



An Exploration Stage Company

## **Management's Discussion & Analysis**

### **For the three month period ended June 30, 2011 and 2010**

The following discussion and analysis of the financial position and results of operations for Colt Resources Inc. (the "Company") should be read in conjunction with the Condensed Interim Consolidated Statements for the three month period ended June 30, 2011 (prepared by management in accordance with International Financial Reporting Standards) and the Audited Consolidated Financial Statements for the years ended March 31, 2011 and 2010 (prepared in accordance with Canadian Generally Accepted Accounting Principles)

The reader is encouraged to visit [www.sedar.com](http://www.sedar.com) for more information relating to the Company and its ongoing disclosures.

#### **FORWARD LOOKING STATEMENTS**

Certain of the information contained in this Management Discussion and Analysis (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.

## **OVERVIEW**

Incorporated in April of 2000, Colt Resources Inc. (the "Company") is a junior mining Exploration Company engaged in the acquisition, exploration and development of mineral property interests. The Company's mining properties are located in Portugal and Canada. All of the Company's properties are in the exploration stage and the Company only records income from interest earned from funds on deposits.

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the ticker symbol "GTP", OTCQX under the ticker symbol "COLTF" and the Frankfurt Stock Exchange under the ticker symbol POI. The Company is currently a reporting issuer in the Provinces of British Columbia, Alberta, Ontario and Quebec.

## **FIRST QUARTER HIGHLIGHTS**

The three months ended June 30, 2011 was marked by relative volatility in the financial markets and, in particular, the market for mineral commodities. Gold and tungsten prices, however, remained strong during the reporting period and this continued to provide a solid background for the development of the Company's focus projects and their positioning with the investment community. Financial uncertainty, nonetheless, remains relevant across the globe and management remains cautious in its outlook for the second half fiscal 2012.

During the reporting period, the company was successful in closing a public financing and a concurrent private placement. In addition, the company successfully received warrant conversions for all of the series expiring at the end of June 30, 2011. The proceeds of these activities netted \$17,550,841, which will be used to fund the Company's exploration programs and for working capital purposes.

In terms of the Company's operations, management focused on expanding the exploration program for its tungsten project (Tabuaço) in Northern Portugal. The Company also successfully negotiated contract terms and completed all the technical requirements with Portugal's Direcção Geral de Energia e Geologia ("DGE") necessary for the granting of both the Experimental Mining License (Boa Fe Project) and the much larger Montemor gold exploration concession which surrounds it in the Alentejo region of Southern Portugal. Both of these concessions are now pending final approval from Portugal Government authorities for fieldwork to begin.

## **PLAN OF OPERATIONS**

The Company's plan of operations for the first six months of the fiscal year for Portugal is to continue several exploration campaigns for gold, tungsten and base metals.

In northern Portugal, management intends to complete the initial NI43-101 resource estimate report for the Company's Tabuaço tungsten deposit located in the Armamar-Meda exploration concession. The Company will continue the exploration drilling campaign with the aim of increasing the size of the resource as well as to test nearby targets that have been identified through field mapping and sampling. Management has initiated the selection of an independent group to prepare an environmental impact study for the area. The Company also plans to drill several metallurgical and geotechnical drill holes. At San Antonio, in the Penedono gold concession, the Company will continue to test several of the veins known to host gold mineralisation. Additionally, also in the Company's northern concessions, management will continue its exploration activities and address several promising newly discovered gold and tungsten targets.

In southern Portugal, the Company anticipates receiving government permits to proceed with the planned exploration and development activities at the Montemor exploration concession and the Boa Fe experimental mining project.

Management plans to commence with an aggressive exploration program designed to test and confirm several known zones of gold mineralization located within a shear zone that is known to extend for over 30kms. The work will include drilling, trenching, mapping and geophysical surveys. Work performed by previous companies has provided Colt with an extensive database which management will use as a roadmap to assist in its exploration and development planning.

It is anticipated that the Company will undertake several environmental, engineering, metallurgical and geotechnical studies as part of its plan to develop these targets. At Santa Margarida do Sado, management plans to drill a series of deep holes to test for base metal mineralization that may be related to several gravity anomalies referred to in the Company's previously published NI43-101 report.

The company-wide exploration budget for the first six months is currently projected at approximately \$4.0 million, including \$2.5 million for the southern Portuguese projects and \$1.5m projected for its northern Portuguese projects, and may be re-evaluated at any time during the period. Corporate general and administrative overhead for the first six months is expected to be consistent with the previous six months at approximately \$1.9m.

