(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

June 30, 2014

Unaudited

NOTICE TO READER

"In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not audited or reviewed the interim consolidated financial statements as at and for the six months ended June 30, 2014."

Condensed Interim Consolidated Financial Statements

June 30, 2014

General information

Directors

James Ladner

James Wayne Murton

Nikolas Perrault, Chief Executive Officer

Paul Yeou

Other Officers

Declan Costelloe, Chief Operating Officer

Shahab Jaffrey, Chief Financial Officer

Legal Counsel and Corporate Secretary

David A. Johnson, Chief Legal Officer

Auditors

Ernst & Young LLP

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[Canadian dollars]

	June 30, 2014 $	December 31, 2013 $
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	**97,619**	2,263,613
Commodity taxes and other receivables *[note 5]*	**963,092**	1,020,041
Inventories	**2,888,511**	3,005,757
Prepaid expenses and deposits	**435,981**	536,288
	4,385,203	6,825,699
Non-current		
Property, plant and equipment *[note 6]*	**1,348,932**	1,986,393
Biological assets	**1,404,894**	1,362,499
Exploration and evaluation assets *[note 7]*	**31,704,502**	29,927,351
Goodwill	**809,195**	813,804
Investment in an associate *[note 8]*	**1,294,790**	—
Deposits	**581,127**	598,023
	41,528,643	41,513,769
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	**335,156**	183,188
Accounts payable and accrued liabilities *[note 9]*	**2,565,464**	2,812,431
	2,900,620	2,995,619
Non-current		
Senior secured notes	**1,256,694**	1,211,355
Derivative financial liability - Warrants *[note 10]*	—	953,136
Deferred income taxes	**664,450**	617,300
Convertible preferred shares	**3,331,061**	3,261,481
Total liabilities	**8,152,825**	9,038,891
Shareholders' equity		
Share capital *[note 10]*	**59,385,356**	58,934,878
Warrants	**1,063,238**	1,063,238
Contributed surplus	**4,397,037**	4,522,611
Equity component of convertible preferred shares	**700,628**	700,628
Accumulated other comprehensive income	**2,123,641**	1,977,283
Accumulated deficit	**(34,294,081)**	(34,723,760)
Total shareholders' equity	**33,375,819**	32,474,878
	41,528,643	41,513,769

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

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

On behalf of the Board:

Director Director

Colt Resources Inc.

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

Three and six months ended June 30 **Unaudited**
[Canadian dollars]

	Three months ended June 30,		Six months ended	
	2014	**2013**	**2014**	**2013**
	$	$	$	$
EXPENSES				
Administrative expenses *[note 12]*	**(1,036,921)**	(1,656,366)	**(1,993,833)**	(3,426,928)
Gain on disposal of property, plant and equipment	**—**	14	**—**	6,608
Depreciation *[note 6]*	**(47,429)**	(58,806)	**(104,947)**	(121,836)
Other income/(loss), net *[note 8]*	**621,396**	(93,404)	**2,453,385**	(25,612)
(Loss)/Income from operations	**(462,954)**	(1,808,562)	**354,605**	(3,567,768)
Interest income	**2,045**	1,241	**2,455**	17,795
Finance costs	**(160,550)**	(42,876)	**(318,399)**	(102,199)
Change in fair value of derivative financial liability - warrants *[note 10]*	**276,643**		**1,004,937**	—
Foreign exchange gain/(loss)	**292,487**	(141,851)	**129,449**	(128,133)
Share of loss of an investment in associate *[note 8]*	**(697,781)**		**(697,781)**	
(Loss)/Income before income taxes	**(750,110)**	(1,992,048)	**475,266**	(3,780,305)
Income tax expense/(benefit)				
Current	**(5,588)**	9,955	**(5,588)**	9,955
Deferred	**7,922**	6,401	**51,175**	40,475
	2,334	16,356	**45,587**	50,430
Net (loss)/income for the period	**(752,444)**	(2,008,404)	**429,679**	(3,830,735)
Other comprehensive loss				
Other comprehensive income (loss) to be reclassified to profit or loss				
Foreign exchange (loss)/ gain on translation of foreign subsidiaries	(874,641)	1,047,973	**146,358**	926,908
Comprehensive (loss)/income for the period	**(1,627,085)**	(960,431)	**576,037**	(2,903,827)
Net (loss)/earnings per share				
Basic and fully diluted	**(0.01)**	(0.01)	**0.00**	(0.02)
Weighted average number of outstanding shares				
Basic and diluted	**160,342,907**	138,576,471	**160,189,473**	137,772,292

