Zacks Small-Cap Research

March 6, 2014

Steven Ralston, CFA
312-265-9426
sralston@zacks.com

scr.zacks.com

111 North Canal Street, Chicago, IL 60606

Colt Resources, Inc. (V.GTP – TSX-V)

V.GTP: Details of Middle-East initiatives and update of Portuguese projects

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	06/05/2012
Current Price (03/06/14)	$0.33
Six- Month Target Price	**$1.63**

OUTLOOK

Colt Resources is a junior gold exploration company with two advanced stage projects in Portugal: the Boa Fé gold project and the Tabuaço tungsten project. Middle East initiatives are progressing through a newly created company, Colt Resources Middle East (ColtME), in which Colt Resources holds a significant equity ownership. The company continues to be successful in obtaining capital to finance the exploration and development of its gold and tungsten projects, along with initial funding ColtME. The company is on track to commence production at the Boa Fé gold project in 2015. We reiterate our Outperform rating on Colt Resources.

SUMMARY DATA

52-Week High	**$0.44**
52-Week Low	**$0.17**
One-Year Return (%)	**-10.81**
Beta	**2.73**
Average Daily Volume (shrs.)	**112,100**
Shares Outstanding (million)	**159.7**
Market Capitalization ($ mil.)	**$52.7**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**32.8**
Insider Ownership (%)	**13.6**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2012 Estimate	**N/M**
P/E using 2013 Estimate	**N/M**
Zacks Rank	**4**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Mining - Gold**
Zacks Rank in Industry	**N/A of 38**

ZACKS ESTIMATES

Revenue
(in millions of $CDN)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2013	0.0 A	0.0 A	0.0 A	0.0 E	0.0 E
2014	0.0 E	0.0 E	0.0 E	0.0 E	0.0 E
2015					0.9 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.01 A	-$0.02 A	-$0.02 A	-$0.02 A	-$0.08 A
2013	-$0.01 A	-$0.01 A	-$0.02 A	-$0.02 E	-$0.07 E
2014	-$0.02 E	-$0.02 E	-$0.02 E	-$0.02 E	-$0.08 E
2015					-$0.07 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Results originally reported under March FY; results re-arranged as Dec. year.

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

KEY POINTS

- Colt Resources is a Canadian junior gold exploration company with numerous mineral exploration properties in **Portugal**.
- Colt Resources has also incubated and launched **Colt Resources Middle East** (or **ColtME**), an exploration company focused on securing near-production-stage mining projects in the Greater Middle East. Colt Resources holds a significant equity ownership stake in ColtME.
- The **Boa Fé gold project** in southern Portugal is being fast-tracked. In May 2013 a Preliminary Economic Assessment (PEA) was filed, and the project continues to advance towards a feasibility study and mine development with production expected to commence in 2015.
- The **Tabuaço tungsten project** in north-central Portugal is also an advanced-stage project advancing towards production. A trial mining license was awarded in February 2013, and a PEA was filed in October 2013. Production is expected in 2017. Colt Resources is seeking a partner for the development of Tabuaço, which we would expect to be structured in a manner similar to the Santo António joint venture (see below) with the partner providing capital and further developing the project in order to earn a substantial stake in the project. In this manner, Colt Resources would be able to focus its capital resources on the development of the Boa Fé gold project.
- Under CEO **Nikolas Perrault**, CFA, the company has been aggressive in advancing the Boa Fé gold and Tabuaço tungsten projects as well as acquiring additional exploration concessions and exploratory mining licenses in Portugal.
- In September 2012, Colt Resources entered into a **joint venture** with Contécnica to further develop the **Santo António gold project**. Contécnica can earn a 51% stake in the project by investing at least €2.0 million in the project over three years. The Experimental Mining License (EML) contains the currently-closed Santo António underground gold mine. There are 13 individual mineralized quartz veins in the San Antonio area, along with other vein systems of gold mineralization and tailings.
- In February 2013, Colt Resources was granted exploration licenses for the Portuguese gold concessions of **Borba** (634 km2) and **Cercal** (455 km2). The company entered into a joint venture with Star Mining to develop Borba with minimal developmental costs being incurred by Colt Resources.
- The 100% controlled Boa Fé (47 km2) project is surrounded by the 100% controlled **Montemor exploration concession** (728 km2), which is known to host the extension of the mineralized shear zone found within Boa Fé. The latest NI 43-101-compliant mineral resource estimate (March 2013) included an inferred gold resource at the Monfurado deposit located in the Montemor concession.
- Management intends to continue pursuing additional opportunities and negotiate JV agreements to develop earlier-stage projects in Portugal.
- Colt Resources has been **very successful in obtaining capital** through equity offerings, debt placements and the exercise of warrants and options.
- Consult our Initiation Report dated July 20, 2012 for full background information of the company and the history of its projects.
- We reiterate our Outperform rating. Our price target is $1.63.

RECENT NEWS

Middle East Initiatives

Colt Resources successfully incubated, incorporated and launched a new company, **Colt Resources Middle East** (ColtME)[1], which enables Colt Resources to benefit from the plethora of potential near-production-stage mining opportunities in the Middle East that have come to the attention of management. Colt Resources holds a significant minority equity stake in ColtME, giving shareholders of Colt Resources

[1] http://coltme.com

upside exposure to project initiatives in the Middle East. ColtME was incorporated in the Cayman Islands in late 2013.

Colt Resources continues to concentrate on its core advanced-stage projects in Portugal (Boa Fé and Tabuaço), along with pursuing additional opportunities to develop earlier-stage projects in Portugal. In contrast, ColtME is a company focused on securing near-production-stage mining projects in the Greater Middle East, initially in Pakistan and Afghanistan.

Top officers of Colt Resources have assumed key roles in ColtME. The Executive Chairman of Colt Resources, **Richard Quesnel**, was appointed **CEO** and President of ColtME in January 2014, and **Shahab Jaffrey**, the recently appointed CFO of Colt Resources, became the **CFO** and a Director of ColtME in March 2014. Prior to being elected Executive Chairman of Colt Resources in 2013, Richard Quesnel was CEO of Consolidated Thompson Iron Mines Limited, where he contributed to and was largely responsible for the successful development of the Bloom Lake iron ore deposit in Quebec. Soon after achieving commercial production in early 2010, Consolidated Thompson was acquired by Cliffs Natural Resources (CLF: NYSE) for CDN $4.9 billion (including net debt) in first half of 2011. Shahab Jaffrey has extensive accounting experience, particularly in Pakistan and the Middle East. In addition, the CEO of Colt Resources, Nikolas Perrault, is a Director of ColtME.

In preparation for establishing ColtME and other new subsidiaries in the Greater Middle East, in late October, Shahal Khan and Malik Shah Baluch became Strategic Advisors to the Colt Resources. The appointees are experts and influential men in the region, especially Pakistan, Afghanistan and Iran. In early March 2014, **Shahal Khan** was appointed **Chairman of the Board** of ColtME and **Malik Shah Baluch** was appointed ColtME's **Executive Director**. Malik Shah Baluch is a prominent man in Baluchistan as a leader of the Baluch tribes in the region, which inhabitant particular areas of interest for ColtME. Shahal Khan and Malik Shah Baluch are also officers of **Colt Nimroz Mining Afghanistan**[2], a privately-owned investment company incorporated in September 2013 for the purpose of investing in mining projects in the province of Nimroz in Afghanistan. Colt Nimroz has leased property near three villages in Nimroz for the purpose developing mineral projects.

In addition, **Nader Uskowi** was appointed Senior Political Advisor to Colt Resources in early November 2013. Nader Uskowi is President of Uskowi Associates, a consulting firm focusing on Afghanistan, Pakistan, Iran and the Persian Gulf. He is also the Senior Policy advisor for the Middle East at USCENTCOM (United States Central Command). As mining initiatives are pursued in the region, Nader Uskowi will advise management on regional policy and political issues.

Strategy of Colt Resources Middle East

In Pakistan, ColtME is focusing on deposits in the Tethyan Metallogenic Belt and is **currently targeting the Chagai District of Baluchistan**. The Tethyan Belt is a major porphyry-related mineralized zone extending from central Europe (Hungary, Romania, Bulgaria) through Turkey, Iran and Pakistan, continuing through the Himalayan region into Myanmar, Malaysia, Indonesia and terminating at Papua New Guinea. Large ore deposits have been discovered along this Magmatic Arc Belt, which was formed when the earth's continental tectonic plates of Laurasia and Gondwana collided with each other over a period of 300 million years, ultimately generating areas of intense volcanic activity during the late-Permian-to-Triassic Periods approximately 260-to-200 million years ago. Magmatic events produce mechanisms for the deposition of ore deposits, especially of copper, gold and iron.

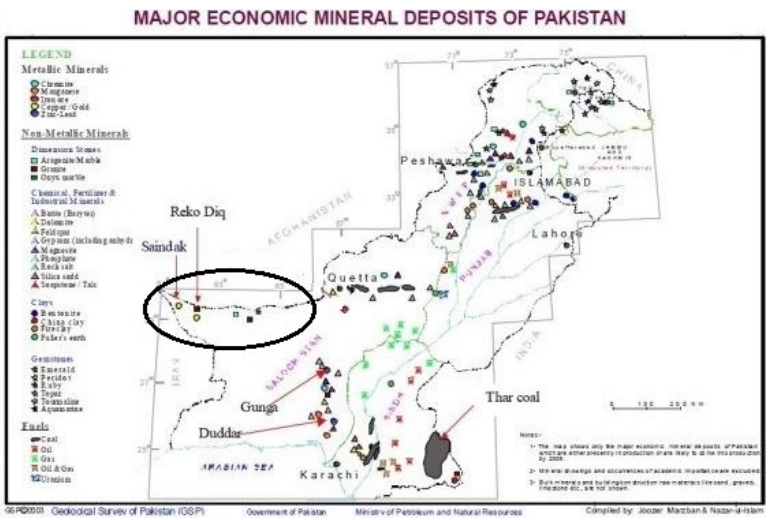
The current area of interest of ColtME in Pakistan is in the **Chagai Hills** of the **Province of Baluchistan**. The area was explored by the Geological Survey of Pakistan in the 1970s, and in the process, the Reko Diq copper-gold deposit discovered in 1978-1979. The agency has conducted and published ground magnetic surveys, aeromagnetic surveys and geological mapping of the Chagai Hills area.