In term of the Company's properties in Canada, management is currently reviewing these projects and their strategic relevance given Colt's expanding activities in Portugal and clear focus on more advanced stage projects in that region. The Company may acquire additional property interests during the first six months and will make budget provisions accordingly.

## **EXPLORATION HIGHLIGHTS**

The Company's diamond drilling and property evaluation/exploration programs are under the supervision of Jeff Volk, SRK Consulting USA, a qualified person as defined by NI 43-101 standards of disclosure for mineral projects.

During the fiscal year ended March 31, 2011, the Company commissioned Mr. Warner Gruenwald, P. Geo of Geoquest Consulting Ltd. to prepare for the Company a technical report compliant with NI 43-101 in respect to the Penedono Exploration Concession and the Armamar-Meda Exploration Concession. Mr. Warner Gruenwald is a qualified person as defined by NI 43-101 standards of disclosure for mineral projects, and is independent of the Company. These technical reports were completed on August 27, 2010 and September 6, 2010 respectively.

During the fiscal year ended March 31, 2011, the Company commissioned Mr. Jim Cuttle. P. Geo and SRK Consulting USA to prepare a technical report compliant with NI-43-101 standards of disclosure for mineral projects in respect to the Santa Margarida do Sado and the Montemor Gold Projects. These technical reports were completed on February 16 and March 7, 2011 respectively.

The Company's technical reports are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **1. Penedono Gold Concession**

The Penedono concession ("Penedono gold project" or the "Project") covers a total area of approximately 102 km<sup>2</sup> and is located in north central Portugal, a two hour drive from the coastal city of Porto or a four hour drive time from Lisbon, the capital city. The concession is surrounded by and contiguous with the Armamar-Meda and Moimenta-Almendra concessions.

During the reporting period the primary objective was to test for depth extensions of near surface mineralization at the Turgueira gold target. Seven drill holes were completed for a total of 415m drilled by the end of the period. In addition, field exploration including field mapping and channel sampling in surface trenches, was performed. Results indicated the existence of narrow mineralized veins in granite with erratic gold grades. Work was ongoing at the end of the period. Channel sampling was commenced

toward the end of the period at the San Antonio target across outcrops of veins close to those previously mined during roman times.

As at June 30, 2011, the Company had invested and capitalized \$2,238,289 (\$2,082,706 as at March 31, 2011) with respect to its Penedono Concession and Exploration License. This represents a total investment of \$155,583 over the reporting period (\$589,628 for the fiscal year ended March 31, 2011).

## **2. Armamar-Meda Tungsten Concession**

The Armamar-Meda concession ("Armamar-Meda" or the "Concession") covers approximately 218 km<sup>2</sup> and is located in north central Portugal; the area partially surrounds and is contiguous with the Penedono and Moimenta-Almendra concessions.

During the reporting period, the primary objective was to focus exploration on the Tabuaço tungsten deposit. A total of five drill holes were completed (using 2 drill rigs) for a total of 515m drilled by the end of the period. In addition, field exploration including field mapping and chip sampling of outcrops designed to identify additional mineralized outcrops was performed both locally and regionally. Results indicated the existence of tungsten bearing skarn horizons with the potential to host an economic deposit.

Given the very positive results, it was decided to increase the number of drill rigs to three so as to accelerate the exploration process and to provide sufficient data to support the preparation of an initial National Instrument 43-101 ("NI43-101") resource estimate later in the year. (See press releases dated May 9, 2011 and May 24, 2011)

As at June 30, 2011, the Company has invested and capitalized \$1,277,188 (\$1,075,907 as at March 31, 2011) with respect to its Armamar Meda Concession and Exploration License. This represents a total investment of \$201,281 over the reporting period (\$545,284 for the fiscal year ended March 31, 2011).

## **3. Moimenta-Almendra Concession**

Located in northern Portugal, approximately 100 km east of city of Porto, the Moimenta-Almendra concession ("Moimenta-Almendra" or the "Concession") consists of 3 separate blocks totaling 566 km<sup>2</sup> in area. These concession blocks partially surround the Penedono and Armamar-Meda concessions and are namely, from west to east, Moimenta block (98 km<sup>2</sup>), Castainço block (102 km<sup>2</sup>), and Almendra block (365 km<sup>2</sup>)

During the reporting period, the work performed at Moimenta-Almendra included surface mapping and limited sampling. Some skarn float was collected north of the Sobradais mine. Written permission was received from the DGEG to proceed with trenching and drilling in the Muchões Skarn Tungsten Belt. Ground checking was carried out over the coinciding Au-As-Bi anomaly in soils, in preparation for follow-up investigation by trenching over the Numão vein and greisen gold prospect. Abundant greisen float was found in the field. The ground conditions were difficult for trenching, due to steep slope and poor access.

