(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2014 and 2013

Unaudited

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Condensed Interim Consolidated Financial Statements

September 30, 2014

General information

Directors

James Ladner

James Wayne Murton

Nikolas Perrault, Chief Executive Officer

Paul Yeou

Joe Tai

Other Officers

Shahab Jaffrey, Chief Financial Officer

David A. Johnson, Chief Legal Officer and Corporate Secretary

Auditors

Ernst & Young LLP

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[Canadian dollars]

	Sept. 30, 2014 $	December 31, 2013 $
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	**342,425**	2,263,613
Commodity taxes and other receivables *[note 5]*	**338,610**	1,020,041
Inventories	**2,483,719**	3,005,757
Prepaid expenses and deposits	**420,117**	536,288
	3,584,871	6,825,699
Non-current		
Property, plant and equipment *[note 6]*	**1,265,345**	1,986,393
Biological assets	**1,370,006**	1,362,499
Exploration and evaluation assets *[note 7]*	**32,210,499**	29,927,351
Goodwill	**785,539**	813,804
Investment in an associate *[note 8]*	**465,669**	—
Deposits	**564,203**	598,023
	40,246,132	41,513,769
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**155,606**	183,188
Accounts payable and accrued liabilities *[note 9]*	**911,842**	2,812,431
	1,067,448	2,995,619
Non-current		
Senior secured notes	**1,513,260**	1,211,355
Derivative financial liability - Warrants *[note 10]*	—	953,136
Deferred income taxes	**647,441**	617,300
Convertible preferred shares	**3,283,686**	3,261,481
Total liabilities	**6,511,835**	9,038,891
Shareholders' equity		
Share capital *[note 10]*	**61,181,617**	58,934,878
Warrants	**1,848,237**	1,063,238
Contributed surplus	**4,397,037**	4,522,611
Equity component of convertible preferred shares	**700,628**	700,628
Accumulated other comprehensive income	**1,165,794**	1,977,283
Accumulated deficit	**(35,559,016)**	(34,723,760)
Total shareholders' equity	**33,734,297**	32,474,878
	40,246,132	41,513,769

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

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

On behalf of the Board:

Director Director

Colt Resources Inc.

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

Three and nine months ended September 30 **Unaudited**

[Canadian dollars]

	Three months ended Sept. 30, 2014	Three months ended Sept. 30, 2013	Nine months ended Sept. 30, 2014	Nine months ended Sept. 30, 2013
	$	$	$	$
EXPENSES				
Administrative expenses *[note 12]*	**(738,891)**	(2,578,809)	**(2,732,724)**	(6,005,737)
Gain on disposal of property, plant and equipment	**—**	68	**—**	6,676
Depreciation *[note 6]*	**(41,672)**	(57,709)	**(146,618)**	(179,545)
Impairment of exploration and evaluation assets	**—**	(441,519)	**—**	(441,519)
Other income/(loss), net *[note 8]*	**573,153**	(27,622)	**3,026,538**	(53,234)
(Loss)/Income from operations	**(207,410)**	(3,105,591)	**147,196**	(6,673,359)
Interest income	**(208)**	977	**2,247**	18,772
Finance costs	**(178,885)**	(41,737)	**(497,284)**	(143,936)
Change in fair value of derivative financial liability - warrants *[note 10]*	**26,819**	—	**1,031,756**	—
Foreign exchange loss	**(259,925)**	(38,038)	**(130,475)**	(166,172)
Share of loss on investment in associate, net of gain on dilution *[note 8]*	**(644,550)**	—	**(1,342,332)**	—
Loss before income taxes	**(1,264,160)**	(3,184,389)	**(788,892)**	(6,964,695)
Income tax expense/(benefit)				
Current	**202**	103	**(5,385)**	10,058
Deferred	**574**	3,343	**51,749**	43,818
	776	3,446	**46,364**	53,876
Net loss for the period	**(1,264,935)**	(3,187,835)	**(835,256)**	(7,018,571)
Other comprehensive loss				
Other comprehensive income (loss) to be reclassified to profit or loss				
Foreign exchange (loss)/ gain on translation of foreign subsidiaries	**(957,846)**	366,422	**(811,489)**	1,347,595
Comprehensive loss for the period	**(2,222,781)**	(2,821,413)	**(1,646,745)**	(5,670,976)
Net loss per share				
Basic and fully diluted	**(0.01)**	(0.02)	**(0.01)**	(0.05)
Weighted average number of outstanding shares				
Basic and diluted	**167,662,422**	152,873,583	**162,587,588**	141,618,572

