COLT resources

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2015 and 2014

Unaudited

NOTICE TO READER

"In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not audited or reviewed the interim consolidated financial statements as at and for the three months ended March 31, 2015."

Colt Resources Inc.

Condensed Interim Consolidated

Financial Statements

March 31, 2015 – Unaudited

General information

Directors

Hans H. Hertell *(joined with effect from April 14, 2015)*

James Ladner

Joe Tai *(joined with effect from November 17, 2014)*

Nikolas Perrault

Paul Yeou

Sabri Karahan *(joined with effect from April 20, 2015)*

Wayne Murton *(resigned with effect from April 14, 2015)*

Other officers

David A. Johnson, Chief Legal Officer and Corporate Secretary

Shahab Jaffrey, Chief Financial Officer

Auditors

Ernst & Young LLP

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[Canadian dollars]

	March 31, 2015 $	December 31, 2014 $
ASSETS		
Current		
Cash *[note 6]*	**740,783**	159,873
Other receivables *[note 7]*	**585,584**	521,532
Inventories	**2,358,636**	2,428,972
Prepaid expenses and deposits	**425,731**	367,754
	4,110,734	3,478,131
Non-current		
Property, plant and equipment *[note 8]*	**1,156,585**	1,219,405
Biological assets	**431,192**	461,806
Exploration and evaluation assets *[note 9]*	**26,712,513**	26,286,184
Goodwill	**756,497**	779,542
Investment in an associate *[note 5]*	**381,540**	344,647
Deposits	**547,356**	558,401
	34,096,417	33,128,116
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**252,032**	322,874
Accounts payable and accrued liabilities *[note 10]*	**2,791,764**	2,526,234
Derivative financial liability - Warrants	**280,356**	—
	3,324,152	2,849,108
Non-current		
Senior secured notes	**1,629,182**	1,639,399
Deferred income taxes	**330,352**	370,933
Convertible preferred shares	**3,202,528**	3,264,520
Total liabilities	**8,486,214**	8,123,960
Shareholders' equity		
Share capital *[note 11]*	**62,688,036**	61,181,617
Warrants *[note 11]*	**2,337,077**	1,793,250
Contributed surplus	**4,452,025**	4,452,025
Equity component of convertible preferred shares	**700,628**	700,628
Accumulated other comprehensive income	**(123,987)**	379,973
Accumulated deficit	**(44,443,576)**	(43,503,337)
Total shareholders' equity	**25,610,203**	25,004,156
	34,096,417	33,128,116

Going concern *[note 2]*
Related party transactions *[note 14]*
Commitments *[note 16]*
Subsequent events *[note 17]*

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 LOSS

Quarter ended March, 31 [Canadian dollars]	Unaudited	
	2015 $	**2014** $
EXPENSES		
Administrative expenses *[note 13]*	**(707,279)**	(956,912)
Depreciation *[note 8]*	**(31,390)**	(57,517)
Other income net	**37,602**	1,831,988
(Loss) / income from operations	**(701,067)**	817,559
Interest income	**371**	410
Finance costs	**(75,175)**	(157,849)
Change in fair value of derivative financial liability - warrants	**(280,356)**	728,294
Foreign exchange gain/ (loss)	**48,759**	(163,038)
Change in Fair value of investment in associate, net *[note 5]*	**36,892**	—
(Loss)/ income before income taxes	**(970,576)**	1,225,376
Income tax (recovery)/expense		
Deferred	**(30,337)**	43,253
Net (loss) / income for the period	**(940,238)**	1,182,123
Other comprehensive loss		
Other comprehensive (loss)/ income to be reclassified to profit or loss		
Foreign exchange (loss)/ gain on translation of foreign subsidiaries	**(503,960)**	1,020,999
Comprehensive (loss)/ income for the period	**(1,444,199)**	2,203,122
Net (loss)/ income per share		
Basic and fully diluted	**(0.01)**	0.01
Weighted average number of outstanding shares		
Basic and diluted	**181,189,156**	159,614,785

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

Quarter ended March 31, 2015 **Unaudited**

[Canadian dollars]