[2] http://coltnamc.com



During the last week of February, representatives of ColtME, including Richard Quesnel (CEO) and Nikolas Perrault (Director), visited Pakistan, where they engaged in discussions and meetings with senior government officials, including Finance Minister Senator Mohammad Ishaq and the Special Envoy to Prime Minister for Overseas Investment Ambassador, Javed Malik. During the press conference, **Richard Quesnel** stated that **ColtME has the intention of investing over $4 billion in mining sector of Pakistan** and also has the capacity to invest $1 billion annually in Pakistan for the next 50 years.[3]





The two major copper-gold deposits in the Chagai District are Reko Diq and Saindak, the latter of which is being operated by Metallurgical Corporation of China. Copper and gold ore resources at **Reko Diq** are estimated to be 837 million tonnes (MMT) Cu and 9 million ounces Au and 412 MMT Cu and 2.24 million ounces Au at **Saindak.** Other copper deposits in Chagai include Sasht-eKain (400 MMT) Ziarat Pir Sultan (200 MMT), Missi (100 MMT) and Kabul Koh (50 MMT).[4]

[3] http://www.aaj.tv/2014/02/pakistan-provides-immense-business-potential-for-international-investors-dar
[4] Mineral Sector of Pakistan, Board of Investment, Prime Minister's Office, Government of Pakistan, page 6.

Trial production at the **Saindak copper-gold project** began in 1995 with monthly production of 1,700 tonnes Cu, 6,000 oz. Au and 12,000 oz. Ag. Proceeds from the mine were to be divided between the Provincial Government of Baluchistan and the Federal Government of Pakistan; however, disputes over funding delayed the project. After seeking foreign investment, the Government of Pakistan awarded the mining project to the Metallurgical Corporation of China Ltd (a Chinese government-owned company) under a 10-year lease. Though there were continuing disputes between the Federal and Provincial governments over the project, in May 2011, the Government of Pakistan extended the lease by five years to October 15, 2017.

Between 2006 and 2013, the Tethyan Copper Company attempted to develop the **Reko Diq** copper-gold mining project in the Chagai Hills of Baluchistan. The Tethyan Copper Company was a joint venture between Canada's Barrick Gold and Chile's Antofagasta Minerals PLC, which held a 75% interest in the exploration license (EL-5) for copper-gold prospects at Reko Diq; the other 25% was held by the Government of Baluchistan. The Tethyan Copper Company estimated the total project would require preproduction capital of approximately $3.3 billion with an expected mine-life of 56 years. After investing over $220 million, including the completion of a bankable Feasibility Study and an Environmental and Social Impact Assessment, the project for a world-class copper-gold open-pit mine was halted in November 2011 when the Government of Baluchistan rejected Tethyan Copper Company's mining lease application citing that it was incomplete and unsatisfactory.

The profile of Reko Diq dovetails well with the type of project that the management of ColtME has indicated an interest in pursuing, namely a copper-gold, near-production-stage mining project located in the Chagai Hills of Baluchistan. Interestingly, Richard Quesnel's remark of intending to invest over $4 billion would be adequate for reviving the Reko Diq mining project.

Financing of Colt Resources Middle East

During the first quarter of 2014, Colt Resources announced two closings of a private placement for the purpose of **funding ColtME**. On February 18th, the initial closing of 20,666,667 shares provided proceeds of CDN$3,100,000 while the second for 6,833,333 shares occurred on March 4th providing CDN$1,025,000. Both offerings were priced at a price of CDN$0.15 per share. Richard Quesnel (Chairman of Colt Resources and CEO of ColtME) and Nikolas Perrault (CEO of Colt Resources and a Director of ColtME) participated in the offering, as did the largest shareholder of Colt Resources, Hong Kong-based Worldlink Resources. The net proceeds from both offerings provide the working capital to support management's initiatives to secure exploration and mining licenses in the Middle East region.

Boa Fé Gold Project

On February 20, 2014, Colt Resources announced that the first phase of a drilling campaign that began in November 2013 had been completed. The total infill drilling program (all phases) is comprised of 10,000 meters divided between Boa Fé and Tabuaço projects. At Boa Fé, a total 32 holes totaling 1,813 meters have been completed, and the samples are underway to an assay laboratory in Spain. The infill drilling program is designed to improve confidence in the estimated resource. Work continues to advance the project, including further completion of the full mining permit application, along with environmental data collection and monitoring to support the EIA. Mining and processing methods are being studied to ensure the optimal recovery of precious metals.

During the third quarter of 2013, work at the Boa Fé project focused on the modeling process of the main deposits and the submission of the 2014 work and investment program to the DGEG for approval. Interestingly, it was requested that the planned experimental mining activities be changed to the Braços deposit from Chaminé. More specifics on the company's fourth quarter developmental work are expected to be in the year-end filing, which usually is available in late April.

Tabuaço Tungsten Project

Also on February 20, 2014, Colt Resources announced the completion of the first phase of the Tabuaço tungsten project's drilling campaign, which was comprised of 22 holes totaling 2,575 meters. Management expects incremental exploration and drilling results to upgrade the inferred resources to the indicated category, along with potentially identifying additional resources. A feasibility study and an updated NI 43-101 compliant resource estimate are targeted for completion during the fourth quarter of 2014. The company expects to receive full mine permitting in 2015, complete mine construction in 2016 and achieve initial production in 2017.

During the third quarter of 2013 at the Tabuaço tungsten project, geological and structural field mapping at Aveleira and Gap continued. In addition, the technical and cost information were prepared for Preliminary Economic Assessment (PEA) report, which was filed on SEDAR in early October. The 2014 work and investment program for Tabuaço was also prepared and sent to DGEG for approval. Fourth quarter developmental work will be delineated in the year-end filing expected in April.

Santo Antonio JV Project

During September 2013 at the Santo Antonio EML (Experimental Mining License), Colt's joint venture partner, Contécnica, began a 2,000-meter drilling campaign. The drilling was subcontracted to LNEG (Laboratório Nacional de Energia e Geologia), and at least two rigs were turning on site at Turgueira. The results of drilling and other test work being performed on the gold bearing tailings by Contécnica are expected to be released at some point.

Several proposals to prepare a modified Environmental Impact Assessment (EIA) have been received. In addition, an updated list of old shafts, galleries and trenches was prepared. The 2014 work and investment program for Santo Antonio also has been prepared and sent to DGEG for approval.

Borba JV Project

Star Mining, the venture partner of Colt Resources at Borba, plans to begin a 2,000 meter drilling program on the **Borba exploration concession**. Located in the North Alentejo portion of the Ossa-Morena Zone, the Borba property extends over parts of both the Alter do Chão-Elvas Belt and the Sousel-Barrancos Belt. Borba encompasses 633.935 km2 in an area previously mined for copper and explored for gold. The area was mined for copper at Miguel Vacas between 1925 and 1991 when at least 1,650 tonnes of copper were produced. Also the old copper mines of Bugalho and Zambujeira lie within the concession. Since 1986, the region has been explored for gold, most recently by Rio Narcea and Kernow Resources. Prior drilling results confirm the presence of both gold and copper mineralization.

The Borba exploration concession was granted to Colt Resources on February 25, 2013, and a joint agreement with privately-owned Star Mining forms the basis of Star being able to earn up to 100% of the Borba concession through exploratory work programs and additional milestones of development. Colt Resources and Star Mining plan on jointly exploring the Borba exploration concession. Star Mining can earn a 25% interest in Borba upon expending at least $350,000 in the completion of a work program over a period of 12 months. Thereafter, Star Mining can earn an incremental 35% interest by completing another work program with expenditures of at least $750,000 over an additional 24 months. Another 20% interest can be attained by expending $1,000,000 towards technical, commercial and environmental programs required for completing a NI 43-101-compliant resource estimate. Then Star Mining will have the right to purchase full ownership of the Borba exploration license for $5.0 million within 18 months or $10.0 million during the subsequent 42 months.

Third quarter results

On November 26, 2013, Colt Resources reported financial results for the third quarter ending September 30, 2013. For the quarter, the company reported a loss of $3,187,389 ($0.02 per diluted share) versus a

loss of $2,951,489 ($0.03) in the comparable-quarter last year. Administrative expenses increased 41.6% from $1.82 million to $2.58 million, primarily related to a $489,476 increase in other expenses to $511,365 (which we suspect is related to the Middle East initiative) and a $266,943 increase in rent to $347,716. On the other hand, investor relations and marketing expenses declined by $226,128 to $215,028. During the quarter, the company allowed the exploration license on the Moimenta-Almendra concession to expire, and the entire carrying amount of $441,519 was written-off. The loss from operations was $2,664,140 compared to a loss of $2,063,517 recorded in the same period in 2012. The weighted average number of common shares outstanding increased 33.0% to 152,873,583 up from 114,914,675 in the comparable period last year.

