



## **Condensed Interim Consolidated Financial Statements**

*September 30, 2011*

### **NOTICE OF NO AUDITOR REVIEW**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited condensed interim financial statements have been prepared by management and the Company's independent auditors have not performed a review of these financial statements.

# COLT RESOURCES INC.

## Condensed Interim Consolidated Statement of Financial Position

(unaudited)

(Canadian dollars)	Note	September 30, 2011 \$	March 31, 2011 (Note 24) \$	April 1, 2010 (Note 24) \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	9,795,185	1,236,079	484,445
Sales taxes receivable		266,563	146,895	21,429
Accounts receivable		86,800	-	-
Inventories	22	3,938,004	-	-
Prepaid expenses		424,918	127,149	40,098
		<u>14,511,471</u>	<u>1,510,123</u>	<u>545,972</u>
<b>Non-current assets</b>				
Property, plant and equipment	8	5,216,813	190,003	6,144
Work in progress		1,388,961	-	-
Exploration and evaluation assets	9	6,451,661	4,765,569	2,867,390
Performance bonds		126,000	124,038	123,300
Intangible assets	22	2,731,713	-	-
		<u>15,915,148</u>	<u>5,079,610</u>	<u>2,996,834</u>
<b>Total Assets</b>		<u><b>30,426,620</b></u>	<u>6,589,733</u>	<u>3,542,806</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	10	563,603	797,594	414,622
Due to related parties	17	80,978	83,012	49,670
Convertible debentures	11	-	-	283,380
		<u>644,581</u>	<u>880,606</u>	<u>747,672</u>
<b>Non-current liabilities</b>				
Loan payable	22	2,640,260	-	-
Convertible preferred shares	22	2,809,240	-	-
		<u>6,094,081</u>	<u>-</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	13	33,458,319	12,225,115	5,601,043
Contributed surplus		3,672,300	2,631,351	824,596
Equity portion of convertible preferred shares	22	690,760	-	-
Equity portion of convertible debenture	11	-	-	85,662
Accumulated other comprehensive loss		(187,718)		
Deficit		(13,301,122)	(9,147,339)	(3,716,167)
		<u>24,332,539</u>	<u>5,709,127</u>	<u>2,795,134</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u><b>30,426,620</b></u>	<u>6,589,733</u>	<u>3,542,806</u>
<b>Going concern</b>	2			
<b>Related party transactions</b>	17			
<b>Commitments</b>	21			
<b>Subsequent events</b>	23			

The accompanying notes are an integral part of these condensed interim consolidated financial statements. The condensed interim consolidated financial statements were approved by the Board on November 29, 2011 and were signed on its behalf.

Director \_\_\_\_\_

Director \_\_\_\_\_

# COLT RESOURCES INC.

## Condensed Interim Consolidated Statement of Comprehensive Loss

(unaudited)

	Notes	Three months ended September 30,		Six months ended September 30,	
		2011	2010	2011	2010
(Canadian dollars)		\$	\$	\$	\$
<b>Revenue</b>		<b>35,484</b>	-	<b>35,484</b>	-
Directors' compensation		(130,949)	(208,367)	(1,040,949)	(208,367)
Consulting		(167,727)	(121,478)	(332,989)	(251,229)
Salaries		(594,164)	(91,733)	(800,587)	(117,378)
Investor relations and marketing		(539,973)	(364,219)	(1,054,558)	(550,381)
Accounting and audit		(12,532)	(36,407)	(78,645)	(39,557)
Rent		(68,456)	(7,897)	(113,055)	(16,378)
Office		(196,958)	(21,693)	(246,480)	(44,844)
Property investigation		(37,520)	-	(69,213)	-
Listing and transfer agent fees		(45,172)	(31,176)	(135,818)	(53,048)
Filing fees		(9,513)	(5,178)	(14,040)	(6,028)
Bank charges		(4,925)	(2,597)	(9,900)	(4,035)
Insurance		(22,114)	(5,292)	(40,253)	(6,815)
Legal		(309,698)	(53,177)	(354,645)	(74,612)
Depreciation expense	8	(63,359)	918	(79,451)	(8,197)
<b>Loss from operations</b>		<b>(2,167,576)</b>	(948,296)	<b>(4,335,099)</b>	(1,380,869)
Interest income		31,961	-	32,082	-
Interest expense		(81)	-	(81)	(14,378)
Net foreign exchange gain (loss)		84,191	32,300	157,578	52,156
<b>Loss before income tax</b>		<b>(2,051,505)</b>	(915,996)	<b>(4,145,520)</b>	(1,343,091)
Future income tax recovery (expense)		(4,825)	-	(4,825)	-
<b>Net loss after tax</b>		<b>(2,056,330)</b>	(915,996)	<b>(4,150,345)</b>	(1,343,091)
<b>Other comprehensive loss</b>					
Foreign exchange loss on translation of foreign operations		(187,718)	-	(187,718)	-
<b>Total comprehensive loss</b>		<b>(2,244,048)</b>	(915,996)	<b>(4,338,063)</b>	(1,343,091)
<b>Earnings per share</b>	18				
Basic		(0.02)	(0.03)	(0.05)	(0.04)
Diluted		(0.02)	(0.03)	(0.05)	(0.04)

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

## COLT RESOURCES INC.

### Condensed Interim Consolidated Statement of Changes in Equity

(unaudited)

(Canadian dollars)	Note	Share capital \$	Equity portion convertible debt \$	Equity portion conv. preferred	Contributed surplus \$	Accumulated other comprehensive loss	Deficit \$	Total Equity \$
As at April 1, 2010		5,601,043	85,662	-	824,596	-	(3,716,167)	2,795,134
Common shares issued for cash	13	2,636,662				-		2,636,662
Common shares issued for settlement of liabilities	13	278,496	(85,662)	-	85,662	-	-	278,496
Finder Warrants		-	-	-	208,367	-	-	208,367
Warrants and options exercised	13	136,200	-	-	-	-	-	136,200
Total comprehensive loss for the period		-	-	-	-	-	(1,343,091)	(1,343,091)
<b>As at September 30, 2010</b>		<b>8,652,401</b>	<b>-</b>	<b>-</b>	<b>1,118,625</b>	<b>-</b>	<b>(5,059,258)</b>	<b>4,711,768</b>
As at March 31, 2011		12,225,115	-	-	2,631,351	-	(9,147,339)	5,709,127
Common shares issued for cash	13	15,050,666	-	-	-	-	-	15,050,666
Warrants and options exercised	13	3,229,043	-	-	-	-	-	3,229,043
Share based payments	14	2,953,495	-	690,760	1,040,949	-	-	4,685,204
Net loss for the period		-	-	-	-	-	(4,150,345)	(4,150,345)
Other comprehensive loss		-	-	-	-	(187,718)	-	-
<b>As at September 30, 2011</b>		<b>33,458,319</b>	<b>-</b>	<b>690,760</b>	<b>3,672,300</b>	<b>(187,718)</b>	<b>(13,301,122)</b>	<b>24,332,539</b>

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

**COLT RESOURCES INC.****Condensed Interim Consolidated Statement of Cash flows**

(unaudited)

	Note	Six months ended	
		September 30,	
(Canadian dollars)		2011	2010
		\$	\$
<b>Cash provided by (used for) the following activities</b>			
<b>Operating activities</b>			
Total comprehensive loss		(4,338,063)	(1,343,091)
Add (deduct):			
Accrued interest, accretion and financing fees		-	14,378
Depreciation	8	79,451	8,197
Share-based payment expense	14	1,040,949	208,367
Unrealised foreign exchange on non-cash item		68,129	(64,498)
		<u>(3,149,535)</u>	<u>(1,164,305)</u>
Change in non-cash working capital			
Change in sales taxes receivable		(105,559)	(36,614)
Change in taxes receivable		-	(20,772)
Change in accounts receivable		(64,722)	-
Change in prepaid expenses		(181,186)	(401,148)
Change in trade and other payables		(219,718)	14,185
Change in due to related parties		(2,034)	34,064
Change in convertible debenture		-	(271,038)
		<u>(3,722,753)</u>	<u>(1,845,628)</u>
<b>Investment activities</b>			
Additions to equipment	8	(169,996)	(7,083)
Purchase of financial assets	22	(4,200,000)	-
Additions to exploration and evaluation assets	9	(1,686,092)	(635,528)
<b>Cash used in investing activities</b>		<u>(6,056,089)</u>	<u>(642,611)</u>
<b>Financing activities</b>			
Issuance of common shares, net of issuance cost		18,279,709	3,057,418
<b>Cash from financing activities</b>		<u>18,279,709</u>	<u>3,057,418</u>
Net foreign exchange effect on cash and cash equivalents		58,239	7,132
Increase in cash and cash equivalents		8,559,106	576,311
Cash and cash equivalents, beginning of period		1,236,079	484,445
<b>Cash and cash equivalents, end of period</b>	7	<u>9,795,185</u>	<u>1,060,756</u>

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

# **COLT RESOURCES INC.**

## **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### **1. General information**

Colt Resources Inc. (the "Company") is a publicly traded junior mining exploration company engaged in the acquisition, exploration and development of mineral property interests in Portugal and Canada.

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

The Company is a reporting issuer in the provinces of Alberta, British Columbia, Ontario and Quebec. On March 1, 2007, the Company's common shares were approved for listing and commenced trading on the Canadian National Stock Exchange ("CNSX") under the ticker symbol "GTP". During fiscal 2009, the Company listed on the Open Market Segment of the Frankfurt Stock Exchange under the ticker symbol "P01". On August 31, 2010 the company listed its shares on the OTCQX (Ticker: COLTF). On February 8, 2011 the Company listed its shares on the TSX Venture Exchange (Ticker: GTP) and delisted from the CSNX.