	Share capital $	Warrants	Contributed surplus $	Equity component of preferred shares $	Accumulated other comprehensive income (loss)* $	Deficit $	Total equity $
As at December 31, 2013	58,934,878	1,063,238	4,522,611	700,628	1,977,283	(34,723,760)	32,474,878
Net income for the period	—	—	—	—	—	1,182,123	1,182,123
Other comprehensive income	—	—	—	—	1,020,999	—	1,020,999
Comprehensive loss for the period	—	—	—	—	1,020,999	1,182,123	2,203,122
Issuance of common shares, net of							—
share issue costs *[note 11]*	149,904	—	—	—	—	—	149,904
As at March 31, 2014	**59,084,782**	**1,063,238**	**4,522,611**	**700,628**	**2,998,282**	**(33,541,637)**	**34,827,904**
As at December 31, 2014	**61,181,617**	**1,793,250**	**4,452,025**	**700,628**	**379,973**	**(43,503,337)**	**25,004,156**
Net loss for the year	—	—	—	—	—	**(940,238)**	**(940,238)**
Other comprehensive income	—	—	—	—	**(503,960)**	—	**(503,960)**
Comprehensive loss for the year	—	—	—	—	**(503,960)**	**(940,238)**	**(1,444,199)**
Issuance of common shares, net of							
share issue costs *[note 11]*	**1,506,419**	—	—	—	—	—	**1,506,419**
Broker warrants issued *[note 11]*	—	**84,555**	—	—	—	—	**84,555**
Warrants issued *[note 11]*	—	**459,272**	—	—	—	—	**459,272**
As at March 31, 2015	**62,688,036**	**2,337,077**	**4,452,025**	**700,628**	**(123,987)**	**(44,443,576)**	**25,610,203**

Going concern *[note 2]*

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

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Quarter ended March, 31
[Canadian dollars]

	Unaudited	
	2015	**2014**
	$	**$**
OPERATING ACTIVITIES		
Net (loss)/ income for the period	**(940,238)**	1,182,123
Items not impacting cash:		
Accretion expense	**75,175**	157,849
Change in fair value of derivate financial liability - warrants *[note 11]*	**280,356**	(728,294)
Depreciation *[note 8]*	**31,390**	57,517
Write-down of inventories to net realizable value	**7,052**	38,806
Gain on issuance of shares by CRME *[note 5]*	**(89,656)**	—
Share of loss of an investment in associate *[note 5]*	**52,763**	—
Change in fair value of biological assets	**17,374**	(19,315)
Deferred income taxes	**(30,337)**	43,253
Unrealized foreign exchange (gain)/loss	**(47,081)**	173,402
	(643,202)	905,341
Change in non-cash working capital	**(111,142)**	239,139
Net cash flows from operating activities	**(754,344)**	1,144,480
INVESTMENT ACTIVITIES		
Increase in bank overdraft	**(70,842)**	151,807
Investment in an associate	—	(4,000,000)
Funds received from an associate	—	1,500,000
Increase in deposits	**11,045**	(8,219)
Additions to property, plant and equipment *[note 8]*	—	(2,564)
Additions to exploration and evaluation assets, net *[note 9]*	**(426,329)**	(380,190)
Net cash flows from investing activities	**(486,126)**	(2,739,167)
FINANCING ACTIVITIES		
Proceeds from Issuance of warrants	**459,272**	—
Proceeds from issuance of common shares, net of issuance cost *[note 11]*	**1,367,586**	149,905
Net cash flows from financing activities	**1,826,858**	149,905
Foreign exchange loss on cash	**(5,478)**	(13,296)
Net decrease in cash	**586,388**	(1,444,782)
Cash, beginning of period	**159,873**	2,263,613
Cash, end of period *[note 6]*	**740,783**	805,536

Going concern *[note 2]*

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

1. GENERAL INFORMATION

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

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

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

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

2. GOING CONCERN

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

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

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

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

The Company's current committed cash resource is insufficient to cover expected expenditures in fiscal 2015. 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

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"].

Basis of presentation

The consolidated financial statements comprise of the financial statements of the Company and its wholly owned subsidiaries.

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 5 and 6 of the consolidated financial statements for the year ended December 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, 2014.