Going concern *[note 2]*

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

[Canadian dollars]

	Share capital $	Subscription receipts $	Warrants	Contributed surplus $	Equity component of preferred shares $	Accumulated other comprehensive income (loss) $	Deficit $	Total equity $
As at December 31, 2012	48,353,634	2,700,000	195,928	4,522,206	700,628	(677,721)	(24,492,430)	31,302,245
Net loss for the period	—	—	—	—	—	—	(3,830,735)	(3,830,735)
Other comprehensive income	—	—	—	—	—	926,908	—	926,908
Comprehensive loss for the period	—	—	—	—	—	926,908	(3,830,735)	(2,903,827)
Issuance of shares for warrants and options exercised *[note 10]*	202,159	—	—	(100,159)	—	—	—	102,000
Issuance of common shares, net of share issue costs *[note 10]*	3,604,681	(2,700,000)	54,986	—	—	—	—	959,667
Warrants expired	—	—	(195,928)	195,928	—	—	—	—
As at June 30, 2013	**52,160,474**	—	**54,986**	**4,617,975**	**700,628**	**249,187**	**(28,323,165)**	**29,460,085**
As at December 31, 2013	**58,934,878**	—	**1,063,238**	**4,522,611**	**700,628**	**1,977,283**	**(34,723,760)**	**32,474,878**
Net income for the period	—	—	—	—	—	—	**429,679**	**429,679**
Other comprehensive income	—	—	—	—	—	**146,358**	—	**146,358**
Comprehensive income for the period	—	—	—	—	—	**146,358**	**429,679**	**576,037**
Issuance of common shares	**450,478**	—	—	**(125,574)**	—	—	—	**324,904**
As at June 30, 2014	**59,385,356**	—	**1,063,238**	**4,397,037**	**700,628**	**2,123,641**	**(34,294,081)**	**33,375,819**

Going concern *[note 2]*

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

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30 **Unaudited**
[Canadian dollars]

	Six months ended June 30,	
	2014	**2013**
	$	**$**
OPERATING ACTIVITIES		
Net income/(loss) for the period	**429,679**	(3,830,735)
Items not impacting cash:		
Accretion expense *[note 10]*	**318,399**	88,187
Change in fair value of derivate financial liability - warrants *[note 10]*	**(1,004,937)**	—
Depreciation *[note 6]*	**104,947**	121,836
Impairment of trade receivables	—	6,556
Gain on disposal of property, plant and equipment	—	(6,608)
Change in fair value of biological assets	**(50,635)**	(18,602)
Share of loss of investment in associate	**697,781**	—
Gain on disposition of assets to an associate *[note 8]*	**(1,736,966)**	—
Gain on partial disposal of investment in associate *[note 8]*		—
Deferred income taxes	**51,175**	40,475
Unrealized foreign exchange (gain)/loss	**(125,388)**	137,644
	(1,315,945)	(3,461,247)
Change in non-cash working capital	**613,287**	(633,850)
Net cash flows used in operating activities	**(702,659)**	(4,095,097)
INVESTING ACTIVITIES		
Increase in bank overdraft	**151,969**	—
Decrease in deposits	**16,896**	4,103
Additions to property, plant and equipment *[note 6]*	**(2,564)**	(14,394)
Proceeds on disposal of property, plant and equipment	—	27,850
Additions to exploration and evaluation assets *[note 7]*	**(2,036,279)**	(1,995,657)
Proceeds from partial disposal of investment in associate *[note 8]*	**405,000**	
Net cash flows used in investing activities	**(1,464,979)**	(1,978,098)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares and warrants	—	1,061,667
Net cash flows from financing activities	—	1,061,667
Foreign exchange loss on cash and cash equivalents	**1,644**	6,764
Net decrease in cash and cash equivalents	**(2,165,994)**	(5,004,764)
Cash and cash equivalents, beginning of period	**2,263,613**	6,473,498
Cash and cash equivalents, end of period *[note 4]*	**97,619**	1,468,733

Going concern *[note 2]*

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

1. NATURE OF OPERATIONS

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

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

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

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

2. GOING CONCERN

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

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

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

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

The Company's current committed cash resource is insufficient to cover expected expenditures in fiscal year 2014. The Company's ability to continue as a going concern is also dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

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

3. BASIS OF PREPARATION

Statement of Compliance

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

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

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2014.