Further geologic prospecting was carried out in the Freixo de Numão tungsten prospect area which contains abundant old artisanal small pits. Scheelite-mineralized skarns were found on outcrop, warranting further field work.

As at June 30, 2011, the Company has invested and capitalized \$241,317 (\$236,768 as at March 31, 2011). This represents a total investment of \$4,549 over the reporting period (\$95,505 for the fiscal year ended March 31, 2011).

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

The Santa Margarida do Sado concession ("Santa Margarida" or the "Concession") consists of 360 km<sup>2</sup> of prospective ground located in southern Portugal approximately 110 km by highway SSE of Lisbon. The concession extends from near the Atlantic coast in a SE direction for approximately 45 km. Situated near the center of the concession is the town of Grandola.

During the period, an update report regarding the soil geochemistry orientation survey carried out over the nearby Lagoa Salgada deposit was received. The best results were produced by Ultra trace 0-5 cm, Ultra trace 10-20 cm and Sodium pyrophosphate extractions. The ultra trace 0-5 cm methods identified anomalies for Au, Cu and Pb, ultra trace 10-20 cm identified anomalies for Cu and Zn, while the Sodium pyrophosphate identified anomalies for Bi, Co, Cd, Mo, Hg and Sb.

The results suggest that anomalies can be detected in soils above a blind massive sulphide body through more than 130 meters of cover. Mo, Co and Hg are relatively good indicators of blind mineralization and could be useful pathfinders.

As at June 30, 2011, the Company has invested and capitalized \$280,474 (\$171,145 as at March 31, 2011) with respect to its Santa Margarida do Sado Concession and Exploration License. This represents a total of \$ \$109,329 over the reporting period (\$137,828 for the fiscal year ended March 31, 2011).

#### **5. Montemor Gold Concession**

The Montemor (Boa Fe) gold project and larger Montemor regional gold exploration concession are located approximately 100 km east of the Lisbon, the capital city, near the towns of Montemor-o-Novo and Évora, in the Alentejo region of southern Portugal.

During the period, activity was focused on validation and analysis of the extensive database representing over 20 years of exploration work at Boa Fé and Montemor, which was provided at the time of the acquisition. The data formed the basis for the NI43-101 report prepared by SRK Consulting (U.S.) Inc. (see Press Release of March 7, 2011). Work included geological and structural analysis, 3D modeling of mineralization and statistical analysis of the data so as to optimize drilling, trenching and other exploration testing when fieldwork commences. Fieldwork was not performed during the period as the company was waiting for permits to be granted.

As at June 30, 2011, the Company has invested and capitalized \$513,577 with respect to the Montemor Gold Project acquisition (\$474,524 as at March 31, 2011).

### **CANADIAN PROPERTIES**

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

The Extra High property is underlain by a NW trending package of rocks termed the Rea Assemblage. From east to west, the package consists of limestone, overlain by mafic flows and pyroclastic rocks, overlain by felsic volcanic rocks, chert, and pyritic sediments (which host the massive sulphide mineralization), which is in turn overlain by turbidites, wackes and conglomerates. Three mineralized structures cross the Extra High property with a NW to SE orientation. These zones are, from west to east, the Rea Zone, Silver Zone, and Twin Mountain Zone.

As at June 30, 2011, the Company has invested and capitalized \$534,012 (\$534,012 as at March 31, 2011) with respect to its Extra High Property. There was no material investment in this property over the reporting period.

## **2. Gaspésie Mineral Property, Québec**

The Gaspésie properties are located within the Québec portion of the Appalachian Orogen, an ancient mountain chain that stretches along the eastern part of North America for approximately 2,500 km, from Alabama to the island of Newfoundland. This Orogen records a complex history of at least three major orogenies over 200 million years. The Québec portion of the Appalachian Orogen is comprised of largely parallel belts of sedimentary and, to a lesser extent, of metamorphic and magmatic rocks.

As at June 30, 2011, the Company has invested \$190,507 (\$190,507 as at March 31, 2011) with respect to its Gaspésie Mineral Property. There was no material investment in this property over the reporting period.