Financing

During the first nine months of 2013, Colt Resources has received net proceeds of approximately $6.04 million ($108,750 from the exercise of options for 425,000 shares and the remainder from the issuance of shares through private placements). Subsequently in **October**, Colt Resources announced the completion of a **private placement** with a leading industry player of **6,250,000 common shares** at US$0.40 per share (which was about 30% above the stock's price at the time) providing **net proceeds of $2,500,000**. In accordance with Canadian securities laws concerning non-brokered private placements, the issued shares are subject to a four-month holding period. Then in **November**, Colt Resources announced the completion of an initial closing of the private placement offering (previously announced on July 4th). This first closing of ten Units totaled **$2.5 million of 5-year 10% Secured Senior Notes and warrants**, which grant the right to purchase 5,555,555 common shares at $0.45 per share. The Chairman of the Board of Colt Resources, Richard Quesnel, subscribed for eight Units (or $2.0 million in 10% Secured Senior Notes and warrants with the right to purchase 4,444,444 shares) in a related party transaction. The private placement offering may total up to $15,000,000 of 5-year 10% Secured Senior Notes with warrants attached, and there may be multiple closings. The offering was managed by TerraNova Capital Partners, Inc., for which a finder's fee and warrants were received. Colt Resources also announced that Euro Pacific Canada has been engaged for the Canadian portion of the Secured Senior Note financing up to $5.0 million of the remaining offering. The proceeds will be used primarily for the completion of a bankable feasibility studies on the Boa Fé gold and Tabuaço tungsten projects, along with the acquisition of surface rights and further infill drilling programs at both projects.

2013 Recap

Boa Fé gold project (EML) – During 2013, an updated NI 43-101-compliant mineral resource estimate for Boa Fé and Monfurado was completed during the first quarter and in the second quarter a Preliminary Economic Assessment (PEA) was filed. Management continues to fast track the property towards production. The company is expected to complete detailed engineering work and further metallurgical test-work for Boa Fé in preparation for full feasibility study due out in the second quarter of 2014.

Management anticipates the completion of an updated NI 43-101-compliant mineral resource estimate for Boa Fé and Monfurado during the second quarter of 2014. Given the scope and timetable of the company's work towards advancing the project, Colt Resources should have completed sufficient work for the Portuguese mining and environmental authorities to grant a definitive mining license for the Boa Fé gold project in mid-2014. Management intends to continue to rapidly advance the Boa Fé project with mine construction commencing in the fourth quarter of 2014 and **gold production in 2015**.

Tabuaço tungsten project (EML) – Management is also fast tracking the development of the Tabuaço tungsten project. Having been granted a Trial Mining License (aka Experimental Mining License) in February, the PEA was completed in early September.

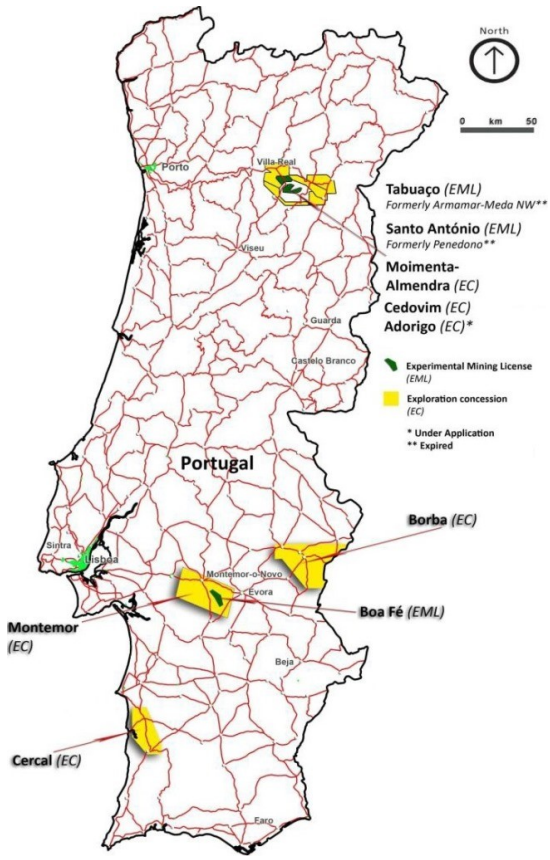
A feasibility study and an updated NI 43-101compliant resource estimate are targeted for completion during the fourth quarter of 2014. Management expects to receive full mine permitting in 2015. Mine construction is expected to begin in 2015 with initial production being achieved in 2017.

Santo António (EML) – During September, Consultoria Tecnica Ltda (Contécnica), Colt's joint venture partner, began a 2,000-meter drilling campaign. The results of drilling and other test work being performed on the gold bearing tailings by Contécnica are expected to be released in the future. Several proposals to prepare a modified Environmental Impact Assessment (EIA) have been received. In addition, an updated list of old shafts, galleries and trenches has been completed. The 2014 work and investment program for Santo Antonio also has been prepared and sent to DGEG for approval. Incremental information concerning the Santo António gold deposits should be forthcoming when the company files year-end results in April.

Contécnica is obligated to further develop this gold project by investing at least €2.0 million over three years in order to earn a 51% stake in the concession. By retaining a 49% stake, Colt Resources maintains upside exposure while reducing financial risk.

OVERVIEW

Based in Montreal, Quebec, Colt Resources, Inc. (GTP.V: TSXV; COLTF: OTC Markets) is a junior gold exploration company with **two advanced stage projects** (one gold and the other tungsten) located in the Portugal. These two projects (the **Boa Fé gold project** within the Montemor concession and the **Tabuaço tungsten project** in the Armamar-Meda concession) are very promising. In November 2011, an experimental mining license and an exploration concession were granted for Boa Fé and Montemor, respectively, and a NI 43-101 compliant resource estimate was filed in August 2012 and updated in March 2013. **A Preliminary Economic Assessment (PEA) on the Boa Fé gold project was filed in early May**. At Tabuaço, an initial NI 43-101 compliant resource estimate was filed in December 2011 and updated in October 2012. **A Preliminary Economic Assessment (PEA) on the Tabuaço project was filed in early October 2013**. Updated resource estimates are expected to further define and expand the economic deposits at Boa Fé and Tabuaço.



We believe the deposits at Chaminé, Casas Novas and São Pedro das Águias are readily recoverable. Management's internal goal is to initiate production Boa Fé in 2015 and at São Pedro das Águias in 2017. Interestingly, in the management's discussion and analysis for the third quarter of 2013, it was requested that the planned experimental mining activities be changed to the **Braços** deposit from Chaminé. We believe that. **Chaminé** is well-suited for an open pit mining project under the experimental mining license, which allows for an open pit with a maximum surface area of 5 hectares. Infill and confirmatory drilling continues. At **Tabuaço**, drilling continues in order to better delineate and upgrade

the resource estimate, and expand the scope of the deposit to the north. An internal preliminary conceptual mine plan has been completed, and the company was granted an experimental mining license (EML) in February 2013. A PEA was completed in early September 2013. Work is progressing on conducting a pilot mill test on approximately 20 metric tons of scheelite ore from the São Pedro das Águias deposit. Management expects to develop the project with a partner in order to bring the mine to production within three years.

Located in north-central Portugal, the 35 km2 **Santo António** gold experimental mining license area contains an underground gold mine that produced approximately 10,500 ounces of gold between 1954 and 1957. The Santo António EML contains a number of significant vein systems of gold mineralization, of which one system in the San Antonio area consists of 13 individual mineralized quartz veins. This parallel series of steeply dipping, northeast-trending, gold-bearing quartz veins are within a 1.2 km by 0.8 km area about three kilometers northwest of the town of Penedono. In September 2012, Colt Resources entered into a joint venture with Contécnica to further develop Santo António. Contécnica will be able to earn a 51% stake in the concession after investing at least €2.0 million in the project over three years. The capital commitment from Contécnica enables Colt to focus its capital resources on Boa Fé and Tabuaço while retaining a 49% stake in the Santo António gold project

Nikolas Perrault, CFA, was appointed CEO in December 2008. While at Colt Resources, Mr. Perrault has a track record of opportunistically pursuing acquisitions of concessions in Portugal, most recently the Boa Fé gold project. Under his tenure during 2011, the Montemor and Cedovim concessions were acquired as well as the Boa Fé experimental mining license. Prior to Mr. Perrault's arrival, the Penedono concession had been the company's primary focus. **Mr. Perrault is fast-tracking the development of the Boa Fé and Tabuaço projects.**

Management believes that neither a recession in Portugal nor the country's need for financial assistance from the European Union is detrimental to the company's progress. On the contrary, there is a national need for investment into industry, including the mining sector, in order to stimulate Portugal's economy.

The company has been very successful in obtaining capital through equity offerings and the exercise of warrants. During 2012, the company received net proceeds of $16,582,296 from the issuance of shares and the exercise of options. The proceeds funded the aggressive drilling programs at Boa Fé and Tabuaço. In early 2013, non-brokered private placements provided net proceeds of $1,061,667 followed by a $5 million private placement with Worldlink Resources in July. A private placement of up to $15 million 5-year 10% Secured Senior Notes (with warrants attached) has had its first closing of $2.5 million Secured Senior Notes and warrants in November 2013.