Accounting Policies in effect January 1, 2014

IFRIC Interpretation 21 Levies (IFRIC 21)

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

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

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

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

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

4. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013
	$	$
Cash at banks	**97,619**	2,263,613
	97,619	2,263,613

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

5. COMMODITY TAXES AND OTHER RECEIVABLES

	June 30, 2014	December 31, 2013
	$	$
Trade receivables, net of allowance	**226,484**	666,544
Commodity taxes receivable	**126,024**	335,593
Other receivables	**610,584**	17,904
	963,092	1,020,041

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

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

6. PROPERTY, PLANT AND EQUIPMENT

	Mining Equipment $	Building $	Machinery and equipment $	Computer and office equipment $	Leasehold improvement $	Automobiles $	Total $
Cost							
As at December 31, 2012	27,797	1,083,986	52,674	482,847	88,335	136,165	1,871,804
Additions	—	3,749	14,012	7,466	—	528,034	553,261
Disposal	—	—	—	—	—	(48,678)	(48,678)
Foreign currency translation adjustment	3,257	127,006	6,172	48,659	—	15,961	201,055
As at December 31, 2013	31,054	1,214,741	72,858	538,972	88,335	631,482	2,577,442
Additions	—	—	—	2,564	—	—	2,564
Disposal (note 8)	—	—	—	—	—	(528,034)	(528,034)
Foreign currency translation adjustment	(769)	(6,880)	(413)	(2,049)	—	(585)	(10,696)
As at June 30, 2014	**30,285**	**1,207,861**	**72,445**	**539,487**	**88,335**	**102,863**	**2,041,276**
Accumulated depreciation							
As at December 31, 2012	8,524	53,967	20,682	146,606	51,529	55,417	336,725
Charge for the year	4,601	42,308	19,096	120,719	29,445	20,926	237,095
Disposal	—	—	—	—	—	(26,132)	(26,132)
Foreign currency translation adjustment	1,323	9,311	3,772	20,978	—	7,977	43,361
As at December 31, 2013	14,448	105,586	43,550	288,303	80,974	58,188	591,049
Charge for the period	1,788	22,777	10,981	60,787	7,361	1,253	104,947
Foreign currency translation adjustment	(436)	(833)	(360)	(1,644)	—	(379)	(3,652)
As at June 30, 2014	**15,800**	**127,530**	**54,171**	**347,445**	**88,335**	**59,062**	**692,344**
Net book value							
December 31, 2012	19,273	1,030,019	31,992	336,241	36,806	80,748	1,535,079
December 31, 2013	16,606	1,109,155	29,308	250,669	7,361	573,294	1,986,393
June 30, 2014	**14,485**	**1,080,331**	**18,274**	**192,041**	**—**	**43,801**	**1,348,932**

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

7. EXPLORATION AND EVALUATION ASSETS

	December 31, 2013 $	Additions/ $	Foreign currency translation adjustments $	June 30, 2014
Tabuaço	13,574,891	431,431	(226,924)	13,779,398
Santo António (formerly Penedono)	2,912,614	—	—	2,912,614
Boa Fé	11,682,912	1,521,416	(22,130)	13,182,198
Montemor-o-Novo	1,491,881	19,059	(9,550)	1,501,390
Moimenta Almendra	—	—	—	—
Cedovim	55,575	20,246	(524)	75,297
Cercal	180,817	25,661	—	206,478
Borba	28,661	18,466	—	47,127
	29,927,351	**2,036,279**	**(259,128)**	**31,704,502**

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

Intangibles

Intangible assets are included in exploration and evaluation assets and amounted to $28,091,104 as at June 30, 2014 [December 31, 2013 – $26,293,371].