### **CORPORATE DEVELOPMENT ACTIVITIES (Acquisitions, Divestitures and Financings)**

#### **Subsequent to the close of the first quarter of 2012:**

##### **Acquisition of surface rights for tungsten project**

On August 24, 2011, the Company executed a purchase and sale agreement and has acquired 100% of the shares of Q.S.P.A, a Portuguese sole proprietorship limited company consisting of surface rights, an operational business and real estate in an arm's length transaction for a total acquisition cost of 10M Euros. The surface rights are the main asset and the intrinsic value of the transaction as it is essential to the Company's planned development of its tungsten mining project.

The operational business of Q.S.P.A. is a registered as an Oporto and Douro wine producer, trader, importer/exporter and bottler. Q.S.P.A was put up for sale about one year ago. The value of Q.S.P.A. is real estate consisting of land, buildings (the monastery, the winery and the cellar); valued independently for an aggregate of 4.5M Euros as well as inventories valued at 2.5M Euros. Q.S.P.A.'s unaudited statements as of May 31, 2011, show total assets of 12.7M Euros and total liabilities of approximately 8.9M Euros, of which 8.1M Euros is a shareholder loan and which Colt's wholly owned subsidiary will become the beneficiary.

The Company paid a combination of cash and shares for these assets. The cash component consists of 5M Euros of which 3M Euros have been paid on closing. The balance of 2M Euros will be paid, in two instalments of 1M Euros, on the first and second year anniversary of the acquisition. The Company has also issued 5M restricted common shares to the seller, with each 1M common shares to become freely tradable on the date of each anniversary of the date of closing for the next five consecutive years. The Company has also issued 5M zero dividends, convertible preferred shares to the seller. Each zero dividend, convertible preferred share has a par value €0.50, a five year term. The preferred shares are convertible at the option of the holder at any time during the five year term, in whole or in part, into common shares of Colt at €0.57 per share, resulting in a potential issuance of an additional 4,385,965 common shares. The convertible preferred shares are also redeemable by Colt at its option on thirty day notice at €0.50 per share, in whole or in part, at any time during the five year term. If converted into common shares, the shares will be subject to the same five year restrictions as the common shares issued as part of this transaction.

The Company received independent evaluations of the business from FundBox SGFII S.A., Mr. Hugo de Oliveira e Silva and Taxlibris Contabilidade e Consultoria, dated May 2011, July 18, 2011 and July 22, 2011 respectively.

**During the first quarter of 2012, the Company completed the following significant transactions:**

**Public financing and concurrent private Placement financings**

During the three months ended June 30, 2011 the Company completed a public offering (the "Offering") of 18,600,000 common shares of the Company (the "Common Shares") at a price of C\$0.72 per Common Share, for aggregate gross proceeds of C\$13,392,000. The Offering was completed by a syndicate of underwriters led by Canaccord Genuity Corp. and included Desjardins Securities Inc., Laurentian Bank Securities Inc. and D&D Securities Inc. (collectively, the "Underwriters").

Pursuant to the terms of the underwriting agreement dated April 13, 2011 entered into between the Company and the Underwriters, the Company paid the Underwriters a 6% cash commission and granted compensation options to the Underwriters entitling them to purchase that number of Common Shares as is equal to 8% of the aggregate number of Common Shares issued and sold under the Offering for a period of 18 months from the date of closing.

The Company also obtained subscriptions for an additional issuance and sale by way of a private placement of 4,402,000 Common Shares of the Company, at a price of C\$0.72 per Common Share, for aggregate gross proceeds of C\$3,169,440. In connection with this private placement, the Company paid certain finders a 6% cash commission and grant compensation options to such finders entitling them to purchase that number of Common Shares as is equal to 8% of the aggregate number of Common Shares issued and sold under the private placement for a period of 18 months from the date of closing.

The net proceeds of the Offering are for funding the ongoing exploration and development of the Company's Montemor and Tabuaço projects and for working capital purposes.

**Incentive Stock Options**

On December 10, 2010, the Board of Directors of the Company, including independent directors of the Company, unanimously approved amendments to the 2007 stock option plan of the Company (the "Stock Option Plan") in order to meet the listing requirements of the TSX Venture Exchange.

Such amendments included the change of the maximum number of common shares issuable under the Stock Option Plan from a variable number of Common Shares representing 20% of the total number of issued and outstanding common shares at any given time to a fixed number of 10,908,118 common shares, which represented approximately 20% of the then-issued and outstanding common shares.