The Company operates from its headquarters in Montreal, Canada and also through two wholly-owned subsidiaries: Eurocolt Resources Unipessoal Lda. ("Eurocolt") and Aurmont Resources ("Aurmont"). These subsidiaries represent the interest of Colt Resources Inc. in Portugal. The address of the registered office is 2000 McGill College, suite 2010, Montreal, Quebec H3A 3H3

The Company is in the exploration stage with regards to its mineral assets.

### **2. Going concern**

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation.

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or ultimate disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The Company's ability to continue as a going concern is further dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. Management believes that the Company has the ability to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year as they fall due, and to fund cash payments for planned exploration programs. There can be no assurances that management will be successful in securing adequate financing.

The Company reported net losses for the fiscal periods ended September 30, 2011 and 2010. These recurring losses and the need for continued financing to further successful exploration raise concern about the risks associated with the Company's business and as a going concern.

These condensed interim consolidated financial statements do not include any adjustments to the classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 3. Basis of preparation

#### Statement of compliance

The condensed interim consolidated financial statements for the period ended June 30, 2011 have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements are the Company's second financial statements prepared under IFRS as part of the period covered by the company's first annual financial statements to be prepared under IFRS for the period ended March 31, 2012. The Company adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date to IFRS of April 1, 2010. Consequently the comparative figures for 2010 and the Company's statement of financial position as at April 1, 2010 have been restated from accounting principles generally accepted in Canada ("Canadian GAAP") to comply with IFRS.

The reconciliations to IFRS from the previous Canadian GAAP financial statements are summarized in Note 24. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used they are explained in Note 24.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2011 annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and in consideration of the IFRS transition disclosures included in note 24.

#### Basis of measurement

These condensed interim consolidated financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention.

#### Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 5.

#### Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### 4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these condensed interim consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### A) Basis of Consolidation

##### Subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved where the entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the condensed interim consolidated statement of comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### A) Basis of Consolidation (continued)

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the condensed interim consolidated financial statements.

#### Jointly controlled operations and jointly controlled assets

A portion of the Company's exploration activities are conducted jointly with others, and accordingly, the condensed interim consolidated financial statements reflect only the Company's proportionate interest in such activities.

#### Business Acquisitions

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5. Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

# **COLT RESOURCES INC.**

## **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### **A) Basis of Consolidation (continued)**

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### **B) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and guarantee deposits with maturities of less than 91 days at the date of acquisition. Guarantee deposits included in cash and cash equivalents are highly liquid, can be converted to a known amount of cash at any time and are held at major financial institutions.

### **C) Foreign currency translation**

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of comprehensive loss.

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive loss.

Assets and liabilities of foreign operations with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. All other foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### D) Non-derivative financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

#### Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in profit or loss. Assets in this category include cash and cash equivalents.

#### Held to maturity

Held to maturity financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest income recognized on an effective yield basis. Assets in this category include performance bonds.

### D) Non-derivative financial instruments (continued)

#### Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include accounts receivable and sales taxes receivable.

#### Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Any gains or losses arising from the realization of other financial liabilities are included in the statement of comprehensive loss. Liabilities in this category include trade and other payables and due to related parties.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets and financial liabilities are initially measured at fair value.

### E) Compound financial instruments

Compound financial instruments issued by the Company consist of convertible preferred shares that can be converted into common shares of the Company. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### F) Exploration and evaluation assets

General exploration and evaluation (“E&E”) expenditures relating to mineral property interests incurred prior to acquiring the legal right to explore are charged to the consolidated statement of comprehensive loss as incurred.

E&E expenditures relating to mineral property interests incurred subsequent to acquisition of the legal right to explore, including license and property acquisition costs, geological and geophysical expenditures and directly attributable expenditure made with respect to maintaining on site administration of exploration projects, are initially capitalized as E&E assets. E&E assets are not depleted and are moved into property, plant and equipment when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management. Upon transfer to property, plant and equipment, E&E assets are assessed for impairment in addition to regular impairment reviews to ensure they are not carried at amounts above their estimated recoverable values.

E&E assets are assessed for impairment on a property-by-property level when there are indicators of impairment. The Company considers the following to be indicators of impairment:

- (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and,
- (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

### G) Property, plant and equipment

Equipment is carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

	<b>Method</b>	<b>Rate</b>
Computer and office equipment	Declining balance	30%
Automobiles	Declining balance	30%
Mining equipment	Declining balance	20%
Leasehold improvements	Straight-line	Lease term

### H) Impairment

#### Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its long lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU’s, or otherwise they are allocated to the smallest group of CGU’s for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is

# **COLT RESOURCES INC.**

## **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### **H) Impairment (continued)**

estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in comprehensive loss.

### **I) Share-based compensation**

The Company operates an equity-settled compensation plan under which it receives services from employees, directors and consultants as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### **J) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the expense relating to any provision is presented in the consolidated statement of comprehensive loss net of the reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of comprehensive loss

### **K) Flow-through shares**

Expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reversed when tax benefits are renounced and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the liability recognized on issuance.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### L) Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

#### Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases.

### L) Taxes (continued)

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

### M) Finance expenses

Finance expenses comprise interest expense on borrowings, accretion of provisions and any impairment losses recognized on financial assets.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in the consolidated statement of comprehensive loss using the effective interest method.

## **COLT RESOURCES INC.**

### **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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#### **N) Earnings per share (“EPS”)**

Basic EPS is calculated by dividing profit or loss attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options, warrants and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options and warrants are considered anti-dilutive when the Company is in a loss position

#### **O) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. All operating segments’ operating results are reviewed regularly by the Company’s President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 5. Critical judgments and accounting estimates

The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the interim consolidated financial statements are:

#### Useful lives of equipment

The Company estimates the useful lives of equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

#### Share-based payment transaction

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

#### Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

#### Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 6. Recent accounting pronouncements

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.
- f) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in order comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual period beginning on or after July 1, 2012. The Corporation is currently assessing the impact of this standard.
- g) IAS 12 - Income Taxes ("IAS 12") was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Corporation is currently assessing the impact of this standard.

# **COLT RESOURCES INC.**

## **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### **I) Recent accounting pronouncements (continued)**

- h) IAS 27 replaced the existing IAS 27 “Consolidated and Separate Financial Statements”. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Corporation is currently assessing the impact of this standard.
  
- i) IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Corporation is currently assessing the impact of this standard.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 7. Cash and cash equivalents

	September 30, 2011 \$	March 31, 2011 \$	April 1, 2010 \$
Cash at banks and on hand	2,739,473	1,179,708	484,445
Guarantee deposits	7,055,712	56,371	-
	<b>9,795,185</b>	<b>1,236,079</b>	<b>484,445</b>

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

### 8. Property, plant and Equipment

	Mining equipment \$	Land, building and machinery	Computer and office equipment \$	Leasehold improvements \$	Automobiles \$	Total \$
<b>Cost</b>						
At April 1, 2010	5,823	-	1,790	-	-	7,613
Additions	-	-	55,700	88,970	55,399	200,069
At March 31, 2011	5,832	-	57,490	88,970	55,399	207,682
Additions Acquired in business combinations	-	-	169,966	-	-	169,966
		4,892,398				4,892,398
<b>At September 30, 2011</b>	<b>5,823</b>	<b>4,892,398</b>	<b>227,456</b>	<b>88,970</b>	<b>55,399</b>	<b>5,270,046</b>
<b>Accumulated depreciation</b>						
At April 1, 2010	1,469	-	-	-	-	1,469
Charge for the year	871	-	7,029	-	8,310	16,210
At March 31, 2011	2,340	-	7,029	-	8,310	17,679
Charge for the period	582	-	10,165	15,358	1,721	79,451
<b>At September 30, 2011</b>	<b>2,922</b>	<b>-</b>	<b>17,194</b>	<b>15,358</b>	<b>10,031</b>	<b>28,972</b>
<b>Net book value</b>						
April 1, 2010	4,354	-	1,790	-	-	6,144
March 31, 2011	3,483	-	50,461	88,970	47,089	190,003
<b>September 30, 2011</b>	<b>2,901</b>	<b>4,892,398</b>	<b>210,262</b>	<b>73,612</b>	<b>45,368</b>	<b>5,216,813</b>

No impairment write-down was required as at September 30, 2011 and March 31, 2011.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 9. Exploration and evaluation assets

	Extra High (note 6f)	Gaspésie Properties (Note 9g)	Penedono Gold (Note 9a)	Armamar Meda (Note 9b)	Moimenta Almendra (Note 9c)	Santa Margarida (Note 9d)	Montemor Gold (Note 9e)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
At April 1, 2010	533,110	135,999	1,493,078	530,623	141,263	33,317	-	2,867,390
Exploration and evaluation expenditure	902	54,508	589,628	545,284	95,505	137,828	-	1,423,655
Acquisition of mineral property interests	-	-	-	-	-	-	474,524	474,524
At March 31, 2011	534,012	190,507	2,082,706	1,075,907	236,768	171,145	474,524	4,765,569
Exploration and evaluation expenditure	-	-	291,268	929,848	23,923	139,301	301,751	1,686,092
<b>At September 30, 2011</b>	<b>534,012</b>	<b>190,507</b>	<b>2,373,975</b>	<b>2,005,755</b>	<b>260,691</b>	<b>310,447</b>	<b>776,275</b>	<b>6,451,661</b>
<b>Net book value</b>								
April 1, 2010	533,110	135,999	1,493,078	530,623	141,263	33,317	-	2,867,390
March 31, 2011	534,012	190,507	2,082,706	1,075,907	236,768	171,145	474,524	4,765,569
<b>September 30, 2011</b>	<b>534,012</b>	<b>190,507</b>	<b>2,373,975</b>	<b>2,005,755</b>	<b>260,691</b>	<b>310,447</b>	<b>776,275</b>	<b>6,451,661</b>

#### PORTUGUESE MINING INTERESTS

##### a) Penedono Property (GOLD)

The Company holds a 100% interest of the Penedono property which has an area of 102.47 km<sup>2</sup>. Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

On March 20, 2007, the Company entered into a binding letter of intent, and a Definitive Agreement was executed on May 7, 2007, with Rio Narcea Gold Mines S.A. Sucursal Em Portugal ("Rio Narcea"), whereby Rio Narcea agreed to assign all of the rights, benefits and obligations of Rio Narcea covered under the exploration contract dated October 29, 2004 between the Government of Portugal and Rio Narcea in respect to the Penedono Gold Property (the "Penedono Exploration License").