BOA FÉ & MONTEMOR (PORTUGAL) – GOLD

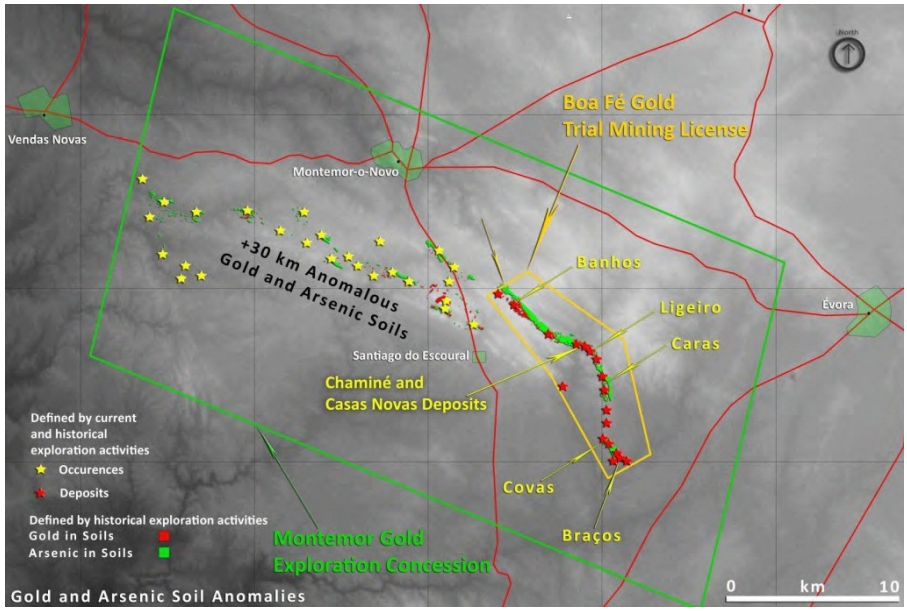
The **Montemor Regional concession** is Colt's most important gold concession in Portugal. Located in the Alentejo Region in southern Portugal, approximately 100 kilometers east of Lisbon, the Montemor Regional concession encompasses **728.22 square kilometers** (km^2). Colt Resources entered into an agreement with privately-owned Australian Iron Ore PLC to acquire 100% ownership of Montemor in July 2010. Upon being granted an **exploration license** for the Montemor Regional concession by the Direcção-Geral de Energia e Geologia (DGEG) on November 2, 2011, Colt Resources attained 100% ownership of the Regional concession from Australian Iron Ore for total payments of €185,000 and 3 million restricted shares[5].

[5] The €185,000 was paid in two installments: €60,000 on September 14, 2010 and €125,000 on November 2, 2011. The 3 million shares were issued on November 2, 2011 and placed in escrow, to be released in 500,000 share increments every four months over a 24 month period.

Portugal



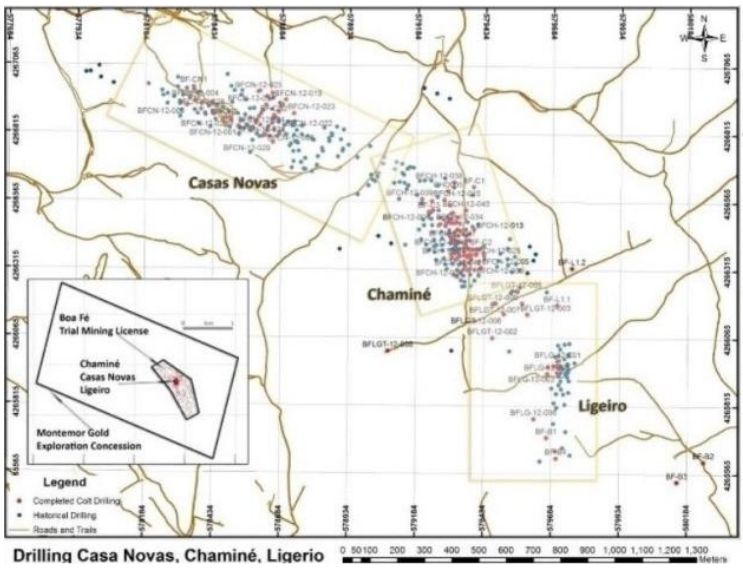
Montemor and Boa Fé

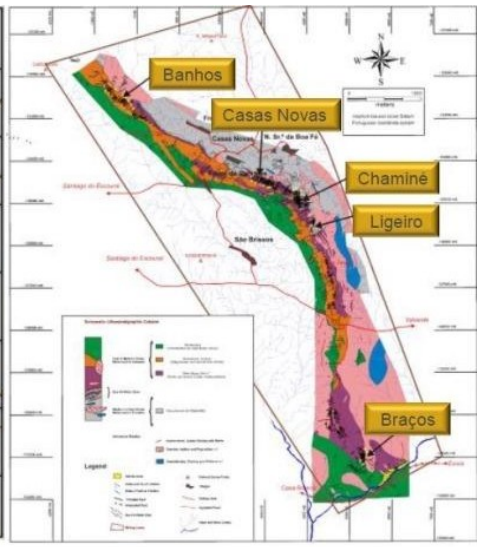


Within the Montemor Regional concession, the **Boa Fé project** is an **advanced exploration stage of development project**, which management believes has the potential for near term production. Encompassing **46.78 km^2**, the Boa Fé gold project is operating under an **experimental mining license** granted by the DGEG on November 2, 2011 for a period of three years plus a six month extension. The license permits limited mining operations to a disturbance area of 5,000 hectares (or 50,000 m^2) while performing feasibility studies.

Expected Development

Chaminé is well-suited for an open pit mining project. In preparation for applying for a full mining permit, **conceptual mine development plans** for the deposits at Chaminé, Casas Novas and Ligeiro have been completed. Also, the Geomega consulting group as prepared the **Environmental Impact Assessment** (EIA). **Metallurgical test work** undertaken by AMMTEC Ltd. in 2008 indicates that gold is readily recoverable through a series of conventional gravity concentration, sulphide flotation, ultra-fine grinding and cyanidation processes. Overall gold recovery from composite samples taken the Chaminé and Casas Novas composite ranged from 91.8% to 94.0%. During 2012 and 2013, additional test work using alternative non-cyanide leaching mediums was conducted by Drinkard Metalox. Ammonium thiosulphate achieved similar recoveries to cyanide while Group VII halogen-based agents (fluoride, chloride, bromide and iodide) attained very high recoveries around 98%.





Preliminary Economic Assessment for Boa Fé and Montemor Projects

On May 7, 2013, Colt Resources filed the Preliminary Economic Assessment (PEA) for the Boa Fé and Montemor gold projects in Portugal. Prepared by SRK Consulting, the PEA presented four processing options for the open pit mining of six separate deposits (Chaminé, Casas Novas, Banhos, Braços, Ligeiro and Monfurado).

Management believes that Options C and D are the more favorable approaches with preference for Option D. With the lowest capital cost and the second highest return, Option C utilizes the proven methodology of heap leaching. However, Option D offers the highest recovery rate and the highest IRR (39.6%), but the environmental-friendly Halogen extraction process entails incremental execution risk since the technology requires external expertise to implement. In addition to processing methods, the PEA delves into specific details of the mining methods including pit slope stability analysis.

Option	Mining Scenario	Processing Location	Processing Scenario	Projected Capital Costs (US$mm)	Projected Operating Costs (US$/oz)	Ore Processed (koz Au)	Ore Recovered (koz Au)	Projected IRR [1]	Process Risk	Environ-mental Risk
A	Open Pit	Off-Site	Gravity Flotation; Cyanidation	$119.3	$724	306	262	15.6%	Low	High
B	Open Pit	On-Site	Gravity Flotation; Cyanidation	$123.2	$674	341	291	21.4%	Low	High
C	Open Pit	On-Site	Heap Leach	$91.5	$683	341	249	32.7%	Low	Low
D	Open Pit	On-Site	Halogen Process	$123.8	$666	356	339	30.2%	Medium	Low

The PEA study assumes a 1.30 USD/EUR exchange rate and gold price of $1,425 per troy ounce. SRK included Inferred mineral resources in the production schedules, but cautions that the Inferred resources are geologically speculative at this point. Through further exploration, management expects to upgrade the Inferred resources to the Indicated category before the completion of a bankable feasibility study, which is scheduled for completion during the third quarter of 2014. During the fourth quarter of 2014, mine construction should commence after the appropriate detailed engineering plans are formulated and the necessary infrastructure material is procured. Gold production is scheduled to begin during 2015.

Project Options – Financial Models Comparison (Life of Mine)

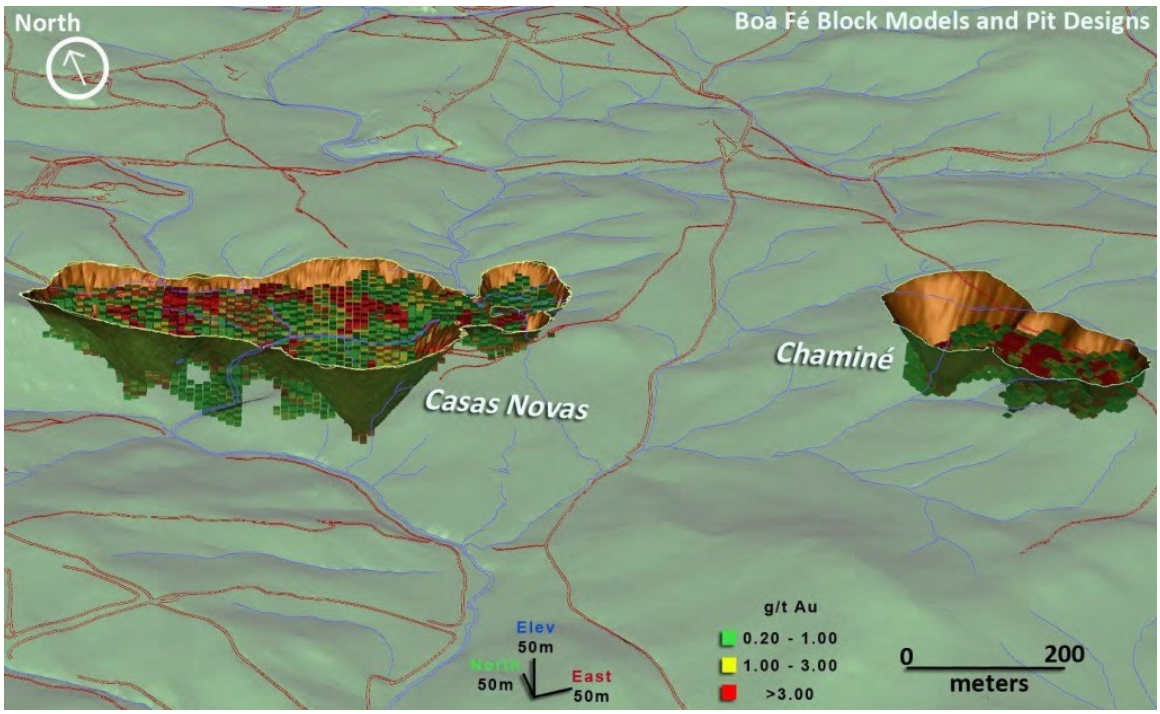
Economic Model Summary	Units	Option C	Option D
Production			
Rock Mined	(kt)	20,028	24,425
Ore Processed	(kt)	4,624	5,045
	(koz Au)	341	356
Recovered Metal	(koz Au)	249	339
Financial			
Metal Price	(USD/oz Au)	1,425	1,425
Revenue	(USDm)	355	482
Operating Expenditure	(USDm)	(156)	(206)
Operating Profit	(USDm)	185	257
Net Profit	(USDm)	159	220
Capital Expenditure	(USDm)	(92)	(124)
Cashflow	(USDm)	68	97
Pre-Tax Reporting			
NPV @ 5%	(USDm)	65.5	92.8
NPV @ 15%	(USDm)	31.8	43.9
IRR	(%)	42.9	39.6
Post-Tax Reporting			
NPV @ 5%	(USDm)	45.5	64.3
NPV @ 15%	(USDm)	19.2	25.8
IRR	(%)	32.7	30.2
Cash Cost			
Cash Cost	(USD/t_{ore})	36.82	44.68
	(USD/oz)	683	666

