

During the first quarter of 2013 the Company did not report any significant work at the Moimenta-Almendra exploration concession. On the administrative side, the semester report for the second half of 2012 was prepared and delivered at DGEG, as well as the information of the change of the official contractual notification address to Beloura.

During the second quarter of 2013, the company conducted geological and structural mapping of the North East border of the concession.

During the third quarter the final extended terms of the exploration license expired and the Company decided to write-off the entire project.

As at September 30, 2013, the Company has impaired the carrying amount of \$441,519 with respect to its "Moimenta-Almendra" Exploration License.

#### **Cedovim Concession**

During the first quarter of 2013 the Company did not report any significant work at the Cedovim exploration concession. The analytical results of the 115 soil samples collected at Poço do Canto were received showing a calcium and strontium anomaly indicating that the geological structure is dipping to NE.

During the second quarter of 2013 the fieldwork consisted in the investigation of the gold occurrences located at Freixinho.

During the third quarter of 2013 the work done consisted in administrative matters, with the work program and investments for the 3rd contractual year and the semester report for the first half of 2013 prepared and delivered at DGEG. It was also prepared the budget for the period ending on August 2014.

As at September 30, 2013, the Company has invested and capitalized \$53,118 with respect to the Cedovim exploration license.

### **Borba**

The Company holds a 100% interest in the Borba exploration license whose contract was signed on February 20, 2013, following the application made on April 3, 2012. The Borba property has an approximate area of 633.935 km<sup>2</sup>. Located in central Portugal, the property is approximately 2 hours driving time from Lisbon.

The work in this concession started with the compilation of historical mining and exploration data with emphasis on the Miguel Vacas copper mine. On the administrative side, the work program for the first contractual year was prepared and delivered at DGEG, as well as the contractual bank guaranty of 19,000.00 € [\$24,835]

During the second quarter 2013, the compilation of historical mining and exploration data continued with emphasis on the old Miguel Vacas copper mine. A database was also prepared.

During the third quarter 2013, the Company performed geological reconnaissance around the old copper-arsenic mine of Mostardeira with 16 rock samples collected. At a second location, the old iron-copper mine of Pereiros, 6 rock samples and 28 soil samples along two soil lines were collected by the end of this quarter. On the administrative side the semester report for the first half of 2013 were prepared and delivered at DGEG.

As at September 30, 2013, the Company has invested and capitalized \$28,350 with respect to the Borba exploration license.

### **Cercal**

The Company holds a 100% interest in the Cercal exploration license whose contract was signed on February 20, 2013, following the application made on May 25, 2012. Located in South Portugal, the property is approximately 3 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

The work in this concession started with the compilation of historical mining and exploration data with emphasis on the Salgado Cu-Au-Ag stock-work deposit. Field trips to Cercal area for reconnaissance purposes and also to verify DDH collar locations were carried-out as well as the re-sampling of historical drill core from Salgado Cu-Au mineralization, with 59 core samples sent for analysis. The results received for 40 twin samples indicated good matches for Au, Cu or Ag grades in mineralization. On the administrative side, the work program for the first contractual year was prepared and delivered at DGEG, as well as the contractual bank guaranty of 20,000.00 € [\$26,142]

During the second quarter 2013, the compilation of historical mining and exploration data was completed, and a database was also prepared.

During the third quarter 2013, the field work started with the continuation of the existing stream sediment survey in order to cover the entire area with approximately 1 sample / km<sup>2</sup>, with a total of 161 stream sediment samples collected by the end of September. On the administrative side the semester report for the first half of 2013 were prepared and delivered at DGEG.

As at September 30, 2013, the Company has invested and capitalized \$165,633 with respect to the Cercal exploration license.

### **Adorigo**

The Company applied on August 9, 2012, for a 100% interest in the Adorigo property, which has an approximate area of 164.98 km<sup>2</sup>. Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon.



## New Asset Evaluation

During the three month period ended September 30, 2013, the Company initiated the investigation and evaluation process of several mineral assets in the Middle East.