As part of the transaction, The Company requested that the Government of Portugal amended the terms and conditions of the original exploration concession. The amendments requested included a onetime, three year Extended Term, beginning on October 29, 2009 and ending on October 28, 2012 so as to allow The Company the opportunity of adequately exploring the property. This has been granted.

Upon the Government of Portugal approving the Company's requested amendments to the terms and conditions of the Penedono Exploration License, and upon approving its assignment to The Company, Rio Narcea and The Company closed the transaction contemplated in the Definitive Agreement. As consideration for the Assignment, The Company has issued to Rio Narcea, as fully paid and non-assessable, 200,000 restricted common shares of the Company on the closing date of the transaction. Of these 200,000 restricted common shares, 50,000 common shares became tradable effective on each December 29, 2007, March 29, 2008, June 29, 2008 and September 29, 2008.

In respect to this transaction, as a finder's fee, The Company has issued to a director and officer of the Company, who at the time was a Consultant of the Company, 20,000 fully paid and non-assessable common shares of the Company.

##### **Contractual Obligations**

The one time Extended Term of the Penedono Exploration License is for a period of three years (which started October 29, 2009 and will end on October 28, 2012).

During the Extended Term, The Company is required to incur prospecting and exploration expenditures of not less than €500,000 during the first and second year of the Extended Term and exploration expenditures of not less than €250,000 during the third year of the Extended Term.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 9. Exploration and evaluation assets (continued)

The original property area is 102.47 km<sup>2</sup>. The Company will be required to relinquish 50% of the area covered by the Exploration License (51.24 km<sup>2</sup>) (51.25 relinquished) at the end of the second year of the Extended Term (October 28, 2011).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €50 per sq. km, of ground covered by its license.

Upon the completion of the Extended Term, The Company may apply for an Exploitation License, which if granted, shall have a term of 30 years and which may be extended by the approval of the Portuguese Government, for a period not to exceed 20 years.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then The Company shall be obligated, to pay a Net Smelter Return Royalty on production at NSR rates ranging from 2% to 4% depending on the price of gold to the Portuguese Government.

#### b) Armamar-Meda Property (TUNGSTEN)

The company holds a 100% interest of the Armamar-Meda property which has an area of 218.40 km<sup>2</sup>. Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

On December 10, 2007, the Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby the Company has been granted the exclusive right to prospect and explore for base, precious and strategic metals on the property, which is partially contiguous with the Company's Penedono and Moimenta Almendra Exploration Concessions.

On January 22, 2008, the Company lodged a bank guarantee in favor of the Government of Portugal, as a performance bond, for the amount of €20,000 in respect to the Armamar-Meda Concession and Exploration License.

#### **Contractual Obligations**

The Initial Term of the Armamar Meda Exploration License was for a period of three years (which started December 10, 2007 and ended December 9, 2010). The Initial Term may be extended twice on an annual basis. The first Extended Term began on December 10, 2010 and will end on December 9, 2011. The second Extended Term will begin on December 10, 2011 and will end on December 9, 2012.

During the Initial Term, The Company was obligated to incur prospecting and exploration expenditures of not less than €25,000 by December 9, 2008, €50,000 by December 9, 2009 and €75,000 by December 9, 2010. During the first Extended Term, The Company is required to incur prospecting and exploration expenditures of not less than €100,000 and will be required to incur prospecting and exploration expenditures of not less than €100,000 during the second Extended Term.

The original property area was 436.81 km<sup>2</sup>. Upon expiry of the Initial Term, The Company was required to relinquish 50% of the area covered by the Exploration License (218.40 km<sup>2</sup>). This first relinquished area was requested by The Company, through the submission of a new application, with the Cedovim name (see item G below). At the end of the first Extended Term, The Company will be required to relinquish a further 50% of the area covered by the Exploration License (109.20 km<sup>2</sup>).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €35 per sq. km. of ground covered by its license.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 9. Exploration and evaluation assets (continued)

Upon the completion of the Initial and Extended Terms, The Company may apply for an Exploitation License, which if granted, shall have a term of 30 years and which may be extended with the approval of the Portuguese Government, for a period not exceeding 20 years.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then The Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% of the net income derived from its mining activities (I think it is 10% of the company's net profit) or, alternatively, pay a Net Smelter Return Royalty on production at NSR rates ranging from 1% to 4% depending on the price of gold. For other metals half of these amounts shall be considered, with gold as a reference..

On granting of an Exploitation License The Company will be obligated to pay €100,000 as a commercial discovery bonus to the Government of Portugal, provided that production from the mining activities is determined to exceed 1,000,000 ounces of gold or of gold equivalent during the life of the mining activities.

#### c) Moimenta-Almendra Property (TUNGSTEN and GOLD)

The Company holds a 100% interest of the Moimenta-Almendra property which is comprised of three separate blocks totaling 566.58 km<sup>2</sup> in area, namely from West to East: Moimenta block (98.00km<sup>2</sup>), Castainço block (102.72 km<sup>2</sup>), Almendra block (365.86 km<sup>2</sup>). Located in north central Portugal, the property is approximately 5 hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

On October 1, 2008, The Company entered into a prospecting and exploration license agreement with the Government of Portugal (the "Moimenta Almendra License") whereby The Company has been granted the exclusive right to prospect and explore the Moimenta Almendra property which is partially contiguous to the Penedono and Armamar-Meda Exploration concessions.

The Company has lodged a bank guarantee, in favor of the Government of Portugal, as a performance bond, for the amount of €10,000, in respect to the Moimenta Almendra Concession and Exploration License.

#### **Contractual Obligations**

The Initial Term of the Moimenta Almendra Exploration License is for a period three years (which started October 1, 2008 and will end on September 30, 2011). The Initial Term may be extended twice on an annual basis. The first Extended Term will begin on October 1, 2011 and will end on September 30, 2012. The second Extended Term will begin on October 1, 2012 and will end on September 30, 2013.

During the Initial Term, The Company was obligated to incur prospecting and exploration expenditures of not less than €25,000 by September 30, 2009, €50,000 by September 30, 2010 and €75,000 by September 30, 2011. During the first Extended Term, The Company will be required to incur prospecting and exploration expenditures of not less than €100,000 and will be required to incur prospecting and exploration expenditures of not less than €100,000 during the second Extended Term.

The original property area is 566.58 km<sup>2</sup>. Upon expiry of the Initial Term, The Company will be required to relinquish 50% of the area covered by the Exploration License (283.43 km<sup>2</sup>). (283.43 was relinquish) At the end of the first Extended Term, The Company will be required to relinquish a further 50% of the area covered by the Exploration License (141.65 km<sup>2</sup>).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €25 per sq. km, of ground covered by its license.

Upon the completion of the Initial and Extended Terms, The Company may apply for an Exploitation License, which if granted, shall have a term of 30 years and which may be extended with the approval of the Portuguese Government, for a period not exceeding 20 years.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 9. Exploration and evaluation assets (continued)

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then The Company shall be obligated, at the Portuguese Government's sole discretion, either to pay 10% of the net income derived from its mining activities (I think it is 10% of the company's net profit) or, alternatively, pay a Net Smelter Return Royalty on production at NSR rates ranging from 1% to 4% depending on the price of gold. For other metals half of these amounts shall be considered, with gold as a reference..

#### d) Santa Margarida do Sado Property (Volcanic Massive Sulphide)

The company holds a 100% interest of the Santa Margarida do Sado property which has an area of 180.17 km<sup>2</sup>. Located in south western Portugal, the property is approximately two hours driving time from Lisbon. Roads provide ready access throughout the property. Infrastructure and local resources are excellent.

The property includes prospective ground situated on the north-western extension of the Iberian Pyrite Belt, where the favourable basement geology is concealed under Tertiary cover sediments of the Lower Sado Basin. The IPB extends for more than 250 km from southern Spain through southern Portugal and is the host for numerous volcanogenic massive sulphide deposits in both countries, including several giant deposits with >100 Mt total geologic resources, such as Rio Tinto and Tharsis in Spain, and Aljustrel and Neves-Corvo in Portugal.

On September 17, 2009 The Company entered into a prospecting and exploration license agreement with the Government of Portugal (the "Santa Margarida do Sado License") whereby The Company has been granted the exclusive right to prospect and explore the Santa Margarida do Sado Property in Portugal's Iberian Pyrite Belt.

On November 30, 2009 the Company lodged a bank guarantee in favor of the Government of Portugal, as a performance bond, for the amount of €10,000 in respect to this Concession and Exploration License.

#### **Contractual Obligations**

The Initial Term of the Santa Margarida do Sado Exploration License is for a period of two years (which started September 17, 2009 and ended on September 16, 2011). The Initial Term may be extended twice on an annual basis. The first Extended Term began on September 17, 2011 and will end on September 16, 2012. The second Extended Term will begin on September 17, 2012 and will end on September 16, 2013.

During the Initial Term, The Company was obligated to incur prospecting and exploration expenditures of not less than €100,000 by September 16, 2010 and to incur prospecting and exploration expenditures of not less than €300,000 by September 16, 2011. During the first Extended Term, The Company will be required to incur prospecting and exploration expenditures of not less than €500,000 and will be required to incur prospecting and exploration expenditures of not less than €500,000 during the second Extended Term.