Going concern *[note 2]*

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

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

[Canadian dollars]

	Share capital $	Subscription receipts $	Warrants	Contributed surplus $	Equity component of preferred shares $	Accumulated other comprehensive income (loss) $	Deficit $	Total equity $
As at December 31, 2012	48,353,634	2,700,000	195,928	4,522,206	700,628	(677,721)	(24,492,430)	31,302,245
Net loss for the period	—	—	—	—	—	—	(7,018,571)	(7,018,571)
Other comprehensive income	—	—	—	—	—	1,347,595	—	1,347,595
Comprehensive loss for the period	—	—	—	—	—	1,347,595	(7,018,571)	(5,670,976)
Issuance of shares for warrants and options exercised *[note 10]*	208,909	—	—	(100,159)	—	—	—	108,750
Issuance of common shares, net of share issue costs *[note 10]*	7,590,132	(2,700,000)	1,040,525	—	—	—	—	5,930,657
Warrants expired	—	—	(195,928)	195,928	—	—	—	—
As at September 30, 2013	**56,152,675**	**—**	**1,040,525**	**4,617,975**	**700,628**	**669,874**	**(31,511,001)**	**31,670,676**
As at December 31, 2013	**58,934,878**	**—**	**1,063,238**	**4,522,611**	**700,628**	**1,977,283**	**(34,723,760)**	**32,474,878**
Net loss for the period	—	—	—	—	—	—	**(835,256)**	**(835,256)**
Other comprehensive loss	—	—	—	—	—	**(811,489)**	—	**(811,489)**
Comprehensive loss for the period	—	—	—	—	—	**(811,489)**	**(835,256)**	**(1,646,745)**
Issuance of warrants	—	—	**784,999**	—	—	—	—	**784,999**
Issuance of common shares	**2,246,739**	—	—	**(125,574)**	—	—	—	**2,121,165**
As at September 30, 2014	**61,181,617**	**—**	**1,848,237**	**4,397,037**	**700,628**	**1,165,794**	**(35,559,016)**	**33,734,297**

Going concern *[note 2]*

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

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended September 30 **Unaudited**
[Canadian dollars]

	Nine months ended Sept. 30	
	2014	**2013**
	$	**$**
OPERATING ACTIVITIES		
Net loss for the period	**(835,256)**	(7,018,571)
Items not impacting cash:		
Accretion expense *[note 10]*	**497,284**	129,777
Change in fair value of financial liability - warrants *[note 10]*	**(1,031,756)**	—
Depreciation *[note 6]*	**146,618**	179,545
Impairment of exploration and evaluation assets	—	441,519
Change in inventories to net realizable value	**58,859**	20,153
Impairment of trade receivables	—	6,624
Gain on disposal of property, plant and equipment	—	(6,676)
Change in fair value of biological assets	**(55,008)**	(30,131)
Share of loss of investment in associate	**1,342,332**	
Gain on partial disposal of investment in associate *[note 8]*	**(2,761,435)**	—
Deferred income taxes	**51,749**	43,818
Unrealized foreign exchange (gain)/loss	**89,619**	165,824
	(2,496,994)	(6,068,118)
Change in non-cash working capital	**627,276**	(1,126,538)
Net cash flows used in operating activities	**(1,869,718)**	(7,194,656)
INVESTING ACTIVITIES		
Increase in bank overdraft	**27,582**	—
Decrease in deposits	**33,820**	36,884
Additions to property, plant and equipment *[note 6]*	**(2,564)**	(330,347)
Proceeds on disposal of property, plant and equipment	—	27,850
Additions to exploration and evaluation assets *[note 7]*	**(2,283,148)**	(2,560,761)
Proceeds from partial disposal of investment in associate *[note 8]*	**1,716,219**	
Net cash flows used in investing activities	**(508,091)**	(2,826,374)
FINANCING ACTIVITIES		
Decrease in loan payable	—	(582,962)
Proceeds from issuance of senior note	**221,520**	—
Proceeds from issuance of common shares and warrants	—	6,039,408
Net cash flows from financing activities	**221,520**	5,456,446
Foreign exchange loss on cash and cash equivalents	**235,101**	118,753
Net decrease in cash and cash equivalents	**(1,921,188)**	(4,445,831)
Cash and cash equivalents, beginning of period	**2,263,613**	6,473,498
Cash and cash equivalents, end of period *[note 4]*	**342,425**	2,027,667