## RESULTS OF OPERATIONS

### Quarter ended September 30, 2013 compared to September 30, 2012

For the quarter ended September 30, 2013, the Company reported a net loss of \$3,187,835 (\$2,951,253 in 2012) and a comprehensive loss of \$2,821,413 (\$3,111,600 in 2012). The decrease in the Company's net and comprehensive loss was due primarily to foreign exchange translation gains of \$366,422 (translation loss of \$160,347 in 2012). Total administrative expenses increased to \$2,578,809 (\$1,902,122 in 2012). The administrative expenses are primarily composed of investor relations and marketing expenses, legal expenses, office expenses and other general and administrative expenses, all of which include the costs associated with business development activities as well as costs related to the social license to operate in Portugal. The Company reported a write down in exploration and evaluation assets of \$441,519 (\$671,615 in 2012).

The Company reported other expense of \$27,622 (\$62,765 in 2012) arising from the reduction and disposal of wine inventory at QSPA. The Company also reported Depreciation and amortization expense of \$57,709 (\$98,630 in 2012) and a gain on disposal of property, plant and equipment of \$68 (\$NIL in 2012). Interest income decreased to \$977 (\$30,080 in 2012), Finance costs decreased to \$41,737 (\$91,789 in 2012) representing primarily a reduction in accretion expenses on loan payable, lower accretion expense on preferred shares and other finance costs.

The Company reported a foreign exchange gain on translation of foreign subsidiaries of \$366,422 (\$160,347 loss in 2012). The company reported deferred income tax expense of \$3,343 (\$NIL in 2012). The total in comprehensive losses represents a decrease of \$290,187 from the comparable period. The Company reported weighted average number of common shares outstanding of 152,873,583 (114,914,675 in 2012) and a net loss per share of \$0.02 (\$0.03 in 2012).

### Summary of variation in operating costs between the quarters ended September 30, 2013 and 2012

	September 30 2013	September 30 2012	Variation
For the three month period ended	\$	\$	\$
Investor relations and marketing	215,028	441,156	(226,128)
Office expenses	482,860	563,120	(80,260)
Management fees	287,331	237,412	49,919
Other expenses	511,365	21,889	489,476
Salaries	153,074	130,846	22,228
Professional and consulting fees	253,909	96,080	157,829
Legal expenses	237,263	71,590	165,673
Rent	347,716	80,773	266,943
Audit & accounting	33,126	134,445	(101,319)
Insurance	57,137	44,329	12,808
Depreciation and amortization	57,709	98,630	(40,921)
Loss on disposal of property, plant and equipment	(68)	-	(68)
Other expense (income)	27,622	62,765	(35,143)
<b>Total operating costs</b>	<b>2,664,072</b>	<b>1,983,035</b>	<b>681,037</b>

The Company has no intention of paying dividends in the foreseeable future. Any future decision to pay cash dividends will be left to the discretion of the Board of Directors of the Company and will depend on the Company's financial position, operating results and capital requirements at the time as well as such other factors that the Board of Directors may consider relevant. The Company has paid no dividends and has no retained earnings from which it might pay dividends.

### Nine months ended September 30, 2013 compared to September 30, 2012

For the nine months ended September 30, 2013, the Company reported a net loss of \$7,018,571 (\$6,550,321 in 2012) and a comprehensive loss of \$5,725,241 (\$6,893,870 in 2012). The decrease in the Company's net and comprehensive loss was due primarily to foreign exchange translation gains of \$1,293,330 (translation loss of \$343,549 in 2012). Total administrative expenses increased to \$6,005,737 (\$5,048,488 in 2012). The administrative expenses are primarily composed of investor relations and marketing expenses, legal expenses, office expenses and other general and administrative expenses, all of which include the costs associated with business development activities as well as costs related to the social license to operate in Portugal.

The Company reported a write down in exploration and evaluation assets of \$441,519 (\$671,615 in 2012). The Company reported other expense of \$53,234 (\$139,579 in 2012) arising from the reduction and disposal of wine inventory at QSPA. The Company also reported Depreciation and amortization expense of \$179,545 (\$284,392 in 2012) and a gain on disposal of property, plant and equipment of \$6,676 (\$NIL in 2012). Interest income decreased to \$18,772 (\$42,782 in 2012), Finance costs decreased to \$143,936 (\$229,877 in 2012) representing primarily a reduction in accretion expenses on loan payable, lower accretion expense on preferred shares and other finance costs.