Resources

A NI 43-101-compliant estimate for the Chaminé and Casas Novas deposits was published in July 2012 followed by an updated resource estimate in March 2013. Both were prepared by SRK Consulting. The Indicated resource estimate represents **340,310 ounces** of *in situ* gold (91,700 ounces at Chaminé, 146,100 ounces at Casas Novas and 95,800 ounces at Banhos) while **84,200 ounces** Au are categorized as Inferred (23,700 oz. at Casas Novas and 23,300 ounces at Braços).

Resource Statement for the Boa Fé Gold Project

Deposit Area	Resource Category	Quantity	Average Grade	Contained Metal
		Tonnes	Au (g/t)	Au Oz
Banhos	Indicated	2,200,000	1.35	95,800
Braços		-	-	-
Chaminé		1,390,000	2.05	91,700
Casas Novas		2,330,000	1.95	146,100
Ligeiro		148,000	1.42	6,730
Monfurado		-	-	-
	Total Indicated	**6,070,000**	**1.74**	**340,310**
Banhos	Inferred	172,000	1.97	10,900
Braços		380,000	1.91	23,300
Chaminé		5,000	4.67	730
Casas Novas		480,000	1.54	23,700
Ligeiro		-	-	-
Monfurado		520,000	1.53	25,600
	Total Inferred	**1,554,000**	**1.69**	**84,200**



TABUAÇO (PORTUGAL) – TUNGSTEN

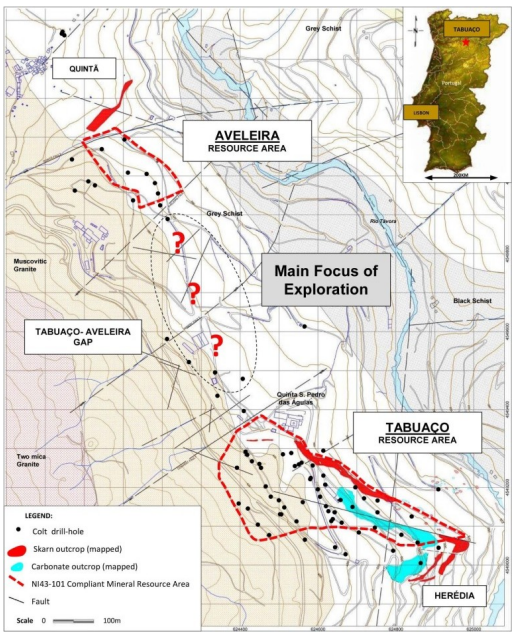
Located in north-central Portugal, the **Tabuaço tungsten project** encompasses an area of **45.128 square kilometers**. Colt Resources owns a 100% beneficial interest in the Tabuaço experimental mining license (EML), which was awarded in February 2013 and was preceded by an exploration concession (Armamar-Meda) having been granted in December 2007. The EML was awarded for a period of four years plus a six month extension. Situated in the District of Viseu, Tabuaço is 93 kilometers east of city of Porto and 300 kilometers northeast of Lisbon (approximately a five hour drive by car from the capital).

The geological model being used to help determine the geometry and placement of scheelite deposits at Tabuaço is the **contact metamorphosed tungsten skarn model**. Classified as an intermediate intrusion-type model, the scheelite deposit is associated with the contact zone of an igneous intrusive, usually granite, and a favorable carbonate host rock. A mineralized skarn horizon is formed in close proximity to the boundary with the intrusive, which typically provided the heat source that drove the hydrothermal activity that altered and introduced the tungsten mineralization into the host rocks. The high-grade tungsten deposits appear in the form of **scheelite** ($CaWO_4$).

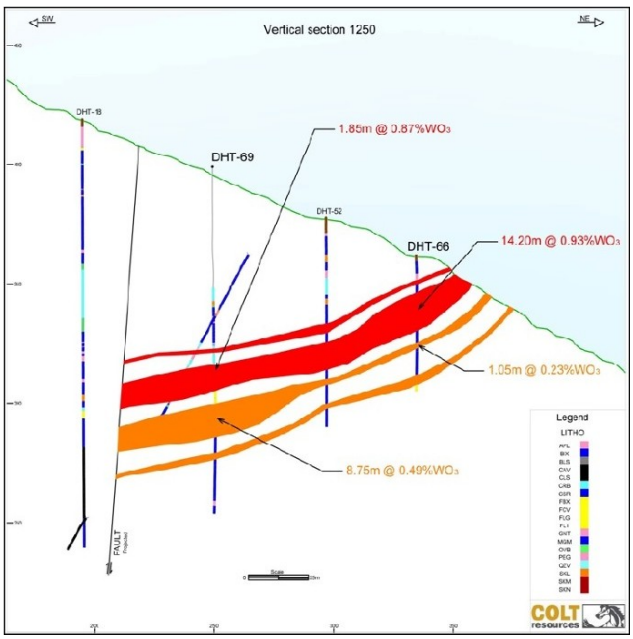
The Tabuaço project contains a gently-dipping scheelite (tungsten) deposit in the **São Pedro das Águias** occurrence, which is situated 2.7 kilometers south-southeast of the village of Távora along the Távora River. Elevations range from 175 meters above sea level along the Távora River to almost 1,000 meters at the hilltop areas. A portion of the deposit underlies a port wine vineyard on the western terraced slope of the Távora River valley. In August 2011, Colt Resources acquired 140 hectares of surface rights, which includes a vineyard and operational winery producing Senhora do Convento port and red table wines, along with a former Cistercian monastery.[6] By securing the land over the majority of the deposit area, the company has unencumbered access to the most of the project area during the aggressive drilling program that was begun in April 2011. In addition, the land is suitable for the entrance to the planned underground mine.

Tungsten mineralization also occurs in several other areas: **Quinta das Herédias, Quintã, Quinta do Paço** and **Quinta da Aveleira** (NW and SE).

Tabuaço



Cross Section of São Pedro das Águias



[6] The real estate includes a port wine vineyard that generates revenues for Colt Resources.

Resource

An updated NI 43-101 technical report was announced on October 3, 2012. Completed by SRK Exploration, the mineral resource estimate is based on a tungsten scheelite skarn model in proximity to a granite intrusion. Based on 64 diamond drill holes, in October 2012, SRK completed an NI43-101 compliant report that estimated an indicated resource of 1,495,000 tons averaging 0.55% WO_3 and an inferred resource of 1,230,000 tons averaging 0.59% WO_3 (0.30% WO_3 cutoff). The **updated resource estimate** increased the **indicated mineral resource** by 85% from 440,000 to **815,000 MTU WO_3**. The **inferred resource** is estimated to contain **720,000 MTU WO_3**. The resource estimate addresses the **São Pedro das Águias** deposit, but other occurrences are being investigated; specifically, **Quinta das Herédias, Quintã, Quinta do Paço** and **Quinta da Aveleira**.

São Pedro das Águias Tabuaço (Armamar)	Tonnage (tonnes 000)	Grade (WO_3 %)	Contained Metal (WO_3 tonnes)	Contained Metal (WO_3 pounds)	Contained Metal (MTU WO_3)
Indicated	1,495	0.55	8,150	18,000,000	815,000
Inferred	1,230	0.59	7,200	16,000,000	720,000

The results of the exploration indicate that the **São Pedro das Águias zone contains important tungsten mineralized skarns** that are proximal to a granite intrusion. At least two distinct, sub-parallel carbonate skarn horizons have been discerned that are separated by schists.