1. GENERAL INFORMATION

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

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

Colt Resources Inc. is incorporated in Canada and operates from its headquarters in Montreal, Canada and also through its wholly owned subsidiary ColtInvestco SGPS S.A. and its subsidiaries, Q.S.P.A. – Sociedade Vitícola Unipessoal Lda. ["QSPA"], Eurocolt Resources Unipessoal Lda. ["Eurocolt"], Aurmont Resources Unipessoal Lda. ["Aurmont"], and TungSPA Unipessoal Lda. ["TungSPA"]. These subsidiaries represent the interests of Colt Resources Inc. in Portugal. It also holds an equity interest in Colt Resources Middle East (Cayman) ("Colt Middle East"), a private company focused on acquiring near term production assets in the Greater Middle East region.

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

2. GOING CONCERN

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

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

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

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

The Company's current committed cash 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.

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

3. BASIS OF PREPARATION

Statement of compliance

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

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the consolidated financial statements for the year ended December 31, 2013 except for the accounting policy for Investment in Associate which the Company adopted during the period ended March 31, 2014 and disclosed in the condensed interim consolidated financial statements for the period ended March 31, 2014.

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

These condensed interim financial statements were approved by the Board of Directors on November 27, 2014.

Accounting Policies in effect January 1, 2014

IFRIC Interpretation 21 Levies (IFRIC 21)

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

[All amounts disclosed are in Canadian dollars unless otherwise stated]

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

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

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

4. CASH AND CASH EQUIVALENTS

	September 30, 2014	**December 31, 2013**
	$	$
Cash at bank	**342,425**	2,263,613

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

[All amounts disclosed are in Canadian dollars unless otherwise stated]

5. COMMODITY TAXES AND OTHER RECEIVABLES

	September 30, 2014	December 31, 2013
	$	$
Trade receivables	**316,501**	666,544
Commodity taxes receivable	**22,559**	335,593
Other receivables	**-**	17,904
	338,610	1,020,041

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

6. PROPERTY, PLANT AND EQUIPMENT

	Mining Equipment	Building	Machinery and equipment	Computer and office equipment	Leasehold improvement	Automobiles	Total
	$	$	$	$	$	$	$
Cost							
As of December 31, 2012	27,797	1,083,986	52,674	482,847	88,335	136,165	1,871,804
Additions		3,749	14,012	7,466		528,034	553,261
Disposal						(48,678)	(48,678)
Foreign currency translation adjustment	3,257	127,006	6,172	48,659	-	15,961	201,055
As at December 31, 2013	31,054	1,214,741	72,858	538,972	88,335	631,482	2,577,442
Additions	-	-	-	2,564	-	-	2,564
Disposal (note 8)						(528,034)	(528,034)
Foreign currency translation adjustment	(4,717)	(42,191)	(2,531)	(12,565)	-	(3,592)	(65,596)
As at September 30, 2014	**26,337**	**1,172,550**	**70,327**	**528,971**	**88,335**	**99,856**	**1,986,376**
Accumulated depreciation							
As of December 31, 2012	8,524	53,967	20,682	146,606	51,529	55,417	336,725
Charge for the year	4,601	42,308	19,096	120,719	29,445	20,926	237,095
Disposal						(26,132)	(26,132)
Foreign currency translation adjustment	1,323	9,311	3,772	20,978	-	7,977	43,361
As at December 31, 2013	14,448	105,586	43,550	288,303	80,974	58,188	591,049
Charge for the period	4,767	32,822	15,823	71,923	7,361	13,922	146,618
Disposal							-
Foreign currency translation adjustment	(2,743)	(3,666)	(1,512)	(6,340)	-	(2,375)	(16,636)
As at September 30, 2014	**16,472**	**134,742**	**57,861**	**353,886**	**88,335**	**69,735**	**721,031**
Net book value							
December 31, 2012	19,273	1,030,019	31,992	336,241	36,806	80,748	1,535,079
December 31, 2013	16,606	1,109,155	29,308	250,669	7,361	573,294	1,986,393
September 30, 2014	**9,865**	**1,037,808**	**12,466**	**175,085**	**-**	**30,121**	**1,265,345**