The Company reported a foreign exchange gain on translation of foreign subsidiaries of \$1,293,330 (\$343,549 loss in 2012). The company reported deferred income tax expense of \$43,818 (\$NIL in 2012). The total in comprehensive losses represents a decrease of \$1,168,629 from the comparable period. The Company reported weighted average number of common shares outstanding of 141,618,572 (118,624,225 in 2012) and a net loss per share of \$0.05 (\$0.06 in 2012).

### Summary of variation in operating costs for the nine months ended September 30, 2013 and 2012

	September 30	September 30	Variation
	2013	2012	2013-2012
For the nine month period ended	\$	\$	\$
Investor relations and marketing	1,169,797	1,412,195	(242,398)
Office expenses	1,180,271	1,141,106	39,165
Management fees	815,465	726,263	89,202
Other expenses	582,375	144,766	437,609
Salaries	521,999	409,525	112,474
Professional and consulting fees	433,951	378,051	55,900
Legal expenses	462,926	185,487	277,439
Rent	503,804	213,924	289,880
Audit & Accounting	180,954	202,602	(21,648)
Insurance	152,687	151,607	1,080
Property investigation	1,508	2,440	(932)
Depreciation and amortization	179,545	284,392	(104,847)
Loss on disposal of property, plant and equipment	(6,676)	-	(6,676)
Other expense (income)	53,234	139,579	(86,345)
<b>Total operating costs</b>	<b>6,231,840</b>	<b>5,391,937</b>	<b>839,903</b>

**COLT RESOURCES INC.**

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

## OF THE FINANCIAL CONDITION AND RESULTS FROM OPERATIONS



The Company has no intention of paying dividends in the foreseeable future. Any future decision to pay cash dividends will be left to the discretion of the Board of Directors of the Company and will depend on the Company's financial position, operating results and capital requirements at the time as well as such other factors that the Board of Directors may consider relevant. The Company has paid no dividends and has no retained earnings from which it might pay dividends.

**SUMMARY OF QUARTERLY RESULTS**

	September 30	June 30	March 31	December 31
	2013	2013	2013	2012
Quarters ended	\$	\$	\$	\$
Net Loss	(3,187,835)	(2,008,404)	(1,822,331)	(2,886,582)
Comprehensive Loss	(2,821,413)	(960,431)	(1,943,396)	(2,495,532)
Basic and diluted loss per share	(0.02)	(0.01)	(0.02)	(0.02)
Cash and cash equivalents	2,027,667	1,527,241	2,554,442	6,473,498
Marketable Securities	-	-	-	-
Working capital*	2,804,599	1,195,710	3,696,058	5,540,930
Exploration and evaluation assets	27,769,196	27,345,864	25,583,751	24,664,728
Total assets	38,696,046	37,229,531	37,364,776	40,520,113
	September 30	June 30	March 31	December 31
	2012	2012	2012	2011
Quarters ended	\$	\$	\$	\$
Net Loss	(2,951,253)	(2,203,365)	(1,395,703)	(1,757,844)
Comprehensive Loss	(3,111,600)	(2,441,236)	(1,328,385)	(2,288,602)
Basic and diluted loss per share	(0.03)	(0.02)	(0.02)	(0.02)
Cash and cash equivalents	6,779,977	9,791,552	6,345,876	1,236,079
Marketable securities	-	3,019,214	3,011,066	3,003,868
Working capital*	9,392,676	15,252,997	11,883,124	9,162,184
Exploration and evaluation assets	20,669,122	13,467,465	11,168,818	4,765,569
Total assets	36,697,665	40,400,341	34,875,325	6,589,733
* Working capital is defined as current assets less current liabilities.				
It is not a recognized measure under IFRS. It is unlikely to be a comparable to methods used by other entities.				