Expected Development

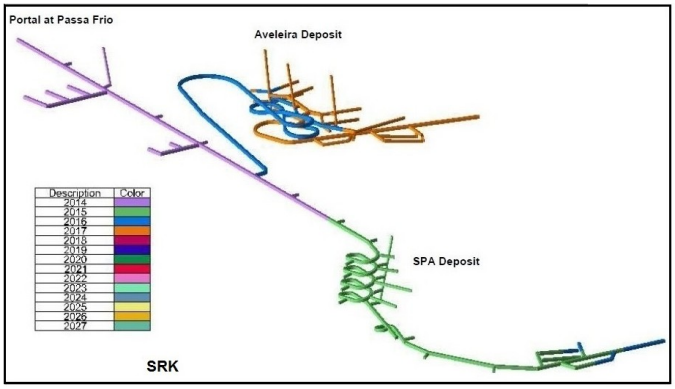
Management is fast tracking the development of the Tabuaço tungsten project. The application for an Experimental Mining License was submitted to the DGEG in August 2012, and final approval for a Trial Mining License (aka Experimental Mining License) was received in February 2013. Work on a preliminary economic assessment (PEA) is in progress, and management anticipates the PEA to be completed during the third quarter. Thereafter, management plans to conduct a pilot mill test on approximately 20 metric tons of scheelite ore. The company is well prepared since an internal preliminary conceptual mine plan was completed in 2011, which calls for an underground mine to exploit the São Pedro das Águias zone with a mine portal on land already owned by Colt Resources.

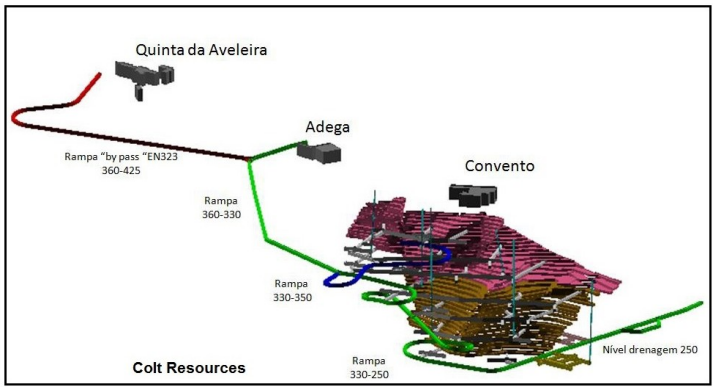
In March 2013, Colt Resources entered into a binding letter of intent (LOI) to purchase roughly 247 acres (equivalent to 1.0 km2 aka 100 hectares), on which the company plans to construct the necessary surface mining infrastructure for the Tabuaço tungsten project. The parcel of property, known as the Passa Frio farm, would serve as the site for the processing plant (including jaw crushers, mill and concentrator), warehouses, dams and tailings impoundment facility needed to bring the mine into production. The property is situated in a secluded area within three kilometers from the proposed entrance of the mine. Passa Frio is distant from residential areas and is already zoned to permit the construction of the off-site processing infrastructure. The site was surveyed to verify legal title and tested through an initial geotechnical drilling campaign which targeted the sites of the major infrastructure facilities, namely the tailings, water dam and pit locations. At a cost of €100,000, the three-year option grants Colt Resources the right to purchase the Passa Frio farm for €350,000.

Colt Resources has completed a metallurgical work program comprised of testing the recovery of an acceptable grade of concentrate through gravity and/or flotation recovery techniques. Utilizing mineralized ore from split drill cores from the São Pedro das Águias deposit, the program is now focused on flotation concentration only, since gravity recovery seems to be only somewhat effective. Colt Resources is also examining an option of further processing the flotation concentrates into either ammonium paratungstate or tungsten oxide.

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

Isometric Views of Underground Mine Plan for the Tabuaço Tungsten Project





On September 4, 2013, Colt Resources announced that the Preliminary Economic Assessment (PEA) had been completed on the company's Tabuaço tungsten project. The PEA estimates that a capital investment of $86.7 million will be required to develop and recover 1.24 million MTU WO3. Based upon WO3 pricing of $400 per MTU, the project can generate revenues of $496 million and $196 million in net operating profits. Over the 12 year life of mine, the project's post-tax IRR is estimated to be 30.7%.

Management has indicated that there are plans to conduct a pilot mill test on approximately 20 metric tons of scheelite ore from the São Pedro das Águias deposit to verify the preferred processing option laid out in the PEA, which involves ore sorting and an acid tungsten recovery process. An adit to the ore body is required to acquire the bulk sample. During the second quarter of 2013, a rock characteristic study was conducted around the area of the proposed shaft and trial mine gallery. Inquiries are being made to select the contractor to build these underground structures. Also, the metallurgical test work will be used to optimize the process flow sheets for the design of the final processing plant and to substantiate the estimated 90.25% recovery rate.

Management continues to seek a partner to bring a mine at Tabuaço to production in 2017. We would expect that the development of Tabuaço would be structured in a manner similar to the Penedono joint venture with the partner providing capital and further developing the project in order to earn a substantial stake in the concession. In this manner, Colt Resources would be able to focus its capital resources on the development of the Boa Fé gold project in southern Portugal. Management plans on beginning construction of the mine at Tabuaço in 2015/2016.

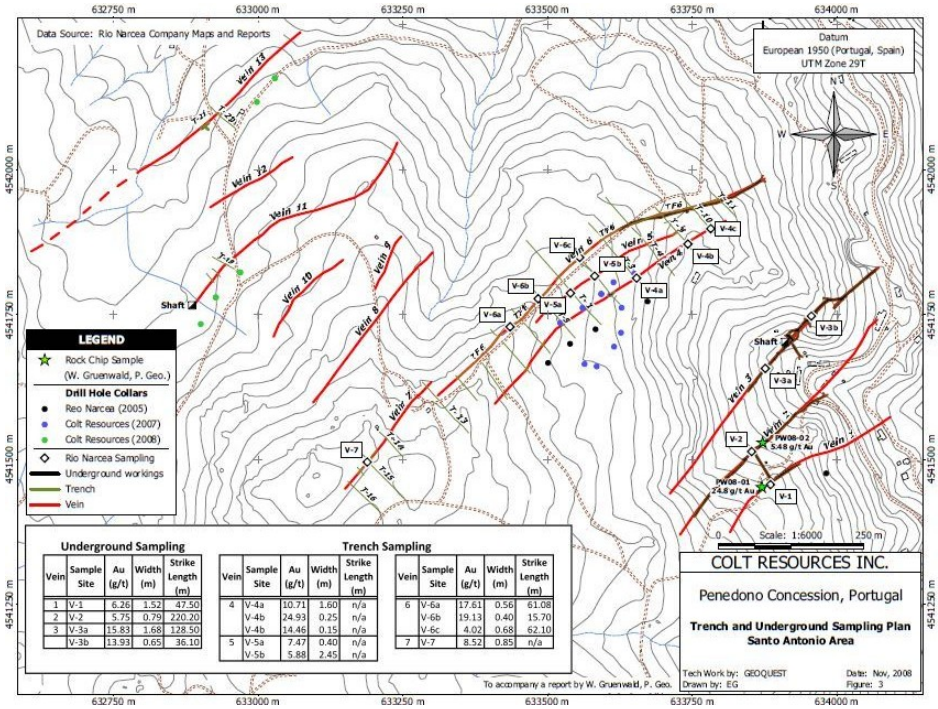
SANTO ANTÓNIO (PORTUGAL) - GOLD

Located in north-central Portugal, the **Santo António gold project** is being developed in a **35.34 square kilometer** EML. The area was mined by the Romans over 2,000 years ago and also contains the now-closed Santo António underground gold mine, which was active during the 1950's when Companhia das Minas de Ouro de Penedono produced approximately 10,500 ounces of gold between 1954 and 1957. Since the mining processing plant never achieved an acceptable level of gold recovery, approximately 100,000 cubic meters (m^3) of tailings currently exist, which may contain recoverable gold when processed by more modern methods.

Colt Resources obtained the exclusive right to prospect and explore the property for base and precious metals through an agreement with Rio Narcea in May 2007. Since the 1970's, , the Santo António area has been explored by several mining companies, including the S.P.E.[7]- BRGM[8] consortium, the Sociedade Mineira de Moimento- Greystar Resources Ltd. JV and Rio Narcea Gold Mines S.A.

[7] S.P.E. or Sociedade Portuguesa de Empreendimentos SA is a Portuguese company now 81.1% owned by Portuguese government.
[8] BRGM or Bureau de Recherche Géologiques et Minières is the French national institute for research related to the management of natural resources.

Situated about three kilometers northwest of the town of Penedono, the **Santo António EML** contains **a number of significant vein systems of high-grade gold mineralization. Thirteen individual mineralized quartz veins have been identified.** From the east of the cluster to the west, the Santo António veins have been numbered from Vein 1 to Vein 13. The strike lengths in the table above are approximate, and in some cases (Veins 7 - 13) are based solely on surface indications. Some of the veins are smaller in width and discontinuous in grade (Veins 4 - 13). The gold production by Companhia das Minas de Ouro de Penedono was derived from underground mining, primarily along Veins 2 and 3, and to a lesser extent Veins 7 and 13.



Underground Sampling				
Vein	Sample Site	Au (g/t)	Width (m)	Strike Length (m)
1	V-1	6.26	1.52	47.50
2	V-2	5.75	0.79	220.20
3	V-3a	15.83	1.68	128.50
	V-3b	13.93	0.65	36.10

Trench Sampling				
Vein	Sample Site	Au (g/t)	Width (m)	Strike Length (m)
4	V-4a	10.71	1.60	n/a
	V-4b	24.93	0.25	n/a
	V-4b	14.46	0.15	n/a
5	V-5a	7.47	0.40	n/a
	V-5b	5.88	2.45	n/a
6	V-6a	17.61	0.56	61.08
	V-6b	19.13	0.40	15.70
	V-6c	4.02	0.68	62.10
7	V-7	8.52	0.85	n/a

In September 2012, Colt Resources entered into a joint venture with Contécnica to further develop Santo António. Contécnica will be able to earn a 51% stake in the concession after investing at least €2.0 million in the project over three years. Currently, Colt Resources holds 99% of the project and Contécnica has earned 1%.