On June 6, 2011, the Board of Directors of the Company, including independent directors of the Company, unanimously approved a further amendment to the Stock Option Plan in order to change the maximum number of common shares issuable under the Stock Option Plan from 10,908,118 common shares to 12,250,000 common shares, which represented 15% of the issued and outstanding common shares as of that date and currently represent less than 13% on an issued and outstanding basis due to subsequent warrant exercises and accounting for the shares issued for the previously discussed Q.S.P.A. acquisition.

During the three month period ended June 30, 2011 the Company issued 3,250,000 incentive stock options to management, directors and consultants. The options vested immediately and they have a strike price of \$0.73. The incentive stock options granted had term of five years, with an expiration date of June 4, 2016.

During the three month period ended June 30, 2011, the Company received option exercises totalling 220,000 shares with total proceeds of \$55,400 and an average weighted exercise price of \$0.25.



**Broker Warrants**

During the three month period ended June 30, 2011, the Company issued 1,799,360 broker warrants resulting from the public financing closed by the company during the month of May. The warrants have a strike price of \$0.72 and they expire on November 5, 2012.

During the three month period ended June 30, 2011, the Company received warrant exercises totalling 9,697,870 shares with total proceeds of \$2,500,175 and an average weighted exercise price of \$0.26.

**SUMMARIZED FINANCIAL RESULTS**

<b>For the Quarterly Periods ended:</b>	<b>June 30, 2011 Q1 (\$)</b>	<b>March 31, 2011 Q4 (\$)</b>	<b>December 31, 2010 Q3 (\$)</b>	<b>September 30, 2010 Q2 (\$)</b>
Total Revenues	0	0	0	0
Loss before other Items	(2,167,523)	(1,447,014)	(2,064,927)	(948,296)
Loss per common share before other items	(0.03)	(0.03)	(0.05)	(0.03)
Net loss for the period	(2,094,015)	(625,684)	(2,064,927)	(1,864,292)
Basic net loss per common share	(0.03)	(0.01)	(0.04)	(0.05)

<b>For the Quarterly Periods ended:</b>	<b>June 30, 2010 Q1 (\$)</b>	<b>March 31, 2010 Q4 (\$)</b>	<b>December 31, 2009 Q3 (\$)</b>	<b>September 30, 2009 Q2 (\$)</b>
Total Revenues	0	0	0	0
Loss before other Items	(459,293)	(464,829)	(316,311)	(172,540)
Loss per common share before other items	(0.01)	(0.015)	(0.015)	(0.02)
Net loss for the period	(439,438)	(486,326)	(316,209)	(172,134)
Basic net loss per common share	(0.01)	(0.015)	(0.015)	(0.01)



## **REVIEW OF FINANCIAL RESULTS**

### **Three month period ended June 30, 2011 compared to three months ended June 30, 2010**

For the three month period ended June 30, 2011, the Company reported a net and comprehensive loss of \$2,094,015 as compared to a net and comprehensive loss of \$427,096 for the comparable period last year. The increase in the Company's net and comprehensive loss was due primarily to the issue and recording of 3,250,000 incentive stock options, increased efforts to increase investor awareness, increase in salary expense, listing and legal costs related to the OTCQX and TSX-V listings and increased activities of the company's subsidiaries in Portugal.

Total stock-based compensation expenses for the reporting period were \$910,000 (\$0 for the comparable period last year).

Investor Relations and Marketing expenses increased to \$331,384 in 2011 from \$186,161 in the comparable period last year. The increase reflected additional and unusual expenses associated with preparing and promoting the company to successfully fund its exploration and operating activities and to increase investor awareness globally. The Investor Relations and Marketing expenses for the three month period ended June 30, 2011 included \$210,526 in IR Consulting, 85,091 in Management Cost Allocation and \$24,481 in Communications and Marketing. Subsequent to the reporting period, management began a review of its investor relations strategy and budget going forward.

Listing and legal expenses increased to \$90,646 and \$44,947 respectively in the three month period from \$21,872 and \$21,435 in 2010, reflecting increased expenses associated with listing and compliance on the OTCQX and TSX-V.

Capitalized exploration costs, reflected in the Company's Consolidated Balance Sheets, increased to \$5,275,364 (as at June 30, 2011) from \$4,765,569 (as at March 31, 2011), reflecting an increase in exploration activities predominantly in the Armamar-Meda (tungsten) and Montemor (gold) projects.

The Company reported a total weighted average number of common shares outstanding of 63,165,182. As a result, the Company reported a net and comprehensive loss per share of \$0.03 (\$0.02 diluted) for the period ended June 30, 2011 as compared to \$0.01 (\$0.01 diluted) in the comparable period last year.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2011, total assets were \$22,848,743 as compared to \$6,589,733 as at March 31, 2011. Mining interests increased by \$509,795 from \$4,765,569 to \$5,275,364. The increase represents the capitalization of all expenditures arising from mineral property exploration and development in Portugal.