**LIQUIDITY AND CAPITAL RESOURCES**

Given that the Corporation's operations are focused on the exploration and development of mining properties, the most relevant financial information, in its view, relates to current liquidity, solvency, and planned property expenditures. The Corporation's financial success will depend on the economic viability of its resource properties and the extent to which it can discover and develop new ore deposits. A number of factors determine the economic viability of a property including: the size of the deposit; the quantity and quality of the reserves; the proximity of the deposit to current or planned infrastructure; the forecasted development and operating costs and the costs to finance the planned expenditures; and the projected cash flows. Such development may take several years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Corporation largely depends on factors beyond the Corporation's control, including the market value of the metals and minerals to be produced.

Management estimates that with either the timely collection of tax credit receivables or securing of debt or new equity financing, the Corporation will have sufficient funds to meet its obligations and budgeted expenditures through the next twelve months. However, there is an element of uncertainty and doubt that without either the timely collection of tax credit receivables or obtaining new financing, the Corporation may be unable to continue at the current level of activities. While the Corporation has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future, that these sources of financing will be available to the Corporation or that they will be available on terms acceptable to the Corporation.

**Nine-month period ended September 30, 2013 compared with the comparable period ended September 30, 2012**

The Corporation's main sources of funding are equity markets, and the exercise of outstanding warrants and options.

As at September 30, 2013, total assets were \$38,696,046 (\$40,520,113 in 2012). Exploration and evaluation assets increased by \$3,104,468 from \$24,664,728 in 2012 to \$27,769,196 in 2013. The increase reflects a total of \$2,560,761 in capitalized exploration costs, \$985,226 in foreign translation adjustments and impairment of exploration and evaluation assets of \$441,519.

As at September 30, 2013, the Company had cash and cash equivalents of \$2,027,667 (\$6,473,498 in 2012). The decrease in cash and cash equivalents was primarily the result from the use of cash from operating activities of \$7,194,656 (\$2,852,052 in 2012), use of cash for investing activities of \$2,826,374 (\$6,771,496 in 2012) primarily for exploration and evaluation assets and cash arising from financing activities of \$5,456,446 (\$12,592,288 in 2012) primarily from the issue of common shares from private placements of \$6,039,408 (\$13,908,788 in 2012) and reimbursement of loan payable of \$582,962 (\$NIL in 2012). The Corporation has no long-term borrowings.

The Company has been successful in financing its liquidity requirements through the issuance of equity and debt securities. However, the Company does not have sufficient liquidity to meet its exploration, evaluation and development plans. The Company is currently incurring operating losses and additional capital will be required for working capital and for exploration and evaluation activities on its mineral properties.

**OUTSTANDING SHARE INFORMATION**

As at September 30, 2013, there were 152,877,186 common shares, 3,931,429 warrants with a weighted average exercise price of \$0.45 and 9,700,000 stock options with a weighted average price of \$0.46 outstanding.

## CONTRACTUAL OBLIGATIONS

	Obligations due per year			
	2013	2014	2015	2016+
	\$	\$	\$	\$
QSPA Balance of acquisition (1)	-	-	-	-
Boa Fe EML commitments (1, 2)	-	-	-	-
Montemor-o-Novo Commitments (1)	354,186	590,310	-	-
Moimenta-Almendra Commitments (1)	-	-	-	-
Cedovim Commitments (1)	65,590	78,708	-	-
Borba (1, 3)	78,708	78,708	91,826	-
Cercal (1)	65,590	97,500	97,500	-
<b>Total contractual obligations</b>	<b>564,074</b>	<b>845,226</b>	<b>189,326</b>	<b>-</b>
	Obligations for the life of the contract			
	2013-2016			
	\$			
Tabuaco EML Commitments (1, 4)		5,903,100		
Santo Antonio EML Commitments (1, 3, 4)		496,605		
<b>Total obligations for the life of the contract</b>		<b>6,399,705</b>		
(1) Original contractual commitments are denominated in European Euro (€)				
(2) Contractual commitments have been met for the life of the license				
(3) Obligations to be assumed by a Joint Collaboration partner				
(4) Obligations for the duration of the contract				

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

The compensation of directors and other members of key management personnel during the quarters ended September 30, 2013 and 2012 were as follows:

	2013	2012
	\$	\$
Management fees	1,080,426	726,263
Other short term benefits	250,514	649,686
	<u>1,330,940</u>	<u>1,375,949</u>

As of September 30, 2013, \$84,435 is owed to related parties [December 31, 2012 – \$48,325] and is included in accounts payable.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company's condensed interim statements include estimates and assumptions made by management. Actual results may vary from these estimates. Critical accounting estimates are discussed under Note 4 of the financial statements for the year ended December 31, 2012.