The original property area was 360.46 km<sup>2</sup>. Upon expiry of the Initial Term, The Company was required to relinquish 50% of the area covered by the Exploration License (180.23 km<sup>2</sup>). At the end of the first Extended Term, The Company will be required to relinquish a further 50% of the area covered by the Exploration License (90.12 km<sup>2</sup>).

The Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €35 per sq. km. of ground covered by its license.

Upon the completion of the Initial and Extended Terms, The Company may apply for an Exploitation License, which if granted, shall have a term of 45 years and which may be extended with the approval of the Portuguese Government, for a period not exceeding 30 years.

Upon the granting of an Exploitation License, and in the event that mining activities are to take place, then The Company shall be obligated, at the discretion of the Government of Portugal, either to pay up to 10% of

## **COLT RESOURCES INC.**

### **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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#### **9. Exploration and evaluation assets (continued)**

the net profit derived from its mining activities (I think it is 10% of the company's net profit) or, alternatively pay a 3% Net Smelter Return Royalty on production.

The Company will be obligated to pay the Government of Portugal, €200,000, on granting of an Exploitation License, €150,000, one year after commercial production has been established and €150,000, two years after commercial production has been established.

##### **e) Montemor Gold Property**

On January 28, 2009, Iberian Resources Portugal Recursos Minerais Unipessoal Lda (Iberian) a Portuguese subsidiary of Australian Iron Ore PLC (AIOC), submitted to the Direcção-Geral de Energia e Geologia (DGEG) a request for an Experimental Mining License covering the Montemor gold project.

On July 30, 2010, an agreement was formed between the Company and AIOC that states that upon DGEG approval, the Company will pay AIOC €60,000 and become 51% owner and operator of the project. The Company has since paid AIOC the initial €60,000 and the DGEG has approved the Company's 51% beneficial ownership of the project. Upon award of the Experimental Mining License to the Company-AIOC joint venture by the DGEG, the Company will pay AIOC €125,000, issue to AIOC 3,000,000 common shares of the Company, and the Company will become 100% owner of the Montemor gold project. The common shares of the Company to be issued will be escrowed with gradual release of 500,000 shares every four (4) months over a twenty-four (24) month period from the date of granting of the experimental mining license.

Although the transaction has been approved, the 100% ownership is subject to the approval of the experimental mining license by the DGEG, a division of the Portuguese Ministry of Economy, Innovation and Development. Upon approval by the DGEG, The Company will become the 100% owner of the Montemor (Boa Fé) experimental mining license. The Company has also applied for a large exploration concession surrounding the Boa Fé license area, and approval is expected by end of summer 2011.

#### **CANADIAN MINING INTERESTS**

##### **f) Extra High Mineral Property (GOLD, ZINC AND LEAD)**

The company holds a 67% interest on the Extra High property, which is located 60 km north from Kamloops B.C., Canada. Access to the property is by good gravel logging roads to the 1,450 meter elevation.

On January 23, 2008, The Company entered into an Option Agreement with Kokomo Inc., whereby The Company had the right and option to acquire, in two separate equal tranches, Kokomo's 67% undivided interest in the Extra High Property. Pursuant to the Option Agreement, The Company exercised the first tranche of the option by making a cash payment of \$250,000 to Kokomo and acquired a 33% undivided interest in the Property. As a result of exercising the first tranche of the option, The Company holds a 67% undivided interest in the Property and has become the operator of the Property.

##### **Contractual Obligations**

Each party shall contribute its proportionate share of the property expenditures. Should any party's interest be diluted to less than a 10% undivided interest in the Property, then its interest will forever be converted to a 0.5% NSR royalty.

## COLT RESOURCES INC.

### Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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## 9. Exploration and evaluation assets (continued)

### g) Gaspésie Properties (Various Minerals)

On December 15, 2008 the Company entered into an Agreement with Diagnos, a publicly traded company to acquire a 100% interest in four mineral properties (the "Gaspésie properties") located in the Gaspésie Region of the Province of Quebec (the "Gaspésie Agreement"). The terms of the proposed acquisition include the acquisition of the mineral claims on the four properties for \$35,150 and incurring exploration expenditures in the amount \$214,850. This total debt was to be settled by a payment of \$62,500 in cash and \$187,500 in restricted common shares of the Company at a deemed value of \$0.25 per share for 750,000 common shares, on or before March 27, 2009. During the year ended March 31, 2009, the Company issued 750,000 common shares to Diagnos valued at their quoted market value on the date of issue of \$90,000 or \$0.12 per common share which resulted in a reduction of mineral property acquisition and exploration costs of \$97,500.

The Gaspésie Agreement was amended by letter dated March 26, 2009, whereby the due date of the payment of \$62,500 in cash was extended to May 15, 2009 and further amended by letter dated May 15, 2009 whereby the Company issued 416,667 common shares (issued) to Diagnos at a deemed value of \$0.15 per share for the Gaspésie properties and is obligated to pay Diagnos \$27,662 in cash. Additionally, Diagnos will retain a 2% NSR to a maximum of \$1,000,000 at any time within the first five years of an economic discovery.

On August 2010, The Company amended the terms of the concessions and reduced the required minimum of exploration expenditures from \$450,000 to \$200,000 by August 31, 2010. The company committed to an initial exploration program of \$52,000, which was paid in September 2010.

Out of an initial 185 claims under the original agreement, the company released 82 and added 21 new ones for a total now of 124 claims.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 9. Exploration and evaluation assets (continued)

#### REALIZATION OF ASSETS

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

#### TITLE

Although the Company has taken steps to verify the title to mineral properties for which it has a right to acquire, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). 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 people.

#### ENVIRONMENTAL OBLIGATIONS

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

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 10. Trade and other payables

	September 30, 2011 \$	March 31, 2011 \$	April 1, 2010 \$
<b>Current</b>			
Trade payables	499,678	457,085	343,150
Accrued expenses	63,625	423,521	121,142
	<b>563,603</b>	<b>880,606</b>	<b>464,292</b>

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

### 11. Convertible debentures

At April 1, 2010, convertible debentures with a carrying value of \$283,380 and principal of \$225,000 due June 28, 2010, bearing interest at 10% per annum due at maturity, were outstanding. The debt was convertible into units, each unit consisting of one common share and one share purchase warrant.

On June 28, 2010, the Company issued 883,964 units at \$0.34316 per unit as settlement of the outstanding convertible debentures. A unit comprises of one common share and one purchase warrant exercisable into one common share at \$0.35 per share expiring June 29, 2011.

	Liability component \$
Liability component as at April 1, 2010	283,380
Accretion	19,959
Conversion of debentures at maturity	(303,339)
<b>Liability component as at March 31, 2011 and September 30, 2011</b>	<b>-</b>
	<b>Equity component \$</b>
Equity component as at April 1, 2010	85,662
Equity –reallocation to share capital	(85,662)
<b>Equity component as at March 31, 2011 and September 30, 2011</b>	<b>-</b>

### 12. Income taxes

The Company has not recognized deferred tax assets as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilized

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 13. Share capital and reserves

#### A) Authorised

The Company is authorized to issue an unlimited number of Common or Preferred Shares without nominal or par value.

#### B) Issued and outstanding common shares

The common shares issued by the Company are shown in the following table:

	Number of Shares	\$
At April 1, 2010	32,109,336	5,601,043
Shares issued for cash (i)	10,840,000	2,710,000
Shares issued for cash (ii)	9,999,997	3,499,999
Share issue cost	-	(276,389)
Shares issued for settlement of convertible debentures (iii)	883,964	303,339
Transfer of convertible debenture – equity component	-	85,662
Warrants and options exercised	1,365,122	393,101
Finders warrants	-	(91,640)
At March 31, 2011	55,198,419	12,225,115
Shares issued for cash (iv)	23,002,000	16,561,440
Share issue cost	-	(1,510,774)
Warrants and options exercised	11,612,185	3,332,538
Shares issued for settlement of acquisition	5,000,000	2,850,000
<b>As at September 30, 2011</b>	<b>94,812,604</b>	<b>33,458,319</b>

- i) During fiscal 2011, the Company closed non-brokered private placements for a total of 10,840,000 units at \$0.25 per unit for gross proceeds of \$2,710,000. Each unit consisted of one common share and a half share purchase warrant. For every two warrants the holder can purchase one common share at \$0.45 per share expiring February 25, 2012. Finder fees totalling \$38,338 were paid.
- ii) During fiscal 2011, the company closed non-brokered private placements for a total of 9,999,997 units at \$0.35 per unit for gross proceeds of \$3,499,999. Each unit consisted of one common share and a half share purchase warrant. For every two warrants the holder can purchase one common share at \$0.45 per share expiring February 25, 2012. Finder fees totalling \$238,051 were paid.
- iii) During fiscal 2011, the Company issued 883,964 units comprised of 883,964 common shares at \$0.34 calculated at the weighted average price for the 20 days preceding the fifth trading day prior to term and 1 warrant exercisable into one common share at \$0.35 per share expiring June 29, 2011 for settlement of the Company's convertible debentures.
- iv) During fiscal 2012, the Company closed a Public Financing and a concurrent private placement for a total of 23,002,000 shares at \$0.72 per unit for gross proceeds of \$ 16,561,440. The cost of issuance included \$1,196,662 in commissions and \$314,120 in other costs.
- v) During fiscal 2012, the Company issued 5,000,000 shares at \$0.57 as part of the settlement for the acquisition of QSPA through its wholly owned subsidiary Coltinvestco. The total consideration of the share issuance was \$2,850,000.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 13. Share capital and reserves (continued)

#### C) Issued warrants

A summary of the changes in the Company's share purchase warrants during the period ended September 30, 2011 and the year ended March 31, 2011 are as follows:

	Number of Warrants	Weighted Average Exercise Price \$	Weighted Average Years to Expiry
At April 1, 2010	17,029,700	\$0.29	1.20
Warrants issued	11,286,686	\$0.43	
Finders warrants issued	674,800	\$0.25	
Warrants expired/ exercised	(965,122)	\$0.26	
At March 31, 2011	28,026,064	\$0.37	1.15
Issued	1,884,360	\$0.72	
Exercised	(11,640,725)	\$0.29	
<b>At September 30, 2011</b>	<b>18,269,699</b>	<b>\$0.45</b>	<b>1.15</b>

On June 28, 2010, the Company extended the expiry of the warrants that were associated with the former Convertible Debenture holders that have a strike price of \$0.35 (original expiry date of June, 29 2010). The new expiry date, which was duly approved by the board of directors on June 28, 2010 and by the Canadian National Stock Exchange (CNSX), was set at June 29, 2011.