The agenda of the Colt Resources- Contécnica JV to further develop the Santo António EML includes

1) the recovery of gold from the Santo António tailings,
2) the excavation of a new adit to access and de-water the underground workings of Santo António,
3) the recovery of the blasted ore that remains in the galleries for pilot metallurgical test work,
4) evaluation drilling of the vein deposits and
5) a trial open pit mine at Turgueira

INSIDER TRADING AND OWNERSHIP

Corporate insiders own 13.6% of the outstanding common stock. Nikolas Perrault (CEO) beneficially controls 5,070,762 (or 3.2% of the shares outstanding) and Declan Costelloe (COO) owns 470,000 shares (or 0.3%). Richard Quesnel (Executive Chairman), Nikolas Perrault (CEO) and Declan Costelloe (COO) have been consistently purchasing shares over the last six months. In November 2013, Richard Quesnel acquired eight Units of Colt Resources Notes and Warrants granting him the right to purchase 4,444,444 shares at US$0.45 per share. Subsequently, he purchased 104,528 shares in mid-February.

Institutional and corporate investors own approximately 32.8% of the shares outstanding of Colt Resources, with Hong Kong-based Worldlink Resources Ltd holding 14,285,715 shares (9.0% of the shares outstanding) and Teixeira Duarte (a Portuguese engineering and construction company) owning approximately 6.5 million shares (4.1%). Worldlink Resources initiated its position on July 24, 2013 through a $5,000,000 private placement of 14,285,715 Units priced at C$0.35 with each Unit comprised of one GTP common share and one-fourth of a warrant. Teixeira Duarte acquired its shares of Colt Resources during the third quarter of 2012 for approximately €2.5 million.

VALUATION

Managements of mineral production and exploration companies create value through evaluating, acquiring, exploring and/or developing mining properties. In the case of Colt Resources, management's strategy is to increase shareholder value by fast-pacing the development of the **Boa Fé gold project** in southern Portugal and the **Tabuaço tungsten project** in north-central Portugal, along with other properties in Portugal. As an exploration company**,** we believe it would be inappropriate to value Colt Resources on an earnings, cash flow or book value basis, which would not adequately capture the value of the company's resource base. Though book value can often represent the value of a junior exploration company, the company has advanced to a milestone point in the exploration phase that the resources have been estimated to a degree of certainty the we are comfortable in utilizing a resource-based valuation model.

Our calculation of **share value of attributable reserves and resources** is based on the ascertained value of each property plus balance sheet adjustments for working capital, PPE (property, plant and equipment) and marketable securities. The **value of each individual property** is determined by **adjusting the value of current resources for the expected recovery rate, mining/processing costs** and **royalties**, if any**.** The reserves/resources are assigned a **confidence factor** that attempts to take into account the risks of each project, such as the locality of the deposits, the assurance level of the reserves/resources, various technical mining/production risks, etc. The current price of gold and tungsten are utilized. The reserve/resource valuation methodology involves the following assumptions:

1) For the Chaminé, Casas Novas, Ligeiro, Braços, Banhos and Monfurado deposits at Boa Fé and Montemor, an 89% confidence factor is applied to the in-situ gold resources categorized as both Indicated and Inferred based on estimates of Option D in the PEA. The NI 43-101-compliant resource estimate confirmed historical drilling results, which gives us a high level of confidence of the resources.
2) The estimated production life of the mines at Boa Fé and Montemor is seven years as outlined in Option D of the PEA.
3) At the São Pedro das Águias zone at the Tabuaço project, an 85% confidence factor is applied to NI 43-101-compliant measured & indicated resource and 70% confidence factor for the inferred resource.
4) Portugal's net smelter return (NSR) for gold at Boa Fé is 4% and 2% for tungsten at Tabuaço. The net tax rate is estimated to be 27.5%.
5) Concessions that do not have a resource definition (specifically Montemor, Santo António, etc.) have not been assigned a value.

Based on our calculation of share value of attributable resources (see table below), **our target for Colt Resources is $1.63.**

Since our last report, the following **important developments** affected our valuation model:
1) The increase in the price of gold increased the target by $0.16
2) The decline in the price of tungsten decreased the target by $0.04.
3) The issuance of debt reduced the price target by $0.02

The valuation model is quite conservative in that it includes the development costs of two mining operations (gold at Boa Fé and tungsten at Tabuaço). In general, these costs are not usually incorporated into resource-based models. Removing the development costs would produce a $2.29 per share value of attributable resources.

Colt Resources Inc.

PORTUGUESE Projects	Metal	Measured & Indicated Resource (oz)	Grade (g/t)	Inferred Resource (oz)	Recovery Rate	Average Production Cash Costs (per oz)	Current Price	Royalties & Net Smelter Return (NSR)	% Ownership	Net Value to GTP	Net Present Value to GTP
Boa Fé - Gold											
Chaminé	Au	91,700	2.05	730	90%	675	1,350	4.0%	100%	47,903,254	43,876,575
Casas Novas	Au	146,100	1.95	23,700	90%	675	1,350	4.0%	100%	88,001,434	79,453,436
Braços	Au		1.91	23,300	90%	675	1,350	4.0%	100%	12,075,580	10,902,621
Banhos	Au	95,800	1.35	10,900	90%	675	1,350	4.0%	100%	55,298,899	49,927,453
Ligeiro	Au	6,730	1.42		90%	675	1,350	4.0%	100%	3,487,925	3,149,126
Monfurado	Au		1.53	25,600	90%	675	1,350	4.0%	100%	13,267,590	11,978,845
Tabuaço - Tungsten		**(MTU)**	**(% WO_3)**	**(MTU)**		**(per MTU)**					
San Pedro das Águias	WO3	440,000	0.58	360,000	86%	52	370	2.0%	100%	193,865,011	143,189,531
Quinta das Herédias	WO3	N/A									
Quintã	WO3	N/A									
Quintã do Paço	WO3	N/A									
Quintã da Aveleira	WO3	375,000	0.52	360,000	86%	52	370	2.0%	100%	163,573,603	141,637,620
DEVELOPMENT COSTS											
Boa Fé										(123,800,000)	(97,670,419)
Tabuaço										(86,700,000)	(76,388,953)
TAXES											
Taxes										(100,917,656)	(49,455,958)
BALANCE SHEET ADJUSTMENTS											
Working capital										2,804,599	2,804,599
Loans payable										(2,500,000)	(2,500,000)
							Net Assets & Resources			266,360,238	260,904,477
							Shares Outstanding			159,667,846	159,667,846
								Discounted Asset Value			**1.63**

In August 2007, Japanese trading company Sojitz Corp. (2768: TSE) acquired Primary Metals Inc. (PMI: TSX V), the operator of the Panasqueira underground tungsten mine in Portugal. The purchase price was $51.4 million or 8.02 times book value. The mine produced 99,095 metric tonne units (MTUs) of tungsten in its 2007 fiscal year ended March and produced approximately 110,000 MTUs in 2011. Just before its acquisition, Primary Metals received an updated reserve/resource estimate. Proven and probable reserves were estimated to be 590,000 MTUs (2,430,000 tonnes grading at 0.243% WO_3) indicated resources were 748,000 MTUs (2,700,000 tonnes at a grade of 0.277% WO_3), and the inferred resource was estimated at 405,000 MTUs (1,810,000 tonnes grading at 0.224% WO_3). Taking various factors into account, specifically that Primary Metals was operating an active underground tungsten mine with a processing plant and had been granted exploration concessions at Argimela (tin) and Quinta/Banjas (gold) and that in the month prior to the acquisition, tungsten had been trading in a range between $240 and $270 per MTU, **we estimate that the São Pedro das Águias zone deposit alone would be worth approximately $0.35 per Colt share to a strategic buyer today.**