The Board approved and authorised these condensed interim consolidated financial statements for issue on May 29, 2015.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of Colt Resources Inc. The functional currency of the Company's subsidiaries in Portugal is the Euro.

Basis of consolidation

The financial statements of the subsidiaries are prepared using the same reporting period and same accounting policies as the Company.

All intra-group balances, income and expenses and unrealized gains and losses, resulting from intra-group transactions are eliminated in full.

4. NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations listed below that are issued but not yet effective up to the date of issuance of the Company's consolidated financial statements, are those that the Company reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of adoption that IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements ("IAS 1") to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016, with earlier application permitted. The Company has not adopted the amendments to IAS 1 in its financial statements for the current period, but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements at the date of adoption.

IAS 41 Agriculture

In June 2014, the IASB published amendments that change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell.

The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company is currently assessing the impact of the amendments and plans to adopt the new standard on the required effective date.

5. INVESTMENT IN ASSOCIATE

During 2013, the Company incurred approximately $4,000,000 for its Middle Eastern initiatives. During March 2014, Colt Resources Middle East ("CRME"), 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, CRME reimbursed $1,500,000 to the Company in two instalments on February 19, 2014 and March 13, 2014 respectively. Additionally, the Company's interest in CRME was diluted and the Company received 16,665,001 common shares of CRME valued 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 at the end of March 31, 2014. As part of the dilution and the loss of control, the Company de-recognized assets which included transfer of cash of $1,735,000 and certain automobiles for $528,034 to CRME. The balance of $1,736,966 was accounted for as recovery of expenses in the consolidated statements of operations and comprehensive loss. The remaining interest in CRME was recorded at its fair value upon that date.

In June 2014, the Company disposed 4,444,444 common shares of its investment in CRME to its former executive chairman at C$0.225 per share for a total amount of approximately C$1,000,000. During September and October 2014, the Company disposed 5,056,352 common shares of CRME at an average of C$0.13 per share for total proceeds of C$647,615, including disposing 2,631,980 CRME shares to its former executive chairman. As a result of this transaction, the Company's share in CRME was reduced to 13.88% as at December 31, 2014.

CRME is a private entity that is not listed on any public exchange and is involved in exploration 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 as the Company has a significant influence having one out of five directors on the CRME board.

The following table illustrates the summarized financial information of CRME and the proportionate carrying amount of the Company's investment in CRME as at March 31, 2015 and December 31, 2014

Balance Sheet	**March 31, 2015** $	December 31, 2014 $
Current assets	**531,858**	379,834
Non-current assets	**3,157,454**	3,017,124
Current liabilities	**(173,468)**	(913,124)
Net assets	**2,983,986**	2,483,834
Proportion of the Company's ownership	**12.79%**	13.88%
Investment in associate	**381,540**	344,647

	2015 $	2014 $
As at Jan 1,	**344,647**	2,500,000
Share of losses (Note 22)	**(52,763)**	(1,769,350)
Effect of dilution of shareholding	**89,656**	295,352
Carrying amount of investment disposed	**-**	(681,355)
As at March 31, 2015 and December 31, 2014	**381,540**	344,647

Loss and Comprehensive Loss	**3 months Mar 2015** $	12 months Dec 2014 $
Expenses	**379,951**	5,788,413
Average proportion of the Company's ownership	**13.88%**	30.57%
Company's share of loss for the period	**52,763**	1,769,350

6. CASH AND BANK OVERDRAFT

	Mar 31, 2015	**December 31, 2014**
	$	$
Cash at banks	**740,783**	159,873

Cash at banks earn interest at floating rates based on daily bank deposit rates or prime rates.