[All amounts disclosed are in Canadian dollars unless otherwise stated]

7. EXPLORATION AND EVALUATION ASSETS

	December 31, 2013 $	**Additions** $	**Foreign currency translation adjustments** $	**September 30, 2014**
Tabuaço	13,574,891	1,665,593	(1,273,952)	13,966,532
San Antonio (formerly Penedono)	2,912,614	-	-	2,912,614
Boa Fé	11,682,912	1,626,317	(60,989)	13,248,240
Montemor-o-Novo	1,491,881	256,322	(56,434)	1,691,769
Cedovim	55,575	23,723	(1,939)	77,359
Cercal	180,817	35,675	-	216,492
Borba	28,661	68,832	-	97,493
	29,927,351	**3,676,462**	**(1,393,314)**	**32,210,499**

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

Intangibles

Intangible assets are included in exploration and evaluation assets and amounted to $28,700,751 as at September 30, 2014 [December 31, 2013 – $26,293,371].

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Tangibles

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

	Land $	**Building** $	**Total** $
As of December 31, 2012	1,818,513	1,432,242	3,250,755
Additions	—	2,345	2,345
Foreign currency adjustment	213,070	167,810	380,880
As of December 31, 2013	2,031,583	1,602,397	3,633,980
Foreign currency translation adjustment	(69,452)	(54,780)	(124,232)
As of September 30, 2014	**1,962,131**	**1,547,617**	**3,509,748**

As of September 30, 2014, the Company is in compliance with its contractual obligations for all of its properties.

8. INVESTMENT IN AN ASSOCIATE

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

In June 2014, the Company disposed 4,444,444 common shares of its investment in Colt Middle East to its former executive chairman at C$0.225 per share for a total amount of approximately C$1,000,000. In September 2014, the Company disposed 5,324,372 common shares of Colt Middle East for total proceeds of C$716,219, including selling 3,000,000 Colt Middle East shares to its former executive Chairman. In addition, during the current quarter, the Company's shareholding was diluted due to additional shares issued by Colt Middle East. A dilution gain of C$ 276,139 has been recognized in these condensed interim consolidated financial statements. As a result of these transactions, the Company's share in Colt Middle East is at 13.59% as at September 30, 2014.

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

[All amounts disclosed are in Canadian dollars unless otherwise stated]

The following table illustrates the summarized financial information of Colt Middle East and the proportionate carrying amount of the Company's investment in Colt Middle East as at September 30, 2014

	30-Sep 2014
As at April 1, 2014	2,500,000
Share of loss	(1,618,471)
Gain on dilution of shareholding	276,139
Carrying amount of investment disposed off	(692,000)
As at Sep 30, 2014	**465,669**

Summarized financial information

Balance sheet		
		30-Sep 2014
Current assets		639,974
Non-current assets		2,920,284
Current liabilities		(131,573)
Non-current liabilities		
Equity		3,428,685
Proportion of the Company's ownership		13.58%
Carrying amount of investment at Sep 30, 2014		**465,669**

Income statement	
	Total
Expenses	(4,683,565)
Average proportion of the Company's ownership	34.56%
Company's share of loss for the period	**(1,618,471)**

[All amounts disclosed are in Canadian dollars unless otherwise stated]

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	September 30, 2014 $	**December 31, 2013** $
Trade payables & accrued liabilities	**628,062**	2,223,400
Employees and social institutions	**124,143**	241,295
Related parties	**75,083**	84,456
Other payables	**84,554**	263,280
	911,842	2,812,431