As a result of the extension of the expiry date, the incremental fair value of \$306,966 was recorded to deficit with a corresponding credit to contributed surplus using the Black Scholes option pricing model with the following assumptions: Volatility 72%, risk free interest rate 1.42%, expected life 1 year and expected dividend of 0%.

During the period ended June 30, 2010, the Company issued 2,610,000 warrants and 626,800 finder warrants resulting from the February 2010 Non-Brokered Private Placement of 5,220,000 units (each unit comprising of one share and half a warrant at \$0.45). The purchase warrants expire on February 25, 2012 and a value of \$86,902 was recorded in shareholders equity using the Black Scholes option pricing model with the following assumptions: (Volatility 72%, risk free interest rate 1.42%, expected life 1.42 years and expected dividend of 0%)

On September 10, 2010 the Board of Directors passed a resolution to extend the terms and price of the Company's purchase warrants that were issued as part of a private placement which closed in June 2008. The expiry date was extended to February 26, 2012 and the exercise price was amended from \$0.30 to \$0.45.

As a result of the extension of the modification, the incremental fair value of \$142,207 was recorded to deficit with a corresponding credit to contributed surplus using the Black Scholes option pricing model with the following assumptions: Volatility 72%, risk free interest rate 1.42%, expected life 1.4 years and expected dividend of 0%.

During the period ended September 30, 2010, the Company issued 3,676,687 warrants and 48,000 finder warrants resulting from the February 2010 Non-Brokered Private Placement units comprising of one share and half a warrant at \$0.45. The purchase warrants expire on February 25, 2012, and a value of \$4,738 was recorded in shareholders equity using the Black Scholes option pricing model with the following assumptions: (Volatility 72%, risk free interest rate 1.42%, expected life 1.42 years and expected dividend of 0%).

During the period ended December 31, 2010, the Company issued 4,999,999 warrants resulting from the February 2010 Non-Brokered Private Placement units comprising of one share and half a warrant at \$0.45. The purchase warrants expire on February 25, 2012.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 13. Share capital and reserves (continued)

#### C) Issued warrants (continued)

During the three-month period ended June 30, 2011, the Company issued 1,799,360 broker warrants resulting from the Public Offering and concurrent private placement closed in the month of May 2011. The warrant offering comprises of one share at \$0.72. The purchase warrants expire on November 5, 2012.

As at September 30, 2011 and March 31, 2011, the following common share purchase warrants were outstanding. Each warrant entitles the holder to purchase one common share at the exercise price with the following expiry dates:

Expiry Date	Exercise price	September 30, 2011	March 31, 2011
June 29, 2011	0.35	-	6,091,776
June 30, 2011	0.15	-	3,937,409
July 30, 2011	0.30	-	900,000
November 30, 2011	0.30	460,000	460,000
February 25, 2012	0.45	15,053,459	15,537,999
March 3, 2012	0.30	300,000	300,000
February 25, 2012	0.25	656,880	798,880
November 5, 2012	0.72	1,799,360	-
Total warrants outstanding and exercisable		18,269,699	28,026,064

### 14. Share-based payments

The Company has a stock option plan in which officers, directors, employees, and consultants can participate. The total number of common shares reserved for issuance under the current option plan (2007 Plan) cannot exceed 20% of the common shares outstanding at the date of the grant. The terms of the options are set by the Board of Directors at the time of grant with an exercise price not less than \$0.05 per share and a term not exceeding five years.

During fiscal 2011 the Company issued 5,020,000 stock options (3,370,000 at \$0.27, 1,400,000 at \$0.56 and 250,000 at \$0.91) for management, directors and consultants. The company valued and recorded the issuances at \$1,265,942. The amount was allocated to Directors Compensation.

During fiscal 2012 the Company issued 3,300,000 stock options at \$0.73 with an expiration date of June 4, 2016 and 400,000 stock options at \$0.75 with an expiration date of July 3, 2016. The company valued and recorded the issuances at \$1,040,949. The amount was allocated to Directors Compensation

The fair value of stock options issued during the period was estimated on the date of grant using the Black Scholes Options Pricing Model using the following assumptions:

	September 30, 2011	March 31, 2011
Expected risk free interest rate (%)	2%	2%
Expected volatility (%)	58%	72%
Expected life (in years)	5 years	5 years
Expected dividends (\$)	-	-

**COLT RESOURCES INC.****Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

**14. Share-based payments (continued)**

A summary of the share option transactions for the periods ended September 30, 2011 and March 31, 2011 are as follows:

	Number of options	Weighted average exercise price \$	Weighted Average Years to Expiry
Outstanding at April 1, 2010	4,150,000	0.25	2.98
Granted	3,370,000	0.27	
Granted	1,400,000	0.56	
Granted	250,000	0.91	
Exercised	(400,000)	0.25	
Outstanding at March 31, 2011	8,770,000	0.33	4.30
Granted	3,700,000	0.73	
Exercised	(220,000)	0.25	
<b>Outstanding at September 30, 2011</b>	<b>12,250,000</b>	<b>0.45</b>	<b>4.02</b>

The following table summarizes stock options outstanding and exercisable under the Plan:

Expiry Date	Exercise price \$	Number of Options	
		September 30, 2011	March 31, 2011
March 19, 2011	0.25	-	100,000
March 19, 2013	0.25	850,000	850,000
April 8, 2014	0.25	750,000	750,000
May 25, 2011	0.25	-	200,000
May 28, 2014	0.25	100,000	100,000
November 23, 2014	0.25	1,850,000	2,150,000
September 2, 2015	0.27	3,350,000	-
November 8, 2015	0.56	1,400,000	-
March 25, 2016	0.91	250,000	-
June 4, 2016	0.73	3,300,000	-
July 3, 2016	0.75	400,000	-
Total options outstanding and exercisable		12,250,000	4,150,000

The estimated weighted average fair value of share options granted during the period was \$0.28 (March 31, 2011 - \$0.25) per share option.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### 15. Capital management

The Company's objectives when managing capital are as follows:

- i) to safeguard the entity's ability to continue as a going concern such that it can continue in its exploration activities to provide returns to shareholders and benefits to other stakeholders.
- ii) to secure sufficient cash and cash equivalents to fund the Company's business plans, including the exploration activities required for the development of its mineral property interests.

The Company considers the items included in shareholders' equity (excluding equity portion of Convertible Debentures) in the definition of capital.

The Company's primary uses of capital are to finance the exploration and property development activities required on its mineral properties, market and investor development, capital expenditures and operating losses.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the period ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

### 16. Financial instruments and risk management

#### Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The carrying values of the Company's cash and cash equivalents, performance bonds, accounts payable and accrued liabilities and due to related parties approximate their fair values because of the relative short-term maturities of these financial instruments.

#### Financial risks

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and other price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 16. Financial instruments and risk management (continued)

#### Credit risk

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

The maximum exposure to credit risk as at:

	September 30, 2011	March 31, 2011
	\$	\$
Cash and cash equivalents	9,795,185	1,236,079
Performance bonds (held in Portugal)	126,000	124,038
Accounts receivable	86,800	-
	<b>10,007,985</b>	<b>1,360,117</b>

The Company is exposed to normal commercial risk as it holds bank accounts in Canada and Portugal.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows used in operations and exploration activities, anticipated from investing and financing activities, and taking into account the Company's holdings of cash and cash equivalents.

As at September 30, 2011, the Company has cash and cash equivalents of \$9,795,185 (\$1,236,079 as at March 31, 2011) and working capital of \$13,866,890 (as compared to a \$629,517 as at March 31, 2011). Accounts payable and accrued liabilities have contractual maturities of 30 days or less and are subject to normal trade terms, amounts due to related parties are due on demand.

The Company has sufficient funding to meet its existing obligations as well as administrative overhead costs and planned exploration activities on its mineral property interests in fiscal 2012 but it will require additional funding going forward. While the Company has been successful in raising debt and equity funds in the past, there is always a degree of risk on whether or not it will be able to raise sufficient funds in the future.

#### Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, foreign currency risk and other price risk.

#### Interest rate risk

The Company's cash generally consist of cash and cash equivalents held with reputable financial institutions. Future cash flows from interest income on cash will be affected by interest rate fluctuations. . At June 30, 2011 and 2010 the Company has determined that fluctuations in interest rates will not have a material impact on estimated fair value at year end.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 16. Financial instruments and risk management (continued)

#### *Foreign currency risk*

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

As at September 30, 2011 the Company's exposure to foreign currency risk, based on balance sheet values, were to the European Euro. The Company held financial instruments denominated in European Euros consisting of €90,000 in performance bonds and €912,801 in cash for a total of €1,002,801.