During the three months ended June 30, 2011, cash increased from \$1,236,079 as at March 31, 2011 to \$16,655,703. This is primarily the result of the successful closing of a public offering and concurrent private placement totalling 23,002,000 shares issued at \$0.72 per share with net proceeds of \$15,050,666 and 9,917,870 shares for options and warrants exercises with net proceeds of \$2,500,175. During this period, the Company improved its working capital from 629,517 as at March 31, 2011 to \$16,655,703 as at June 30, 2011.

In the past, the Company was successful in financing its liquidity requirements through the issuance of equity and debt securities. Management believes the Company has sufficient liquidity to meet its operating obligations for the next 6 months. As the Company is currently incurring operating losses, additional capital will be required to continue exploration activities on the properties.

### Consolidated Statements of Cash Flows for the fiscal year ended March 31, 2011

#### *Operating Activities*

Cash flow used in operating activities amounted to \$1,670,487 in June 30, 2011 as compared to \$780,380 in June 30, 2010. The increase in cash used was primarily the result of increased net losses, trade payables and tax receivables during the reporting period.

#### *Financing Activities*

Cash provided by financing activities amounted to \$17,550,841 in June 30, 2011 as compared to \$1,395,106 in June 30, 2010. The amount provided by financing activities is primarily the result of equity raised for cash through a public offering and a private placement as well as warrant and options exercises during reporting period.

#### *Investing Activities*

Cash used in investing activities amounted to \$518,821 in June 30, 2011 as compared to \$268,586 in June 30, 2010. The increase is primarily the result of higher levels in capitalized mining expenditures on the Company's Portuguese properties, primarily its tungsten and gold assets.

At the end of the reporting period, the Company held approximately \$16,655,703 in cash and cash equivalents as compared to \$831,959 in the comparable period last year.

### Schedule of Contractual Obligations

In July 2010, the Company entered into an Agreement with Australian Iron Ore, via a Joint Venture, to become the operator and subsequently acquire the Montemor Gold Project located in southern Portugal. The terms of the agreement included an initial payment of €60,000 in order to become a 51% owner of the project.

Upon award of an experimental mining license to the joint venture, The Company is obligated to pay an additional €125,000 and to issue 3,000,000 common shares to be escrowed with gradual releases of 500,000 every four months over a 24-month period. Subsequent to this, Colt Resources will become 100% owner of the project.

The Company has an operating lease for office space located in 2000 McGill College, Montreal, Quebec, which ends on April 30, 2014. The future payments are as follows:

Expected future commitments as at:	June 30, 2011	March 31, 2011
Less than 1 year	79,884	79,884
Later than 1 year and less than 5 years	299,565	299,565
Later than 5 years	-	-

### RISK MANAGEMENT AND GOING CONCERN

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

## **RISK FACTORS**

The Company and the securities of the Company involve a high degree of risk, including those risk factors listed below, and should be considered a highly speculative investment. In addition to the other information contained herein, the following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

### ***Commodity Prices***

The price of the common shares of the Company, the Company's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of gold, tungsten or other minerals. Gold, tungsten or other mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of such commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold, tungsten or other mineral-producing countries throughout the world. The prices of gold, tungsten or other minerals have fluctuated widely in recent years, and future serious price declines could cause continued development of and commercial production from the Company's properties to be impracticable. Depending on the price of gold, tungsten or other minerals, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on gold, tungsten or other mineral prices that are adequate to make these properties economically viable.

In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Foreign Exchange Rate Fluctuations***

The Company maintains its accounts in Canadian dollars. The Company's current operations in Portugal render it subject to foreign currency fluctuations, which may materially affect its financial positions and results. For example, gold and tungsten are generally sold at prices stated in US dollars, while costs incurred are paid in the currency of the country in which the activities are undertaken (Portugal, in the case of the Penedono Concession and the Armamar-Meda Concession, the Company's two principal Properties). The Company does not currently plan to engage in currency hedging activities.

The most important exchange rate for the Company is currently the rate between the Canadian dollar and the Euro. While the Company is funding work in Portugal, the Company's results could be impaired if the Canadian dollar weakens relative to the Euro.

If the Company commences production on any of its Properties located in Portugal, a weak US dollar relative to the Canadian dollar and the Euro could also impair the Company's financial results since the smelters pay for concentrate in US dollars while the Company would report its financial results in Canadian dollars and the majority of costs would be paid in Euros.