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

10. SHARE CAPITAL

Authorised

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

Issued and outstanding common shares

The common shares issued by the Company are shown in the following table during the period ended September 30, 2014:

	Number of shares	$
As of December 31, 2012	159,537,186	58,934,878
Issuance of common shares	29,140,756	10,472,980
Share issue costs		(299,009)
Issuance of shares for options exercised [ii]	825,000	407,273
As of December 31, 2013	159,537,186	58,934,878
Issuance of common shares [i] and [iii]	13,395,729	1,946,165
Issuance of shares for options exercised [ii]	700,000	300,574
As of September 30, 2014	**173,632,915**	**61,181,617**

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

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

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

ii. During the three months ended June 30, 2014, 700,00 options were exercised by the Chief Executive Officer of the Company.

iii. a) On August 7, 2014, 10,500,000 units at $0.21 per unit were issued to Spektra Drilling Canada Inc. ("Spektra") in respect of shares for debt agreement. Each unit consisted of one common share and share purchase warrant exercisable at a price of $0.26 during a period of 24 months from the date of closing. The fair value of the warrants amounted to $784,999. The fair value was recorded in share capital using the Black-Scholes option pricing model with the following assumptions: volatility – 82.48%, risk free interest rate – 1.09%, expected life of 2 years and expected dividend yield of nil%.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

b) During the current quarter, the Company issued 660,837 at a deemed price of $0.21 per share in respect of settlement of semi-annual interest to senior secured note holders.

c) During September 2014, the Company issued 1,736,039 shares at a deemed price of $0.14 per share in respect of shares of debt arrangement with certain suppliers and to settle the balance of debt owed to the Company's previous Chief Financial Officer.

Issued and outstanding warrants

A summary of the changes in the Company's share purchase warrants during the nine-month period ended September 30, 2014 is as follows:

	Number of warrants and exercisable	**Weighted average exercise prices** $	**Weighted average years to expiry**
As at December 31, 2012	1,226,000	$0.50	0.33
Issued (broker warrants for Senior Secured Notes)(US$0.45)	111,111	$0.48	
Issued	3,571,429	$0.45	
Issued [broker]	360,000	$0.45	
Expired	(1,226,000)	$0.50	
As at December 31, 2013	4,042,540	$0.45	3.66
Issued [i]	10,500,000	$0.26	
Expired	(360,000)	$0.45	
As at September 30, 2014	**14,182,540**		**3.91**

[i] represents warrants issued to Spektra. The fair value of the warrants as at September 30, 2014 was $784,998 calculated using Black Scholes option pricing model using the following assumptions:

Share price ($ per share)	$0.20
Expected risk free interest rate [%]	1.09%
Expected volatility [%]	82.5%
Expected life [in years]	2 years
Expected dividends [$]	Nil
Weighted average fair value per warrant (US$)	0.075

In addition, there were 5,555,550 warrants issued and outstanding as at September 30, 2014 with weighted average exercise price of US$0.45 per warrant and a weighted average years to expiry of 3.96 years

These warrants have been accounted for as derivative financial liability. The fair value of the warrants as at September 30, 2014 was $155,555 calculated using Black Scholes option pricing model using the following assumptions:

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Share price ($ per share)	$0.09
Expected risk free interest rate [%]	1.35%
Expected volatility [%]	85.6%
Expected life [in years]	3.96 years
Expected dividends [$]	Nil
Weighted average fair value per warrant (US$)	0.027

The change in fair value of $1,031,756 as well as accretion on warrants of $78,207 was recorded in the condensed interim consolidated statement of operations and comprehensive loss.