7. OTHER RECEIVABLES

	Mar 31, 2015	December 31, 2014
	$	$
Trade receivables, net	**308,702**	418,466
Commodity taxes receivable	**266,670**	56,845
Other receivables	**10,212**	46,221
	585,584	521,532

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

8. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Building	Machinery & Equipment	Computer & Office Equip	Leasehold Improvement	Automobiles	Total
	$	$	$	$	$	$	$
Cost							
As at December 31, 2013	31,054	1,214,741	72,858	538,972	88,335	631,482	2,577,442
Additions	-	-	5,876	2,564	-	-	8,440
Disposal						(528,034)	(528,034)
Foreign currency translation adjustment	(4,049)	(51,143)	(3,681)	(11,510)	-	(3,085)	(73,468)
As at December 31, 2014	27,005	1,163,598	75,053	530,026	88,335	100,363	1,984,380
Additions	-	-	-	-	-	-	-
Disposal						-	-
Foreign currency translation adjustment	(1,904)	(34,399)	(2,219)	(17,061)	-	(4,630)	(60,213)
As at March 31, 2015	**25,101**	**1,129,199**	**72,834**	**512,965**	**88,335**	**95,733**	**1,924,167**
Accumulated depreciation							
As at December 31, 2013	14,448	105,586	43,550	288,303	80,974	58,188	591,049
Change for the year	276	44,522	23,532	117,887	7,361	1,208	194,786
Foreign currency translation adjustment	3,132	(5,538)	(3,102)	(27,606)		12,254	(20,860)
Disposal							-
As at December 31, 2014	17,856	144,570	63,980	378,584	88,335	71,650	764,975
Change for the period	3,835	2,793	610	18,105	-	6,048	31,390
Foreign currency translation adjustment	(8,682)	(7,067)	(2,500)	(13,430)		2,896	(28,782)
Disposal							-
As at March 31, 2015	**13,009**	**140,296**	**62,090**	**383,258**	**88,335**	**80,594**	**767,583**
Net book value							
December 31, 2014	9,149	1,019,028	11,073	151,442	(0)	28,713	1,219,405
As at March 31, 2015	**12,092**	**988,903**	**10,744**	**129,707**	**-**	**15,139**	**1,156,585**

9. EXPLORATION AND EVALUATION ASSETS

	December 31, 2014	Additions/ (Disposals) $	Foreign currency translation adjustments $	Impairment	March 31, 2015
Tabuaço	14,468,815	109,771	47,297	—	14,625,882
Santo António (formerly Penedono)	2,912,614	—	9,449	—	2,922,063
Boa Fé	8,904,755	51,809	29,058	—	8,985,622
Montemor-o-Novo	—	4,677	15	—	4,693
Cercal	—	151,253	491	—	151,744
Borba	—	22,436	73	—	22,509
	26,286,184	**339,946**	**86,383**	**—**	**26,712,513**

	December 31, 2013 $	Additions/ (Disposals) $	Foreign currency translation adjustments $	Impairment	December 31, 2014
Tabuaço	13,574,891	1,429,919	(535,995)	—	14,468,815
Santo António (formerly Penedono)	2,912,614	—	—	—	2,912,614
Boa Fé	11,682,912	1,717,158	(495,315)	(4,000,000)	8,904,755
Montemor-o-Novo	1,491,881	390,961	(62,775)	(1,820,067)	—
Cedovim	55,575	—	(30)	(55,545)	—
Cercal	180,817	43,724	(7,486)	(217,055)	—
Borba	28,661	80,663	(3,645)	(105,679)	—
	29,927,351	3,662,425	(1,105,246)	(6,198,346)	26,286,184

Intangibles

Intangible assets included in exploration for and evaluation assets amounted to $23,334,437 as at March 31, 2015 [December 31, 2014 – $22,805,201].

Tangibles

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

	Land	**Building**	**Total**
	$	$	$
As at December 31, 2013	2,031,583	1,602,397	3,633,980
Foreign currency translation adjustment	(85,533)	(67,464)	(152,997)
As at December 31, 2014	1,946,050	1,534,933	3,480,983
Foreign currency translation adjustment	(57,530)	(45,377)	(102,907)
As at March 31, 2015	**1,888,520**	**1,489,556**	**3,378,076**

10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	March 31, 2015	December 31, 2014
	$	$
Trade payables	**1,639,678**	968,531
Accrued liabilities	**1,065,228**	499,774
Employees and social institutions	**33,390**	115,820
Related parties	**-**	688,756
Other payables	**53,468**	253,353
	2,791,764	2,526,234

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

11. SHAREHOLDERS' EQUITY

Authorised

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

Issued and outstanding common shares

The common shares issued by the Company are shown in the following table during the year ended December 31, 2014 and 2013:

	Number of shares	$
As at December 31, 2013	159,537,186	58,934,878
Issuance of common shares [ii]	13,395,729	1,946,165
Issuance of shares for options exercised	700,000	300,574
As at December 31, 2014	**173,632,915**	**61,181,617**
Issuance of common shares [i]	**21,388,306**	**1,679,561**
Share issue costs	**-**	**(173,142)**
As at March 31, 2015	**195,021,221**	**62,688,036**

i. During the period ended March 31, 2015, the Company issued the following:

a. 1,388,306 common shares at $0.10 per share for an amount of $138,833 to pay semi-annual interest upto December 31, 2014 to the units holders of senior secured notes issued in 2014 and 2013.

b. During March 2015, the Company closed a private placement consisting of 20,000,000 units comprising of 20,000,000 common shares and 10,000,000 share purchase warrants ("Warrants") at $0.10 per share and $0.15 per warrant having expiry of 3 years for a total gross consideration of $2,000,000. The Company paid finder fees of $173,142 of which $88,587 was paid in cash and remaining as 885,200 broker warrants having expiry of 2 years and valued at $84,555.

For allocation of values between common shares and warrants, the relative fair value basis was used whereby the gross fair values of the common shares and the share warrants were separately calculated and based on the proportion of each, the respective values of common shares and warrants were then allocated. The relative fair value of common shares was calculated as $1,367,586 (net of finder fees) and $459,272 as relative fair value of warrants calculated using Black Scholes option pricing model on the following assumptions:.

Share price ($ per share)	$0.15
Expected risk free interest rate [%]	0.46%
Expected volatility [%]	112.32%
Expected life [in years]	3 years
Expected dividends [$]	Nil
Weighted average fair value per warrant	$0.105

ii. During the year ended December 31, 2014, the Company issued the following:

a. 130,660 common shares at $0.2988 per share for an amount of $39,041 to pay interest upto December 31, 2013 to the units holders of senior secured notes issued in 2013.

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

c. 700,000 options were exercised by the Chief Executive Officer of the Company. The options were exercised in two tranches, on May 13 and May 29, 2014 and share price on the date of exercise was $0.29 and $0.26 respectively.

d. 10,500,000 units at $0.21 per unit were issued to Spektra Drilling Canada Inc. ("Spektra") in respect of services. 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 August 6, 2014. The fair value of the warrants amounted to $785,000 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%. The residual amount of $1,417,647 was recorded as common shares.

e. 660,837 common shares at $0.21 per share in respect of payment for semi-annual interest to Senior Secured Notes for December 31, 2013 and June 30, 2014.

f. 1,736,039 common shares at $0.14 per share in respect of shares for debt transaction with certain suppliers and to settle the balance of debt owed to the Company's previous Chief Financial Officer.

Issued warrants

A summary of the changes in the Company's share purchase warrants during 2015 and 2014 is as follows:

	Number of warrants and exercisable	Weighted average exercise prices $	Weighted average years to expiry
As at December 31, 2013	4,042,540	$0.45	4.16
Issued	10,500,000	$0.26	4.56
Expired	(360,000)	$0.45	0.00
As at December 31, 2014	**14,182,540**	$0.35	**2.64**
Issued	10,000,000	$0.15	2.18
Issued [broker]	885,200	$0.15	1.16
Expired	-	-	
As at March 31, 2015	**25,067,740**	**$0.28**	**1.80**

In addition there were 5,999,994 warrants issued and outstanding as at March 31, 2014 [December 31. 2014: 5,999,994] with weighted average exercise price of $0.45 per warrant and a weighted average years to expiry of 3.84 [December 31, 2014: 3.92] years. These warrants have been accounted for as derivative financial liability. The fair value of the warrants as at March 31, 2015 was 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

The change in fair value of $ 280,356 [2014: $798,294] as well as accretion on warrants of Nil [2014:$25,694] was recorded in the condensed interim consolidated statement of operations and comprehensive loss.