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

Tangibles

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

	Land $	Building $	Total $
As at December 31, 2012	1,818,513	1,432,242	3,250,755
Additions	—	2,345	2,345
Foreign currency translation adjustment	213,070	167,810	380,880
As at December 31, 2013	2,031,583	1,602,397	3,633,980
Additions	—	—	—
Foreign currency translation adjustment	(11,506)	(9,076)	(20,582)
As at June 30, 2014	2,020,077	1,593,321	3,613,398

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

8. INVESTMENT IN AN ASSOCIATE

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

In June 2014, the Company disposed 4,444,444 common shares of its investment in Colt Middle East to its former executive chairman at $0.225 per share for a total amount of approximately 1,000,000 realizing a gain on disposal of $492,571. As of June 30, 2014, approximately $600,000 was yet to be received by the Company as the transaction was in the process of being approved by TSX-V. Subsequently, the Company received the outstanding amount due on July 4, 2014 on approval of the transaction by TSX-V. As a result of this transaction, the Company's share in Colt Middle East came down to 27.36% as at June 30, 2014 in the books representing 12,205,557 shares. At the original acquisition price of $0.15 per share, the book value of these shares is approximately $1,833,083.

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

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

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

		30-Jun
		2014
As at April 1, 2014		2,500,000
share of loss		(697,781)
carrying amount of investment		
disposed off		(507,429)
As at June 30, 2014		**1,294,790**

Summarized financial information

Balance sheet		
		30-Jun
		2014
Current assets		2,544,199
Non-current assets		598,885
Current liabilities		(211,049)
Non-current liabilities		
Equity		2,932,035
Proportion of the Company's ownership		27.36%
Carrying amount		**802,219**
Gain on partial disposal		492,571
Carrying amount of investment at June 30, 2014		**1,294,790**

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

Income statement				
		for 5 months ended May 30,	**for 1 month ended June 30,**	**Total for six months ended June 30,**
		2014	**2014**	**2014**
Expenses		(1,601,084)	(366,956)	(1,968,040)
Proportion of the Company's ownership		37.31%	27.36%	
Company's share of loss for the period		(597,381)	(100,401)	(697,781)

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	June 30, 2014 $	**December31, 2013** $
Trade payables	**1,412,847**	1,353,526
Accrued liabilities	**417,749**	869,874
Employees and social institutions	**263,096**	241,295
Related parties	**87,126**	84,456
Other payables	**384,646**	263,280
	2,565,464	2,812,431

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

10. SHAREHOLDERS' EQUITY

Authorised

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

Issued and outstanding common shares

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

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

	Number of shares	$
As at December 31, 2012	129,571,430	48,353,634
Issuance of common shares	29,140,756	10,472,980
Share issue costs	—	(299,009)
Issuance of shares for options exercised	825,000	407,273
As at December 31, 2013	159,537,186	58,934,878
Issuance of common shares [i]	498,853	149,904
Issuance of shares for options exercise[ii]	700,000	300,574
As at June 30, 2014	**160,736,039**	**59,385,356**

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

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

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

ii. During the three months ended June 30, 2014, 700,000 options were exercised by the Chief Executive Officer of the Company.

Issued warrants

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

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

In addition, there were 5,555,550 warrants issued and outstanding as at June 30, 2014 with weighted average exercise price of US$0.45 per warrant and a weighted average years to expiry of 4.35 years

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

These warrants have been accounted for as derivative financial liability. The fair value of the warrants as at June 30, 2014 was $455,555 calculated using Black Scholes option pricing model using the following assumptions:

Share price ($ per share)	$0.19
Expected risk free interest rate [%]	1.31%
Expected volatility [%]	81.1%
Expected life [in years]	4.35 years
Expected dividends [$]	Nil
Weighted average fair value per warrant (US$)	0.082

The change in fair value of $1,004,937 as well as accretion on warrants of $51,388 was recorded in the condensed interim consolidated statement of operations and comprehensive loss.

11. SHARE-BASED COMPENSATION

A summary of the share option transactions during the six months period ended June 30, 2014 is as follows:

	Number of options	**Weighted average exercise price** $	**Weighted average years to expiry**
Outstanding and exercisable as at December 31, 2012	11,800,000	$0.46	2.59
Expired/Cancelled	(2,600,000)	$0.54	1.49
Exercised	(825,000)	$0.26	1.04
As at December 31, 2013	8,375,000	$0.46	1.51
Expired/Cancelled	(125,000)	$0.25	-
Issuance of shares for options exercise	(700,000)	$0.25	0.4
As at June 30, 2014	**7,550,000**	**$0.46**	**1.41**