11. SHARE-BASED COMPENSATION

A summary of the changes in the Company's share option transactions during the nine -month period ended September 30, 2014 is as follows:

	Number of options	**Weighted average exercise price** $	**Weighted average years to expiry**
Outstanding and exercisable as at December 31, 2012	11,800,000	$0.46	2.59
Expired/Cancelled	(2,600,000)	$0.54	1.49
Exercised	(825,000)	$0.26	1.04
As at December 31, 2013	8,375,000	$0.46	1.51
Expired/Cancelled	(1,325,000)	$0.23	-
Issuance of shares for options exercise	(700,000)	$0.25	0.4
As at September 30, 2014	**6,350,000**	**$0.52**	**1.01**

The following table summarizes stock options outstanding and exercisable as of September 30, 2014:

Expiry Date	**Exercise price** $	**2014**
September 2, 2015	$0.27	2,450,000
November 8, 2015	$0.56	1,000,000
June 4, 2016	$0.73	2,250,000
July 3, 2016	$0.75	450,000
September 11, 2017	$0.55	200,000
Total options outstanding and exercisable		**6,350,000**

[All amounts disclosed are in Canadian dollars unless otherwise stated]

12. ADMINISTRATIVE EXPENSES BY NATURE

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2014	2013	**2014**	2013
Management fees	134,030	287,331	407,346	815,465
Professional and consulting fees	120,616	253,909	328,409	433,951
Salaries	55,678	153,074	433,997	521,999
	310,323	694,314	1,169,751	1,771,415
Investor relations and marketing	33,105	215,028	208,426	1,169,797
Property investigation	-	-	3,890	1,508
Legal expenses	83,129	237,263	165,399	462,926
Insurance	37,480	51,137	137,638	152,687
Listing and transfer agent fees	26,459	5,126	56,284	47,431
Rent	64,445	347,716	230,010	503,804
Office expenses	161,915	482,860	685,684	1,180,271
Other general and administrative expenses	22,035	545,365	75,640	715,898
General and administrative expenses	**738,891**	2,578,809	**2,732,724**	6,005,737

13. RELATED PARTY TRANSACTIONS

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

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

Following were the related party transactions for the quarter ended September 30, 2014 and 2013

Transactions with the Associate:

During the first quarter of 2014 the Company's associate, Colt Middle East issued 16,665,001 shares to the Company.

During the second quarter of 2014, the Company sold 4,444,444 of its shares in Colt Middle East to its former executive chairman.

During the third quarter, the Company sold 5,324,372 common shares of Colt Middle East including selling 3,000,000 Colt Middle East shares to its former executive Chairman.

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Transactions with Key Management Personnel:

Nine months ended September 30	**2014**	**2013**
	$	$
Management fees	407,346	901,912
Professional and consulting fees	108,000	95,842
Salaries	37,500	—
Short-term benefits	142,946	256,465
Director fees	24,900	76,721
	720,692	1,330,940

During the first quarter of 2014, the Company's former Executive Chairman, the Company's Chief Executive Officer and one of the independent directors subscribed for 10,000,000, 1,000,000, and 2,000,000 ordinary shares of Colt Middle East, respectively.

During the second quarter of 2014, the Company's former executive chairman acquired 4,444,444 shares of Colt Resources Middle East ("CRME") from the Company for $1,000,000 at $0.225 per share. The transaction was approved by the Company's board of directors and TSX-V.

During the third quarter of 2014, the Company's former executive chairman acquired 3,000,000 shares of CRME at $0.20 per share for $600,000.

As at September 30, 2014 $75,083 owed to related parties [December 31, 2013 – $417,308] is included in accounts payable and accrued liabilities.

14. SEGMENTED INFORMATION

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

Total Assets	**September 30, 2014**	**December 31, 2013**
	$	$
Canada	**1,100,140**	1,063,352
Portugal	**39,145,992**	38,183,937
Middle East	**-**	2,266,480
	40,246,132	41,513,769

[All amounts disclosed are in Canadian dollars unless otherwise stated]

Non-current Assets	**September 30, 2014**	**December 31, 2013**
	$	$
Canada	**671,444**	227,600
Portugal	**35,989,816**	33,932,435
Middle East	**-**	528,035
	36,661,260	34,688,070

15. COMMITMENTS

The Company's mining and exploration activities are subject to various federal, provincial and local laws and regulations governing the protection of the environment as well as obtaining permits necessary for the Company's operations. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes that it conducts its operations so as to protect public health and the environment, and its operations are materially in compliance with all applicable laws and regulations and therefore it will be granted the required permits. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

16. SUBSEQUENT EVENTS

There were no major subsequent events subsequent to September 30, 2014