BALANCE SHEET

Colt Resources Inc.							
Consolidated Balance Sheets							
(in $ Canadian)	FY 2008	FY 2009	FY 2010	FY 2011	2011	2012	3Q 2013
For the years ending March 31 or Dec 31	3/31/2008	3/31/2009	3/31/2010	3/31/2011	12/31/2011	12/31/2012	9/30/2013
ASSETS							
Cash and cash equivalents	625,911	19,818	484,445	1,236,079	3,885,777	6,473,498	2,027,667
Marketable securities	-	-	-	-	3,003,868	-	-
Commodity Taxes and other receivables	45,116	43,846	21,429	146,895	401,279	1,519,580	639,228
Taxes receivable	1,967	22,611	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Inventories	-	-	-	-	3,710,550	3,071,227	3,082,886
Prepaid expenses	12,936	7,886	40,098	127,149	316,298	455,184	498,537
Due from related party	4,138	-	-	-	-	-	-
Current Assets	**690,068**	**94,161**	**545,972**	**1,510,123**	**11,317,772**	**11,519,489**	**6,248,318**
Property, plant and equipment	**14,023**	**11,464**	**6,144**	**190,003**	**1,636,569**	**1,535,079**	**1,749,153**
Biological assets	-	-	-	-	**1,466,579**	**1,467,690**	**1,588,524**
Exploration and evaluation assets	**1,267,706**	**1,932,549**	**2,867,390**	**4,765,569**	**15,456,652**	**24,664,728**	**27,769,196**
Goodwill	-	-	-	-	**733,007**	**728,453**	**774,311**
Performance Bonds	**113,707**	**133,600**	**123,300**	**124,038**	**229,587**	**603,428**	**566,544**
Intangible assets	-	-	-	-	**36,285**	**1,246**	**0**
Total Assets	**2,085,504**	**2,171,774**	**3,542,806**	**6,589,733**	**30,876,451**	**40,520,113**	**38,696,046**
LIABILITIES							
Accounts payable & accrued liabilities	103,654	227,577	414,622	797,594	830,247	4,651,272	2,747,719
Due related parties	11,074	130,543	49,670	83,012	63,273	48,325	-
Loans payable	-	-	-	-	1,262,068	1,278,962	696,000
Current Liabilities	**114,728**	**358,120**	**464,292**	**880,606**	**2,155,588**	**5,978,559**	**3,443,719**
Deferred taxes	-	-	-	-	733,007	445,405	517,867
Loans payable	-	-	-	-	1,262,068	-	-
Convertible preferred shares	-	-	-	-	2,690,174	2,793,904	3,063,782
Convertible debenture	692,440	287,917	271,038	-	-	-	-
Long-term liabilities	**692,440**	**287,917**	**271,038**	**0**	**4,685,249**	**3,239,309**	**3,581,649**
Share capital stock	1,573,182	3,358,545	5,596,992	12,263,860	35,222,854	48,353,634	56,152,675
Subscription receipts	-	-	-	-	-	2,700,000	-
Warrants	-	-	-	-	-	195,928	1,040,525
Additional paid-in capital	393,183	434,421	824,596	2,631,351	3,886,136	4,522,206	4,617,975
Equity portion of convertible pfd shares	-	-	-	-	700,628	700,628	700,628
Equity portion of convertible debenture	807,860	214,097	128,458	-	-	-	-
Unrealized gain on financial assets AFS	-	-	-	-	-	-	-
Acc. other comprehensive income (loss)	-	-	-	-	(718,476)	(677,721)	669,874
Retained earnings (deficit)	(1,495,889)	(2,481,326)	(3,742,570)	(9,186,084)	(15,055,528)	(24,492,430)	(31,510,999)
SHAREHOLDERS' EQUITY	**1,278,336**	**1,525,737**	**2,807,476**	**5,709,127**	**24,035,614**	**31,302,245**	**31,670,678**
Total Liabilities and Equity	**2,085,504**	**2,171,774**	**3,542,806**	**6,589,733**	**30,876,451**	**40,520,113**	**38,696,046**
Common shares outstanding	10,028,056	17,799,096	32,109,336	55,198,419	98,452,604	129,571,430	152,887,186

PROJECTED INCOME STATEMENT

Colt Resources Inc.

Consolidated Statements of Operations and Retained Earnings

(in $ Canadian)	FY 2008	FY 2009	FY 2010	FY 2011	(9 months) 2011	2012	2013 E
For the years ending March 31	3/31/2008	3/31/2009	3/31/2010	3/31/2011	12/31/2011	12/31/2012	12/31/2013
Revenue:	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses:							
Administrative expenses	666,407	699,258	992,546	3,637,378	4,889,750	7,637,472	8,755,737
Stock-based compensation	495,939	248,423	246,963	1,265,942	1,254,785	80,482	500,000
Amortization expense	2,337	4,250	940	16,210	145,524	277,200	245,545
Other expense (winery income)	0	0	0	0	(159,064)	0	(71,766)
Operating expenses	**1,164,683**	**951,931**	**1,240,449**	**4,919,530**	**6,130,995**	**7,995,154**	**9,429,516**
Loss from operations	**(1,164,683)**	**(951,931)**	**(1,240,449)**	**(4,919,530)**	**(6,130,995)**	**(7,995,154)**	**(9,429,516)**
Interest income	29,678	5,666	622	0	42,243	52,178	45,000
Interest (expense)	-	-	-	-	(79,514)	(272,291)	(208,936)
Write-off of mineral property interest	-	(90,000)	-	-	-	(1,396,134)	(441,505)
Loss on disposal of equipment	-	-	(9,652)	-	-	(10,632)	6,662
Derivatives gain (loss)	-	-	-	-	-	-	0
Foreign exchange gain (loss)	9,802	3,013	(8,425)	(74,811)	243,831	50,231	(166,171)
Total other income (expense)	**39,480**	**(81,321)**	**(17,455)**	**(74,811)**	**206,560**	**(1,576,648)**	**(764,950)**
Loss before income taxes	**(1,125,203)**	**(1,033,252)**	**(1,257,904)**	**(4,994,341)**	**(5,924,435)**	**(9,571,802)**	**(10,194,466)**
Current income tax (recovery)	-	-	-	-	-	-	15,058
Deferred income tax (recovery)	(29,450)	(47,815)	3,340	0	(11,814)	(134,900)	58,424
Net Gain (Loss)	**(1,095,753)**	**(985,437)**	**(1,261,244)**	**(4,994,341)**	**(5,912,621)**	**(9,436,902)**	**(10,267,948)**
Other comprehensive loss							
Unrealized gain on available for sale marketable securities	-	-	-	-	6,746	(6,746)	0
Foreign exchange gain (loss) on translation of foreign operations	0	0	0	0	(725,040)	47,501	1,293,330
Total comprehensive loss	**(1,095,753)**	**(985,437)**	**(1,261,244)**	**(4,994,341)**	**(6,630,915)**	**(9,396,147)**	**(8,974,618)**
Net income per common share (diluted) - continuing ops.	**(0.16)**	**(0.07)**	**(0.05)**	**(0.11)**	**(0.07)**	**(0.08)**	**(0.07)**
(diluted) - continuing ops.							
Weighted average common shares outstanding - diluted	6,833,463	14,866,814	23,717,819	46,205,934	86,749,732	121,383,520	146,880,920

Colt Resources Inc.

Consolidated Statements of Operations and Retained Earnings

(in $ Canadian)	2012 JFM	2012 AMJ	2012 JAS	2012 OND	Year	2013 JFM	2013 AMJ	2013 JAS	2013 OND	Year
For the years ending March 31	1Q	2Q	3Q	4Q	2012	1Q	2Q	3Q	4Q E	2013
Revenue:	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses:										
Administrative expenses	1,354,456	1,790,873	1,821,640	2,757,586	**7,637,472**	1,770,562	1,656,366	2,578,809	2,750,000	8,755,737
Stock-based compensation	-	-	80,482	-	**80,482**	-	-	-	500,000	500,000
Amortization expense	97,065	88,731	98,630	(7,226)	**277,200**	63,030	58,806	57,709	66,000	245,545
Other expense (winery income)	(74,143)	149,513	62,765	(138,135)	**0**	(67,792)	93,404	27,622	(125,000)	(71,766)
Operating expenses	**1,377,378**	**2,029,117**	**2,063,517**	**2,612,225**	**7,995,154**	**1,765,800**	**1,808,576**	**2,664,140**	**3,191,000**	**9,429,516**
Loss from operations	**(1,377,378)**	**(2,029,117)**	**(2,063,517)**	**(2,612,225)**	**(7,995,154)**	**(1,765,800)**	**(1,808,576)**	**(2,664,140)**	**(3,191,000)**	**(9,429,516)**
Interest income	8,860	3,839	30,080	9,399	**52,178**	16,554	1,241	977	7,500	45,000
Interest (expense)	(54,300)	(54,009)	(91,789)	(72,193)	**(272,291)**	(59,323)	(42,876)	(41,737)	(65,000)	(208,936)
Write-off of mineral property interest	0	0	(671,615)	(724,519)	**(1,396,134)**	0	14	(441,519)	0	(441,505)
Gain (loss) on disposal of equipment	0	0	0	(10,632)	**(10,632)**	6,594	0	68	0	6,662
Derivatives gain (loss)	-	(29,500)	-	-	-	-	-		-	0
Foreign exchange gain (loss)	27,115	(76,692)	(154,648)	254,456	**50,231**	13,718	(141,851)	(38,038)	0	(166,171)
Total other income (expense)	**(18,325)**	**(156,362)**	**(887,972)**	**(543,489)**	**(1,576,648)**	**(22,457)**	**(183,472)**	**(520,249)**	**(57,500)**	**(764,950)**
Loss before income taxes	**(1,395,703)**	**(2,185,479)**	**(2,951,489)**	**(3,155,714)**	**(9,571,802)**	**(1,788,257)**	**(1,992,048)**	**(3,184,389)**	**(3,248,500)**	**(10,194,466)**
Current income tax (recovery)	0	15,372	(236)	111,609	**126,745**	0	9,955	103	5,000	15,058
Deferred income tax (recovery)	0	0	0	(261,645)	**(261,645)**	34,074	6,401	3,343	14,606	58,424
Net Gain (Loss)	**(1,395,703)**	**(2,200,851)**	**(2,951,253)**	**(3,005,678)**	**(9,436,902)**	**(1,822,331)**	**(2,008,404)**	**(3,187,835)**	**(3,268,106)**	**(10,267,948)**
Other comprehensive loss										
Unrealized gain (loss) on available for sale mkt	4,501	8,148	(19,395)	0	**(6,746)**	0	0	0	0	0
Forex gain (loss) on translation of fgn ops.	62,817	(129,020)	(160,347)	274,051	**47,501**	(121,065)	1,047,973	366,422	0	1,293,330
Total comprehensive loss	**(1,328,385)**	**(2,321,723)**	**(3,130,995)**	**(2,731,627)**	**(9,396,147)**	**(1,943,396)**	**(960,431)**	**(2,821,413)**	**(3,268,106)**	**(8,974,618)**
Net income per common share (diluted) - continuing ops.	**(0.01)**	**(0.02)**	**(0.03)**	**(0.02)**	**(0.08)**	**(0.01)**	**(0.01)**	**(0.02)**	**(0.02)**	**(0.07)**
Wgtd avg. com. shares out.- diluted	104,075,137	113,059,900	114,914,675	134,000,000	121,383,520	136,950,043	138,576,471	152,873,583	159,123,583	146,880,920

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Steven Ralston, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities in the issuers which they cover. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or

her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1,066 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 17.8%, Hold/Neutral- 74.5%, Sell/Underperform – 7.1%. Data is as of midnight on the business day immediately prior to this publication.