12. SHARE-BASED COMPENSATION

A summary of the share option transactions during the year ended December 31, 2014 and 2013 is as follows:

	Number of options	**Weighted average exercise price** $	**Weighted average years to expiry**
Outstanding and exercisable as at December 31, 2013	8,375,000	$0.46	1.76
Granted	(2,100,000)	$0.29	0.44
Expired/Cancelled	(700,000)	$0.25	0.00
Outstanding and exercisable as at December 31, 2014	5,575,000	$0.50	1.07
Expired/Cancelled	375,000	$0.75	1.26
Exercised	-	-	-
Outstanding and exercisable as at March 31, 2015	**5,200,000**	**$0.48**	**0.79**

The following table summarizes stock options outstanding and exercisable as at March 31, 2015 and December 31, 2014:

Expiry Date	**Exercise price** $	**Number of Options** 2015	2014
September 2, 2015	$0.27	**2,425,000**	2,425,000
November 8, 2015	$0.56	**750,000**	750,000
June 4, 2016	$0.73	**1,750,000**	1,750,000
July 3, 2016	$0.75	**75,000**	450,000
September 11, 2017	$0.55	**200,000**	200,000
Total options outstanding and exercisable		**5,200,000**	5,575,000

13. ADMINISTRATIVE EXPENSES BY NATURE

	2015 $	**2014** $
Management fees and related costs	**91,612**	148,500
Professional and consulting fees	**187,304**	75,011
Salaries	**110,317**	221,109
	389,233	444,620
Investor relations and marketing	**18,825**	120,124
Legal expenses	**2,805**	14,861
Insurance	**26,118**	54,301
Office expenses	**178,271**	175,908
Listing and transfer agent fees	**31,517**	18,203
Rent	**37,629**	88,878
Other	**22,881**	40,017
Administrative expenses	**707,279**	956,912

14. RELATED PARTY TRANSACTIONS

In addition to the related party transactions described elsewhere, following were the related party transactions for the three months ended March 31, 2015 and 2014:

Quarter ended March 31	**2015** $	**2014** $
Management fees and related costs	**86,000**	148,500
Professional and consulting fees	**12,545**	36,000
Salaries	**-**	37,500
Short-term benefits	**38,080**	58,241
Director fees	**13,098**	16,500
	149,723	296,741

During Q1 2015, the Chief Executive and one of the Directors subscribed for 2,181,204 shares of the Company during the private placement the closed on February 26, 2015 and March 6, 2015.

As at March 31, 2015 $336,666 was owed to related parties [December 31, 2014, $688,756] and is included in accounts payable and accrued liabilities.

15. SEGMENTED INFORMATION

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

Total Assets	**March 31, 2015** $	**December 31, 2014** $
Canada	**1,194,987**	771,011
Portugal	**32,901,430**	32,357,105
	34,096,417	33,128,116
Non-current Assets		
Canada	**395,088**	545,565
Portugal	**29,590,595**	29,104,420
	29,985,683	29,649,985

16. 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.

17. SUBSEQUENT EVENTS

On April 10, 2015, the Company announced that it has agreed to issue 1,069,718 shares and 179,550 share purchase warrants to settle an aggregate of $0.13 million of debt, which is owing to various arm's length vendors and service providers pursuant to the provision of their services, at a weighted average deemed price of $0.12 per common share. Each share purchase warrant shall be exercisable at a price of $0.15 per share to acquire one common share of the Company for a period of 36 months from the closing date.

During the month of April 2015, the Company subscribed to 2,000,000 shares of Colt Resources Middle East Cayman ("CRME"), the Company's associate at a price of $0.20 per share for an investment of $0.4 million. As a result of this investment, the Company's share in CRME increased to 15.76%.

On May 19, 2015 the Company announced that it has entered into a settlement agreement with a former executive whereby, the Company has agreed to issue an aggregate of 1,866,354 common shares at a deemed price of $0.245 per common share to the former executive in payment of unpaid salary, as well as severance amounts.

During the month of May 2015, the Company entered into agreements with its existing senior secured note holders for conversion in shares of its senior secured debt in the aggregate principal amount of US$2.7 million in addition to the accrued interest of US$ 0.1 million at a deemed price of CAD $0.175 per Unit. Each Unit will be comprised of one common share and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to acquire for a period of three years one common share of the Company at a price of CAD $0.25 per common share. The securities issued to the Creditor will be subject to a four-month plus one day statutory resale restriction.