## **ADOPTION OF NEW STANDARDS**

The Company's accounting policies are disclosed under note 5 of the financial statements for the year ended December 31, 2012.

### **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

On January 1, 2013, the Company adopted the amendments to IAS 1, which changed the grouping of items presented in other comprehensive income. Items that could be reclassified [or "recycled"] to profit or loss at a future point in time [for example, upon de-recognition or settlement] have to be presented separately from items that will never be reclassified. The adoption of the amendment had no impact on the Company's financial position or performance.

### **IAS 28 Investments in Associates and Joint Ventures [as revised in 2011]**

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Company adopted the revised standard on January 1, 2013. The adoption of this standard had no impact on the Company's financial position or performance.

### **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for condensed interim consolidated financial statements. It also addresses the issues covered in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including structured entities [previously referred to as special purpose entities]. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Company adopted the revised standard on January 1, 2013. The adoption of this standard had no impact on the Company's financial position or performance.

### **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 jointly controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities [JCEs] using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Company adopted the revised standard on January 1, 2013. The adoption of this standard had no impact on the Company's financial position or performance.

### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 sets out the requirements for disclosures relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 was effective for annual periods beginning January 1, 2013. None of these disclosures requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided.

Accordingly, in the absence of such events, the Company has not made such disclosures.

## IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There was no material impact on the Company's consolidated financial statements upon adoption of IFRS 13 on January 1, 2013.

IFRS 13 also requires specific disclosure on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7, Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A (j), thereby affecting the interim condensed consolidated financial statements period. The Company provides IFRS 13 disclosure requirements in note 17 of the financial statements for the quarter ended March 31, 2013.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair values

The Company's financial instruments consist of cash equivalents, marketable securities, trade receivable, and accounts payables and accrued liabilities. Due to the short-term nature of these accounts, the fair value of these financial instruments approximates their carrying value.

The fair values of the deposits, loan payable 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.

Biological assets vines are measured at fair value less cost to sell. Since market-determined prices or values are not available for grape vines, the Company uses valuation techniques that require inputs that are both unobservable and significant, and therefore were categorized as Level 2 in the fair value hierarchy. The Company uses a discounted cash flow method to determine fair value. In arriving at fair values, the key assumptions are estimated sales prices less cost of delivery, discount rate, productive life of grape vines, estimated volume and growth estimations. All changes in fair value are recognised in the period in which they arise.

The significant assumptions used to determine the fair value of vines planted are as follows:

	<u>September 30, 2013</u>
Yield	<b>3 429kg/ha</b>
Discount rate	<b>4%</b>
Annual vineyard operating costs	<b>2 750€/ha</b>
Selling price less delivery costs	<b>0.38€ - 1.27€ / kg</b>
Remaining life	<b>33 <sup>3</sup>/<sub>4</sub> years</b>

### 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, deposits 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 deposits in highly liquid investments with major financial institutions in Canada and Portugal. The Company's commodity taxes receivables are not subject to significant credit risk.

The maximum exposure to credit risk as at:

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
	\$	\$
Cash and cash equivalents	<b>2,027,667</b>	6,473,498
Deposits [held in Portugal]	<b>566,544</b>	603,428
Accounts receivable	<b>252,321</b>	544,538
	<b><u>2,846,532</u></b>	<u>7,621,464</u>

## 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 of September 30, 2013, the Company has cash and cash equivalents of \$2,027,667. 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's ability to continue as a going concern is also dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. 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

The Company raises its capital in Canadian dollars and holds its cash mainly in Canadian dollars and Euros. The Company and its subsidiaries minimize their exposure to foreign currency risk by minimizing the amount of funds in currencies other than the functional currencies. The Company continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

As of September 30, 2013 and December 31, 2012, the Company was exposed to currency risk on the following net assets denominated in Euros:

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
	\$	\$
Net financial assets and liabilities	<b><u>21,227,254</u></b>	<b><u>16,126,131</u></b>

Loans receivable from foreign subsidiaries are considered as part of the net investment and any difference in the foreign exchange is recorded in cumulative translation adjustment.