### ***Future Sales of Common Shares by Existing Shareholders***

Sales of a large number of common shares of the Company in the public markets, or the potential for such sales, could decrease the trading price of the common shares of the Company and could impair the Company's ability to raise capital through future sales of its common shares. The Company has previously issued its common shares at an effective price per share which is lower than the effective market price of the common shares. Accordingly, a significant number of shareholders of the Company have an investment profit in the common shares that they may seek to liquidate.

### ***Operations/Environmental***

Environmental hazards may exist on the Company's Properties which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties, and the Company may be held liable for environmental problems discovered that were caused by former owners or operators, not only of its existing properties but of properties, if any, in which it previously held an interest.

### ***Mineral Reserves and Resources***

The mineral reserves and resources described in the Penedono Technical Report and the Armamar-Meda Technical Report are estimates only and no assurance can be given that inferred, indicated or measured mineral resources will be moved to higher confidence levels or that any additional proven or probable reserves will be discovered or that any particular level of recovery of minerals will in fact be realized or that identified mineral resources will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. In addition, the grade of mineral resources ultimately mined may differ from that indicated by drilling results and such differences could be material. Material changes in mineral resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. Estimated reserves may have to be recalculated based on actual production experience. Market price fluctuations of metals, as well as increased production costs may lead the Company to determine that it is not economically feasible to continue exploration and development activities at any of its Properties.

### ***Industry Conditions***

The exploration of mineral properties involves significant risks which even experience, knowledge and careful evaluation may not be able to avoid, and the Company's operations are subject to all such hazards and risks normally encountered in the exploration, development and production of gold, tungsten and other precious metals or minerals, including unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Further, there is no certainty that the expenditures made by the Company towards the search and evaluation of gold, tungsten or other precious metals or minerals will result in commercial quantities of gold, tungsten or other precious metals or minerals. The price of metals has fluctuated widely, particularly in recent years as it is affected by numerous factors which are beyond the Company's control including international economic and political trends, expectations of inflation or deflation, currency exchange fluctuations, interest rate fluctuations, global or regional consumptive patterns, speculative activities and increased production due to new extraction methods. The effect of these factors on the price of metals, and therefore the economic viability of the Company's interests in the mineral properties cannot be accurately predicted. Furthermore, changing conditions in the financial markets, and Canadian income tax legislation may have a direct impact on the Company's ability to raise funds for exploration expenditures. A drop in the availability of equity financings will likely impede spending. As a result of all these significant risks, it is quite possible that the Company may lose its investments in the Company's mineral property interests.

### ***Statutory and Regulatory Compliance***

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Furthermore, there can be no assurance that all permits which the Company may require for exploration, construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any mining project which the Company may undertake. As the Company's principal Properties are in Portugal, the Company and its subsidiaries will need to comply with the applicable laws, regulations and policies of such country and may face additional risks related to uncertain political and economic environments, changes in laws

or policies, foreign taxation, delays or the inability to obtain necessary governmental permits and increased financing costs. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company or its Portuguese subsidiaries may be required to compensate those suffering loss or damage by reason of its mineral exploration and mining activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

The Company is not currently covered by any form of environmental liability insurance. See "Insurance and Uninsured Risks", below.

Existing and possible future laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduced levels of production at producing properties or require abandonment or delays in development of new mining properties.

***The Company has a very limited history of operations, is in the early stage of development and has received no significant revenues.***

The Company has a very limited history of operations, is in the early stage of development and has received no revenues to date, other than insignificant interest revenues. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to obtain adequate financing in the future or, if available, that the terms of such financing will be favourable. The Company has not paid dividends in the past and has no intentions of paying dividends for some time in the future.

***Title to Properties***

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, including the receipt of title opinions in respect of its principal properties, no assurance whatsoever can be given that there are no title defects affecting such properties or that the Company's interests may not be challenged or impugned by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect thereto.

The Company's Properties located in Portugal are subject to concessions granted by the Government of Portugal. Even if all of the Company's obligations under the concession agreements have been fulfilled, there are no guarantees that the Company's concessions will be renewed since renewal is subject to the discretion of the Portuguese Government. In addition, if the Company fails to comply with its technical and/or financial commitments under the concession agreements by specific dates as defined thereunder, the Company may be forced to return the Portuguese Properties to the Government of Portugal. Furthermore, the concession agreements may be terminated by the Government of Portugal for a number of reasons including, but not limited to, the Company's inability to comply with its obligations.