As at September 30, 2011 the Company used a foreign exchange rate of CDN\$1.40 for €1.00 (\$1.378 March 31, 2011)

The Company has not entered into any derivative instruments to mitigate the risk. Our sensitivity analysis assumes all other variables remain constant and are based on above net exposures. A 10% appreciation or depreciation of the Euro dollar vis-à-vis the Canadian dollar would result in approximately \$128,000 (\$70,000 March 31, 2011) increase or decrease respectively, in net loss and shareholder equity.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

### 17. Related party transactions

The interim consolidated financial statements include the financial statements of Colt Resources Inc. and its subsidiaries, listed in the following table:

Name	Country of incorporation	% equity interest	
		September 30, 2011	March 31, 2011
Eurocolt Resources Unipessoal Lda	Portugal	100%	100%
Aurmont resources Unipessoal Lda	Portugal	100%	100%
TungSPA Unipessoal Lda	Portugal	100%	100%
ColtInvestco	Portugal	100%	100%
Colt Cayman Corporation	Cayman Islands	100%	100%

Balances and transactions between Colt Resources Inc. and its subsidiaries, which are related parties of Colt Resources Inc, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

#### **Transactions with related parties**

- An officer of wholly-owned subsidiary Eurocolt (Portugal) received a monthly consulting fee of €5,000 plus €1,000 per day while on site. As at September 30, 2011, \$28,174 (\$47,183 as at March 31, 2011) was owed to the related party.
- A director and Chief Executive Officer ("CEO") charges the Company \$25,000 per month for services rendered. As at September 30, 2011 \$0 (\$22,591 as at March 31, 2011) was owed to the related party.
- A director and Chief Financial Officer ("CFO") charged the Company \$16,666 per month as professional fees pursuant to his contract with the Company. As at September 30, 2011 \$0 (\$0 as at March 31, 2011) was owed to the related party.
- A director and Chief Operating Officer ("COO") charges the Company \$20,833 per month for services rendered. As at September 30, 2011 \$0 (\$31,695 as at March 31, 2011) was owed to the related party.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 17. Related party transactions (continued)

- (e) A director and Chief Legal Officer (“CLO”) charged the Company \$16,666 for professional fees. As at September 30, 2011 \$6,854 (\$0 as at March 31, 2011) was owed to the related party.
- (f) A director charges the Company a monthly fee of 2,166 as director fees plus expenses. As at September 30, 2011 \$7,593 (\$4,134 as at March 31, 2011) was owed to the related party.
- (g) A director charges the Company a monthly fee of 2,166 as director fees plus expenses. As at September 30, 2011 \$0 (\$0 as at March 31, 2011) was owed to the related party.
- (h) A director charges the Company a monthly fee of 2,750 as director fees plus expenses. As at September 30, 2011 \$3,132 (\$0 as at March 31, 2011) was owed to the related party.
- (i) An advisor and consultant to the Company charges a daily rate of \$1,200 for services rendered. As at June 30, 2011 \$0 (\$0 as at March 31, 2011) was owed to the related party.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances owing to the related parties are unsecured, non-interest bearing and due on demand.

#### Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period were as follows:

	September 30, 2011 \$	September 30, 2010 \$
Short-term employee benefits	800,587	117,378
Share-based payment	1,040,949	208,367
	<u>1,841,536</u>	<u>325,745</u>

### 18. Earnings per share

#### Basic and diluted loss per share

The calculation of basic and diluted loss per share at September 30, 2011 was based on net loss of \$4,150,345 (2010: \$1,355,433), and a weighted average number of common shares outstanding of 86,026,054 (2010: 34,735,837).

	Loss for the period	Weighted average number of shares	Per share amount \$
<b>As at September 30, 2011</b>			
Net loss – Basic and diluted (3-Months)	<b>(2,056,330)</b>	86,026,054	(0.02)
Net loss – Basic and diluted (6-Months)	<b>(4,150,345)</b>	86,026,054	(0.05)
<b>As at September 30, 2010</b>			
Net loss – Basic and diluted (3-Months)	<b>(915,996)</b>	34,735,837	(0.03)
Net loss – Basic and diluted	<b>(1,355,433)</b>	34,735,837	(0.04)

### 19. Comparative figures

Certain comparative figures have been reclassified to conform to current period presentation.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 20. Segmented information

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

Total Assets	September 30, 2011 \$	March 31, 2011 \$	April 1, 2010 \$
Canada	15,465,831	1,826,300	1,257,964
Portugal	14,960,789	4,763,433	2,284,842
	<b>30,426,620</b>	<b>6,589,733</b>	<b>3,542,806</b>

### 21. Commitments

- (a) 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.

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

Expected future commitments as at:	September 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	-	-

### 22. Business acquisition

On August 24, 2011, the Company acquired 100% of the outstanding shares of QSPA, a Portuguese company. QSPA operated as an Oporto and Douro wine producer, trader, importer/exporter and bottler. QSPA was acquired in order for the Company to gain key surface rights covering approximately 140 hectares at its Tabuaço (São Pedro das Aguias) tungsten project, located in the company's Armamar-Meda concession in northern Portugal. The acquisition of the key surface rights will provide the Company with unhindered access to the ground for exploration and enable the development of the Tabuaço tungsten project.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### 22. Business acquisition (continued)

As at the end of September 30, 2011, the provisional fair value amounts recognized for QSPA as of the acquisition date were as follows<sup>1</sup>:

	<b>September 30, 2011</b>
	<b><u>Provisional fair value</u></b>
Cash and cash equivalents	€36,872
Trade and other receivables	€54,188
Inventories	€2,675,997
Prepaid expenses	€83,423
Property, plant and equipment	€3,679,648
Other non-financial assets	€60,012
Surface rights	€1,915,744
Work in progress	€893,580
Trade payables	€13,564
<b>Fair value of net identifiable assets acquired</b>	<b>€9,385,900</b>
Fair value of consideration transferred	
Cash consideration transferred	€3,000,000
Non-interest bearing loans payable in 12-24 months	€1,885,900
Common shares	€2,000,000
Convertible preferred shares	€2,500,000
<b>Total fair value of consideration transferred</b>	<b>€9,385,900</b>

Part of the consideration transferred included non-interest bearing loans, 5,000,000 restricted common shares of the Company and 5,000,000 convertible preferred shares of the Company. The loans payable include €1,000,000 payable in 12 months time from its date of issuance (on the acquisition date), and another €1,000,000 payable in 24 months time from its date of issuance (on the acquisition date). These loans are non-interest bearing, and their fair values were estimated using a present value of future cash flows method, applying a discount rate of 4% which approximated the rates on similar loans in the market at that time. The seller of QSPA is restricted from selling the 5,000,000 common shares of QSPA to a maximum of 1,000,000 common shares annually. These shares were valued using the quoted price of the Company's shares on the acquisition date.

The 5,000,000 preferred shares are convertible at any time by the holder into 4,385,965 common shares until August 23, 2016, at which time; the holder can require the Company to redeem the shares for cash consideration of €2,500,000. This instrument has been accounted for as a compound financial instrument. The fair value of the liability portion, in the amount of €2,500,000, was estimated first, using a present value of future cash flows method, applying a discount rate within a range of 4%-5%, with the difference between the fair value of the instrument and its redemption amount being allocated to the residual equity component.

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

	<b>Acquisition results</b>
	<b>One month ended September 30,</b>
(Canadian dollars)	<b>2011</b>
	<b>\$</b>
<b>Revenue</b>	<b>35,484</b>
Salaries	<b>(17,601)</b>
Accounting and audit	<b>(4,093)</b>
Depreciation expense	<b>(32,362)</b>
<b>Loss from operations</b>	<b>(24,855)</b>
Interest income	-
Interest expense	-
Net foreign exchange gain (loss)	-
<b>Loss before income tax</b>	<b>(24,855)</b>
Future income tax recovery (expense)	-
<b>Total net loss and comprehensive loss</b>	<b>(24,855)</b>

If consolidation had been effective January 1, 2011, QSPA's pro-forma contribution to the Company's net revenues and net profit (loss) before tax would have been \$100,820 and (\$296,939) respectively. This pro-forma performance was determined on the basis of QSPA's stand-alone results for the period ended September 30, 2011 and does not include any amortization or notional fair value adjustments from the preliminary purchase price allocation.

Due to the closing of the transaction only shortly before the end of the reporting period, and given the complexity of valuing the key surface rights, the initial acquisition accounting for the business combination is not yet completed.

## 23. Subsequent events

On October 24, 2011, the Company announced the approval of the Boa Fé project experimental mining license by the Direccao Geral de Energia e Geologia (DGEG), a division of the Portuguese Ministry of Economy and Innovation.

On November 3, 2011, the Company announced it had earned 100% of the experimental mining license for the Boa Fé Gold Project. As a result, the Company proceeded to make the final payment in accordance of the terms of the COLT-AIOC joint venture. Final settlement was carried out by issuing cash payment of €125,000 and by issuing 3 million restricted common shares.

On November 7, 2011 the Company announced its initial NI43-101 compliant resources estimate on its 100% owned Tabuaco tungsten project. The report included indicated resources of 760,000 tonnes of 0.58% grade WO<sub>3</sub> and inferred resources of 1,330,000 tonnes of 0.57% WO<sub>3</sub>.

On November 16, 2011, and subsequent to earning of 100% of the experimental mining license, the Company began a comprehensive drilling campaign on its Boa Fé gold project.

## **COLT RESOURCES INC.**

### **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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## **24. Explanation of transition to IFRS**

The interim consolidated financial statements for the period ended September 30, 2011 are the Company's first consolidated financial statements prepared under IFRS. For all accounting periods prior to this, the Company prepared its consolidated financial statements under Canadian GAAP. In accordance with IFRS 1 'First time adoption of IFRS', certain disclosures relating to the transition to IFRS are given in this note. These disclosures are prepared under IFRS as set out in the basis of preparation in Note 3.

IFRS 1 allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Company has taken the following exemptions:

#### **IFRS 2 Share-based Payments ("IFRS 2")**

The Company has elected to apply the exemption and therefore has not applied IFRS 2 to equity settled share-based payment transactions that were granted after November 7, 2002 but vested before April 1, 2010, the Company's transition date.

All of the stock options outstanding at April 1, 2010 were fully vested.