Based on the above net investment as of September 30, 2013, and assuming all other variables remain constant, a 1% change in the value of the Canadian dollar against the Euro would result in an increase/decrease of approximately \$212,000 to other comprehensive loss.

### **Financial risk associated to agriculture**

The Company is exposed to financial risks arising from its vineyard activities. The Company takes reasonable measures to ensure that the current year's harvest is not affected by disease and climate changes that may have a negative effect upon yield and quality. These measures include involvement of viticulture technicians and continuous focus on development of every plantation.

### **OTHER MATERIAL EVENTS AND HIGHLIGHTS**

The Company is presently not a party to any proceedings.

### **SUBSEQUENT EVENTS**

#### **I. Non-Brokered Private Placement**

On October 16, 2013 the Company closed a non-brokered private placement for 6,250,000 shares at a price of US\$0.40 per share, for net proceeds to the Company of US\$2,500,000 (CDN\$ 2,586,250). The Company did not incur any additional costs or finder fees in connection with this private placement.

#### **II. Senior Note Financing**

On November 4, 2013 the company announced an initial closing of 10 units of the Senior Note financing resulting in US\$2.5 Million (\$2,603,750 Canadian) gross proceeds and issued 5,565,054 warrants to purchase common shares at an exercise price of US\$0.45 per common share on or before November 1st, 2016. Mr. Quesnel, executive chairman of the Corporation, subscribed for eight Units, resulting in US\$2.0 Million in principal amount of Notes and Warrants to purchase 4,444,444 Common Shares. Mr. Quesnel does not exercise control or direction, directly or indirectly, over any Common Shares of the Company. In connection with the Offering, the Company will pay finders fees of \$45,304.46.

This initial closing was made in reference to the announcement made on July 4, 2013, regarding a private placement debt offering consisting of a minimum of ten and a maximum of sixty units consisting of senior notes and warrants, with estimated gross proceeds to the Company of a minimum of US\$2,500,000 and a maximum of US\$15,000,000. Each Unit consists of US\$250,000 in principal amount of 10% Secured Senior Notes (the "Notes") and common share purchase warrants (the "Warrants") to purchase up to 555,555 common shares of the Company.

#### **III. Appointment of Advisors**

On October 28, 2013, the Company announced the appointment of Mr. Shahal Khan and Mr. Malik Shah Baluch as strategic advisors to the Middle East. Mr. Shahal Khan has experience in the areas of mergers and acquisitions in the oil, gas, energy, telecommunications and software industries. Mr. Baluch is a leader in the Baloch tribes in the region.

On November 5, 2013, the Company announced the appointment of Mr. Nader Uskowi as senior political advisor to the Middle East. Mr. Uskowi Associates, a consultancy firm specialized on Iran, Afghanistan, Pakistan and the Persian Gulf. The role of Mr. Uskowi will be instrumental as the company examines potential assets in the region.

## **OUTLOOK**

Management will continue to manage its funds rigorously, its primary objective being to optimize return on investment for the Company's shareholders. The Company's development strategy is focused on the discovery of economically viable deposits that will generate profits from mining and ensure the Company's survival. In applying its development strategy, management will take into account the global exploration context, stock market trends and the prices of metals.

## **Other Information**

Additional information on the Corporation is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov) and on the Corporation's website at [www.coltresources.com](http://www.coltresources.com)

Colt Resources Inc.

Signed "*Nikolas Perrault*"

Nikolas Perrault  
Chief Executive Officer

Signed "*Aurelio Useche*"

Aurelio Useche  
Chief Financial Officer