Early termination or non-renewal of any of the concession agreements, for any reason, would have a material adverse effect on the Company's business, results of operations and financial condition, as well as on the market price of the Common Shares. See "General Development of the Business – Three-Year History – Agreements Related to the Properties" and "General Development of the Business – Other Material Events and Recent Developments" for a description of the terms and conditions of the concession agreements on the Portuguese Properties.

### ***Competition***

The mining industry is competitive in all its phases. The Company competes with major mining companies and other natural resource companies in the acquisition, exploration, financing and development of new properties and projects. Many of these companies are more experienced, larger and better capitalized than the Company. The competitive position of the Company depends upon its ability to obtain sufficient funding and to explore, acquire and develop new and existing mineral-resource properties or projects in a successful and economic manner. Some of the factors which allow producers to remain competitive in the market over the long term are the quality and size of an ore body, cost of production and operation generally, and proximity to market. The Company also competes with other mining companies for skilled geologists and other technical personnel. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all and consequently the Company's revenues, operations and financial condition could be materially adversely affected.

### ***Political***

The Company operates in Portugal. The Company does not regard the nature of this country as a deterrent to operations. The Company does not currently maintain political risk insurance.

### ***Insurance and Uninsured Risks***

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### ***Infrastructure***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

***The Company's common shares may be subject to further dilution.***

There are a number of outstanding securities and agreements pursuant to which the common shares of the Company may be issued in the future which, when exercised or converted, as the case may be, may result in further dilution to the Company's shareholders. The increase in the number of issued and outstanding common shares of the Company and the possibility of sales of such shares in the future may have a depressive effect on the trading price of the common shares of the Company. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be reduced.

***Dependence on Qualified Personnel***

The success of the Company is dependent to a significant degree on the contributions of qualified personnel and the Company's success will depend in a large part upon its ability to attract and retain highly skilled personnel. Competition in the mining exploration industry for qualified individuals is intense, and the Company may not be successful in attracting and/or retaining qualified personnel. The incapacity for the Company to do so may seriously harm its business and operations.

***Dependence on Key Personnel***

The Company is dependent on the services of certain key officers and employees. The experience of these individuals will be a factor contributing to the Company's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on the business and operations of the Company.

***Conflicts of Interest***

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with applicable laws.

**CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING ANNOUNCEMENTS**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010 or later periods. The standards impacted that are applicable to the Company are as follows:

- a) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard.
- b) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact of this standard.
- c) IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual period beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and

obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company is currently assessing the impact of this standard.

- d) IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.
- e) IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 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. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

## **OTHER MATERIAL EVENTS AND HIGHLIGHTS**

The Company is presently not a party to any proceedings.

## **TRENDS**

During the three month period ended June 30, 2011 the financial markets experienced substantial upward pressure on the prices of Gold and Tungsten. Subsequent to the reporting period the market experienced a correction in the prices of gold and other minerals. While there is some market evidence to support the ongoing strength of the markets for commodities, management remains optimistic but conservative in its outlook.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

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

In February 2008, the Accounting Standards Board of Canada (AcSB) confirmed that Canadian publicly accountable enterprises would be required to apply International Financial Reporting Standards (IFRS), replacing Canadian GAAP for the interim and annual financial reporting of the fiscal years commencing on or after January 1, 2011. As such, the consolidated financial statements for the year ended March 31, 2011 are the last set of Canadian GAAP consolidated financial statements to be prepared by the Company. As of the first quarter of fiscal year 2012, the Company's consolidated financial statements will be prepared in accordance with IFRS and will include the comparative figures of 2010 as well as an opening consolidated balance sheet dated April 1, 2010 (the transition date) prepared in accordance with IFRS.

The Condensed Consolidated Interim Financial Statements and MD&A for the three month period ended June 30, 2011 represent the Company's first disclosure under IFRS. Accordingly, the Company has provided a reconciliation of previously disclosed comparative period financial statements prepared in accordance with Canadian GAAP to IFRS.

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## **SUBSEQUENT EVENTS**

Subsequent to June 30, 2011:

In August 2011 the company completed the acquisition of key surface rights for its Tungsten project in Portugal. The details of the transaction are found on page 6 of this Management and Discussion Analysis and on note 22 of the Condensed Interim Consolidated Financial Statements for the three month period ended June 30, 2011.

In September 2011, the Company confirmed its continuance from a British Columbia Provincial to a Canadian Federal Incorporation.

## **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.