#### **IAS 23 – Borrowing Costs ("IAS 23")**

IAS 23 has not been applied retrospectively. As at the transition date, the Company did not have any qualifying assets.

#### **IAS 32 - Compound Financial Instruments**

The Company has not re-valued compound financial instruments where the liability component does not exist as at the transition date.

#### **IFRIC 4 - Determining whether an Arrangement contains a Lease ("IFRIC 4")**

This IFRIC has not been applied retrospectively. The Company made an assessment as to whether an arrangement, existing at the Transition Date, contains a lease on the basis of the facts and circumstances existing at that date. The assessment was made in accordance with the requirements IFRIC 4. The Company did not identify any arrangements containing a lease on the transition date.

**COLT RESOURCES INC.****Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

**A) Reconciliation of equity as at April 1, 2010**

	Effect of transition to IFRS				IFRS
	Canadian GAAP	Convertible debentures (Note 1)	Flow-through share premium (Note 2)	Tax effect on flow-through shares (Note 3)	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	484,445	-	-	-	484,445
Sales taxes receivable	21,429	-	-	-	21,429
Prepaid expenses	40,098	-	-	-	40,098
	<u>545,972</u>	-	-	-	<u>545,972</u>
<b>Non-current assets</b>					
Equipment	6,144	-	-	-	6,144
Exploration and evaluation assets	2,867,390	-	-	-	2,867,390
Performance bonds	123,300	-	-	-	123,300
	<u>2,996,834</u>	-	-	-	<u>2,996,834</u>
<b>Total Assets</b>	<u>3,542,806</u>	-	-	-	<u>3,542,806</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	414,622	-	-	-	414,622
Due to related parties	49,670	-	-	-	49,670
Convertible debentures	271,038	12,342	-	-	283,380
	<u>735,330</u>	<u>12,342</u>	-	-	<u>747,672</u>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	5,596,992	-	(73,214)	77,265	5,601,043
Contributed surplus	824,596	-	-	-	824,596
Equity portion of convertible debenture	128,458	(42,796)	-	-	85,662
Deficit	(3,742,570)	30,454	73,214	(77,265)	(3,716,167)
	<u>2,807,476</u>	<u>(12,342)</u>	-	-	<u>2,795,134</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>3,542,806</u>	-	-	-	<u>3,542,806</u>

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### A) Reconciliation of equity as at April 1, 2010 (continued)

The following explains the material adjustments to the consolidated statement of financial position as at April 1, 2010:

#### Note 1 – Convertible debenture

Both IFRS and Canadian GAAP require that the equity and debt components of a compound financial instrument (i.e. convertible debenture) be separately accounted for at initial recognition. IAS 32 Financial Instruments: Presentation ("IAS 32") requires the use of the residual value method when determining the initial carrying amount of the debt and equity components. Under this method, the fair value of the debt component is calculated first and any difference between the nominal amounts of the convertible debenture is allocated to the equity component.

Under Canadian GAAP, the Company allocated the initial carrying amount of the convertible debentures between the debt and equity components by first allocating the proceeds to the equity component based on its fair value as determined using the Black-Scholes option pricing model with the residual value being allocated to the debt component.

On adoption of IFRS the Company reallocated the initial carrying amount of convertible debentures still outstanding at April 1, 2010 by first allocating the proceeds to the liability component based on its fair value as determined by discounting contractual cash flows using a rate of similar liabilities without the conversion feature. The residual value was then allocated to the equity component as required by IFRS. As allowed when utilising the IFRS 1 compound financial instrument exemption, the Company did not recalculate the debt and equity components of convertible debentures no longer outstanding at April 1, 2010. This resulted in a \$42,796 increase in the liability component on initial recognition and a \$42,796 decrease in the equity component.

Under both IFRS and Canadian GAAP the liability components are subsequently measured at amortised cost using the effective interest rate method. The increase in the liability component on initial recognition resulted in a lower effective interest rate under IFRS and as a result the interest recognised under IFRS is lower than that previously recognised under Canadian GAAP. This resulted in a \$30,454 decrease in the deficit as at April 1, 2010. The net effect on the liability component as at April 1, 2010 is an increase of \$12,342.

#### Note 2 – Flow-through share premium

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company is obligated to incur qualifying expenditures and renounce the related income tax deductions to the investors. Generally, due to transferring the benefit of tax deduction to the investors, the shares on flow through basis are offered at higher than the prevailing quoted prices of the shares. Under Canadian GAAP, the Company only recorded a deferred tax liability on renouncement of the qualifying expenditures with corresponding reduction of share capital.

Under IFRS, the proceeds from issuance of these shares are allocated between share capital and a liability to incur the qualifying expenditures in lieu of the sale of tax deductions. The amounts allocated to share capital represents the quoted price of the existing shares whereas the liability represents the difference between the quoted price of the existing shares and the amount the investor pays for the shares. The liability is reversed when qualifying expenditures are renounced for tax purposes and reported within deferred income tax provision in the statement of comprehensive loss. As a result, share capital decreased by \$73,214, with a corresponding decrease to deficit on April 1, 2010.

#### Note 3 – Tax effect on flow through shares

Under Canadian GAAP, the Company recorded a deferred tax liability on renouncement of the qualifying expenditures with a corresponding reduction of share capital. Under IFRS, the deferred tax is recognised in the statement of comprehensive loss rather than as a reduction of share capital. This resulted in a \$77,265 increase in share capital and deficit on April 1, 2010 as a result of deferred tax previously recognised against share capital under Canadian GAAP.

**COLT RESOURCES INC.****Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

**B) Reconciliations as at March 31, 2011**Reconciliation of equity as at March 31, 2011

	Effect of transition to IFRS				IFRS
	Canadian GAAP	Convertible debentures (Note 1)	Flow-through share premium (Note 2)	Tax effect on flow-through shares (Note 3)	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	1,236,079	-	-	-	1,236,079
Sales taxes receivable	146,895	-	-	-	146,895
Prepaid expenses	127,149	-	-	-	127,149
	1,510,123	-	-	-	1,510,123
<b>Non-current assets</b>					
Equipment	190,003	-	-	-	190,003
Exploration and evaluation assets	4,765,569	-	-	-	4,765,569
Performance bonds	124,038	-	-	-	124,038
	5,079,610	-	-	-	5,079,610
<b>Total Assets</b>	6,589,733	-	-	-	6,589,733
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	797,594	-	-	-	797,594
Due to related parties	83,012	-	-	-	83,012
Convertible debentures	-	-	-	-	-
	880,606	-	-	-	880,606
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	12,263,860	(42,796)	(73,214)	77,265	12,225,115
Contributed surplus	2,631,351	-	-	-	2,631,351
Equity portion of convertible debenture	-	-	-	-	-
Deficit	(9,186,084)	42,796	73,214	(77,265)	(9,147,339)
	5,709,127	-	-	-	5,709,127
<b>Total Liabilities and Shareholders' Equity</b>	6,589,733	-	-	-	6,589,733

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### B) Reconciliations as at March 31, 2011 (continued)

Reconciliation of the consolidated statement of comprehensive loss for the year ended March 31, 2011:

	Canadian GAAP \$	Convertible debenture (Note 1)	IFRS \$
<b>Revenue</b>			
Directors' compensation	(1,265,942)	-	(1,265,942)
Consulting	(447,218)	-	(447,218)
Salaries	(291,095)	-	(291,095)
Investor relations and marketing	(1,800,218)	-	(1,800,218)
Travel expenses	(250,795)	-	(250,795)
Accounting and audit	(97,625)	-	(97,625)
Rent	(41,090)	-	(41,090)
Office	(128,250)	-	(128,250)
Property investigation	(67,789)	-	(67,789)
Listing and transfer agent fees	(205,666)	-	(205,666)
Filing fees	(32,076)	-	(32,076)
Bank charges	(7,016)	-	(7,016)
Insurance	(14,745)	-	(14,745)
Legal	(245,865)	-	(245,865)
Depreciation expense	(16,210)	-	(16,210)
<b>Loss from operations</b>	<b>(4,911,600)</b>	<b>-</b>	<b>(4,911,600)</b>
Interest income	-	-	-
Interest expense	(7,930)	12,342	4,412
Net foreign exchange gain (loss)	(74,811)	-	(74,811)
<b>Loss before income tax</b>	<b>(4,994,341)</b>	<b>12,342</b>	<b>(4,981,999)</b>
Future income tax recovery (expense)	-	-	-
<b>Total net loss and comprehensive loss</b>	<b>(4,994,341)</b>	<b>12,342</b>	<b>(4,981,999)</b>

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### B) Reconciliations as at March 31, 2011 (continued)

The following explains the material adjustments to the consolidated statement of financial position and consolidated statement of comprehensive loss as at/ for the year ended March 31, 2011:

#### Note 1 – Convertible debenture

Both IFRS and Canadian GAAP require that the equity and debt components of a compound financial instrument (i.e. convertible debenture) be separately accounted for at initial recognition. IAS 32 Financial Instruments: Presentation ("IAS 32") requires the use of the residual value method when determining the initial carrying amount of the debt and equity components. Under this method, the fair value of the debt component is calculated first and any difference between the nominal amounts of the convertible debenture is allocated to the equity component.

Under Canadian GAAP, the Company allocated the initial carrying amount of the convertible debentures between the debt and equity components by first allocating the proceeds to the equity component based on its fair value as determined using the Black-Scholes option pricing model with the residual value being allocated to the debt component.

On adoption of IFRS the Company reallocated the initial carrying amount of convertible debentures still outstanding at April 1, 2010 by first allocating the proceeds to the liability component based on its fair value as determined by discounting contractual cash flows using a rate of similar liabilities without the conversion feature. The residual value was then allocated to the equity component as required by IFRS. As allowed when utilising the IFRS 1 compound financial instrument exemption, the Company did not recalculate the debt and equity components of convertible debentures no longer outstanding at April 1, 2010. This resulted in a \$42,796 increase in the liability component on initial recognition and a \$42,796 decrease in the equity component. The equity component was transferred to share capital during the year ended March 31, 2011 and resulted in the decrease in share capital as at March 31, 2011.