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

		Number of Options	
Expiry Date	**Exercise price** $	**2014**	**2013**
November 23, 2014	$0.25	1,200,000	1,475,000
September 2, 2015	$0.27	2,450,000	2,450,000
November 8, 2015	$0.56	1,000,000	1,000,000
June 4, 2016	$0.73	2,250,000	2,250,000
July 3, 2016	$0.75	450,000	450,000
September 11, 2017	$0.55	200,000	200,000
Total options outstanding and exercisable		**7,550,000**	8,375,000

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

12. ADMINISTRATIVE EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Management fees	124,816	281,780	273,316	528,134
Professional and consulting fees	132,782	139,683	207,793	180,041
Salaries	157,210	163,574	378,319	368,925
	414,808	585,037	859,428	1,077,100
Investor relations and marketing	55,197	381,159	175,321	954,769
Property investigation	-	-	3,890	1,508
Legal expenses	67,409	102,866	82,270	225,663
Insurance	45,858	47,434	100,159	95,550
Listing and transfer agent fees	11,622	42,305	29,825	51,173
Rent	76,687	65,148	165,565	156,088
Office expenses	347,862	362,764	523,770	697,411
General and administrative expenses	17,478	69,653	53,605	167,665
General and administrative expenses	**1,036,921**	1,656,366	**1,993,833**	3,426,928

13. RELATED PARTY TRANSACTIONS

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

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

Following were the related party transactions for the six months ended June 30, 2014 and 2013

Transactions with the Associate:

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

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

During the second quarter of 2014, the Company sold 4,444,444 of its shares in Colt Middle East to its former executive chairman. Please see below for transaction details.

Transactions with Key Management Personnel:

Six months ended June 30	**2014**	**2013**
	$	$
Management fees	**273,316**	451,917
Professional and consulting fees	**72,000**	76,217
Salaries	**37,500**	—
Short-term benefits	**114,599**	339,235
Director fees	**24,900**	49,788
	522,315	917,157

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

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

As at June 30, 2014 $87,126 owed to related parties [December 31, 2013 – $417,308] is included in accounts payable and accrued liabilities.

14. SEGMENTED INFORMATION

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

Total Assets	**June 30, 2014**	**December 31, 2013**
	$	$
Canada	**2,334,153**	1,063,352
Portugal	**39,194,490**	38,183,937
Middle East	—	2,266,480
	41,528,643	41,513,769

[All amounts disclosed are in Canadian Dollars unless otherwise stated] Unaudited

Non-current Assets	June 30, 2014	December 31, 2013
	$	$
Canada	**1,509,672**	227,600
Portugal	**35,633,768**	33,932,435
Middle East	**—**	528,035
	37,143,440	**34,688,070**

15. COMMITMENTS

As of August 29 2014, the Company has a contractual commitment with its drilling service provider to drill a minimum of additional 6,545 metres for a total cost of at least $1,312,704.

16. SUBSEQUENT EVENTS

Partial disposal of investment in Colt Middle East

On July 4, 2014, on approval by the TSX-V, the Company received the remaining amount of $0.6 million as the final portion of the proceeds of the Company's transaction to dispose partially its investment in Colt Middle East to its former executive chairman.

Shares for debt exchange

On August 7, 2014, the Company announced that it had entered into a shares for debt exchange arrangement for $2.2 million with Spektra Drilling Canada Inc ("Spektra Canada"), a wholly owned subsidiary of Spektra Jeotek A.S., a Turkish company, whereby Spektra acquired 10,500,000 units at $0.21 per unit. Each unit is comprised of one common share and one share purchase warrant of the Company. Each warrant shall entitle Spektra Canada to acquire one common share at an exercise price of $0.26 for a period of two years following the closing date.

On completion of this arrangement, Spektra Canada now owns 16,750,000 common shares of Colt, representing approximately 9.7% of the issued and outstanding common shares of Colt (before the exercise of warrants). On a diluted basis, assuming the exercise of all warrants, Spektra Canada will own a total of 27,250,000 common shares of the Company representing approximately 15% of the issued and outstanding common shares.

In connection with this arrangement, an agreement was entered into between Spektra and the Company, whereby, out of the proceeds, the Company settled with Spektra €0.75 million for past drilling services and a further €0.75 million will be settled for future drilling services pursuant to a drilling contract between Spektra and the Company. Additionally, the Company has agreed to a nominee of Spektra to the board of directors of the Company subject to regulatory approval.