Under both IFRS and Canadian GAAP the liability components are subsequently measured at amortised cost using the effective interest rate method. The increase in the liability component on initial recognition resulted in a lower effective interest rate under IFRS and as a result the interest recognised under IFRS is lower than that previously recognised under Canadian GAAP. This resulted in a \$30,454 decrease in the deficit as at April 1, 2010 and a \$12,342 decrease in interest expense for the year ended March 31, 2011 (cumulative decrease in deficit of \$42,796 as at March 31, 2011). The net effect on the liability component as at March 31, 2011 is zero as the convertible debentures were no longer outstanding.

#### Note 2 – Flow-through share premium

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company is obligated to incur qualifying expenditures and renounce the related income tax deductions to the investors. Generally, due to transferring the benefit of tax deduction to the investors, the shares on flow through basis are offered at higher than the prevailing quoted prices of the shares. Under Canadian GAAP, the Company only recorded a deferred tax liability on renouncement of the qualifying expenditures with corresponding reduction of share capital.

Under IFRS, the proceeds from issuance of these shares are allocated between share capital and a liability to incur the qualifying expenditures in lieu of the sale of tax deductions. The amounts allocated to share capital represents the quoted price of the existing shares whereas the liability represents the difference between the quoted price of the existing shares and the amount the investor pays for the shares. The liability is reversed when qualifying expenditures are renounced for tax purposes and reported within deferred income tax provision in the statement of comprehensive loss. As a result, share capital decreased by \$73,214, with a corresponding decrease to deficit on April 1, 2010. The Company did not issue any flow-through shares after April 1, 2010 and therefore the cumulative effect as at March 31, 2011 remains the same.

#### Note 3 – Tax effect on flow through shares

Under Canadian GAAP, the Company recorded a deferred tax liability on renouncement of the qualifying expenditures with a corresponding reduction of share capital. Under IFRS, the deferred tax is recognised in the statement of comprehensive loss rather than as a reduction of share capital. This resulted in a \$77,625 increase in share capital and deficit on April 1, 2010 as a result of deferred tax previously recognised against share capital under Canadian GAAP. The Company did not issue any flow-through shares after April 1, 2010 and therefore the cumulative effect as at March 31, 2011 remains the same.

**COLT RESOURCES INC.****Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

**C) Reconciliations as at September 30, 2010**Reconciliation of equity as at September 30, 2010

	Canadian GAAP	Convertible debentures (Note 1)	Flow-through share premium (Note 2)	Tax effect on flow-through shares (Note 3)	IFRS
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	1,060,756	-	-	-	1,060,756
Sales taxes receivable	58,043	-	-	-	58,043
Taxes receivable	20,771	-	-	-	20,771
Prepaid expenses	441,246	-	-	-	441,246
	1,580,816	-	-	-	1,580,816
<b>Non-current assets</b>					
Equipment	13,227	-	-	-	13,227
Exploration and evaluation assets	3,502,918	-	-	-	3,502,918
Performance bonds	127,350	-	-	-	127,350
	3,643,495	-	-	-	3,643,495
<b>Total Assets</b>	5,224,311	-	-	-	5,224,311
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	428,807	-	-	-	428,807
Due to related parties	83,734	-	-	-	83,734
	512,541	-	-	-	512,541
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	8,648,350	-	(73,214)	77,265	8,652,401
Contributed surplus	1,161,422	(42,796)	-	-	1,118,626
Equity portion of convertible debenture	-	-	-	-	-
Deficit	(5,098,002)	42,796	73,214	(77,265)	(5,059,257)
	4,711,770	-	-	-	4,711,770
<b>Total Liabilities and Shareholders' Equity</b>	5,224,311	-	-	-	5,224,311

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

### C) Reconciliations as at September 30, 2010 (continued)

Reconciliation of the consolidated statement of comprehensive loss for the six month period ended September 30, 2010:

	Canadian GAAP \$	Convertible debenture (Note 1)	IFRS \$
<b>Revenue</b>			
Directors' compensation	(208,367)	-	(208,367)
Consulting	(251,229)	-	(251,229)
Salaries	(117,378)	-	(117,378)
Investor relations and marketing	(550,381)	-	(550,381)
Accounting and audit	(39,557)	-	(39,557)
Rent	(16,378)	-	(16,378)
Office	(44,844)	-	(44,844)
Property investigation	-	-	-
Listing and transfer agent fees	(53,048)	-	(53,048)
Filing fees	(6,028)	-	(6,028)
Bank charges	(4,035)	-	(4,035)
Insurance	(6,815)	-	(6,815)
Legal	(74,612)	-	(74,612)
Depreciation expense	(8,197)	-	(8,197)
<b>Loss from operations</b>	<b>(1,380,869)</b>	<b>-</b>	<b>(1,380,869)</b>
Interest income	-	-	-
Interest expense	(26,720)	12,342	(14,378)
Net foreign exchange gain (loss)	52,156	-	52,156
<b>Loss before income tax</b>	<b>(1,355,433)</b>	<b>12,342</b>	<b>(1,343,091)</b>
Future income tax recovery (expense)	-	-	-
<b>Total net loss and comprehensive loss</b>	<b>(1,355,433)</b>	<b>12,342</b>	<b>(1,343,091)</b>

# COLT RESOURCES INC.

## Notes to the Consolidated financial statements (unaudited)

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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### C) Reconciliations as at September 30, 2010 (continued)

The following explains the material adjustments to the consolidated statement of financial position and consolidated statement of comprehensive loss as at/ for the six month period ended September 30, 2010. The adoption of IFRS had no effect on the amounts previously reported under Canadian GAAP for the 3 month period ended September 30, 2010:

#### Note 1 – Convertible debenture

Both IFRS and Canadian GAAP require that the equity and debt components of a compound financial instrument (i.e. convertible debenture) be separately accounted for at initial recognition. IAS 32 Financial Instruments: Presentation ("IAS 32") requires the use of the residual value method when determining the initial carrying amount of the debt and equity components. Under this method, the fair value of the debt component is calculated first and any difference between the nominal amounts of the convertible debenture is allocated to the equity component.

Under Canadian GAAP, the Company allocated the initial carrying amount of the convertible debentures between the debt and equity components by first allocating the proceeds to the equity component based on its fair value as determined using the Black-Scholes option pricing model with the residual value being allocated to the debt component.

On adoption of IFRS the Company reallocated the initial carrying amount of convertible debentures still outstanding at April 1, 2010 by first allocating the proceeds to the liability component based on its fair value as determined by discounting contractual cash flows using a rate of similar liabilities without the conversion feature. The residual value was then allocated to the equity component as required by IFRS. As allowed when utilising the IFRS 1 compound financial instrument exemption, the Company did not recalculate the debt and equity components of convertible debentures no longer outstanding at April 1, 2010. This resulted in a \$42,796 increase in the liability component on initial recognition and a \$42,796 decrease in the equity component. The equity component was transferred to contributed surplus during the six month period ended September 30, 2010 and resulted in the decrease in contributed surplus as at September 30, 2010.

Under both IFRS and Canadian GAAP the liability components are subsequently measured at amortised cost using the effective interest rate method. The increase in the liability component on initial recognition resulted in a lower effective interest rate under IFRS and as a result the interest recognised under IFRS is lower than that previously recognised under Canadian GAAP. This resulted in a \$30,454 decrease in the deficit as at April 1, 2010 and a \$12,342 decrease in interest expense for the six month period ended September 30, 2010 (cumulative decrease in deficit of \$42,796 as at September 30, 2010). The net effect on the liability component as at September 30, 2010 is zero as the convertible debentures were no longer outstanding.

#### Note 2 – Flow-through share premium

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company is obligated to incur qualifying expenditures and renounce the related income tax deductions to the investors. Generally, due to transferring the benefit of tax deduction to the investors, the shares on flow through basis are offered at higher than the prevailing quoted prices of the shares. Under Canadian GAAP, the Company only recorded a deferred tax liability on renouncement of the qualifying expenditures with corresponding reduction of share capital.

Under IFRS, the proceeds from issuance of these shares are allocated between share capital and a liability to incur the qualifying expenditures in lieu of the sale of tax deductions. The amounts allocated to share capital represents the quoted price of the existing shares whereas the liability represents the difference between the quoted price of the existing shares and the amount the investor pays for the shares. The liability is reversed when qualifying expenditures are renounced for tax purposes and reported within deferred income tax provision in the statement of comprehensive loss. As a result, share capital decreased by \$73,214, with a corresponding decrease to deficit on April 1, 2010. The Company did not issue any flow-through shares after April 1, 2010 and therefore the cumulative effect as at September 30, 2010 remains the same.

#### Note 3 – Tax effect on flow through shares

Under Canadian GAAP, the Company recorded a deferred tax liability on renouncement of the qualifying expenditures with a corresponding reduction of share capital. Under IFRS, the deferred tax is recognised in the statement of comprehensive loss rather than as a reduction of share capital. This resulted in a \$77,625 increase in share capital and deficit on April 1, 2010 as a result of deferred tax previously recognised against share capital under Canadian GAAP. The Company did not issue any flow-through shares after April 1, 2010 and therefore the cumulative effect as at September 30, 2010 remains the same.

## **COLT RESOURCES INC.**

### **Notes to the Consolidated financial statements (unaudited)**

For the period ended September 30, 2011

All amounts disclosed are in Canadian dollars unless otherwise stated.

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#### **D) Restatement of consolidated statement of cash flows from Canadian GAAP to IFRS**

The restatement from Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Company. The reconciling items between Canadian GAAP presentation and IFRS have no effect on the cash flows generated.