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**Colt picks up where the Romans left off Portugal's Pro-Mining Policies
Fast-Track Penedono Development**

By Trish Saywell

Penedono, Portugal -- On a windswept granite hillside dotted with scrub bushes near this historic town, you can still see marks left by the picks and chisels of the Romans.

Today, Colt Resources (COLT-C) is picking up where the Romans' slaves left off -- scouring the very same gold-bearing quartz veins that enticed its predecessors to this spot more than 2,000 years ago.

"There's gold all over the place," says Wayne Murton, Colt's chief geologist and one of the company's directors. "In any other location, a property like this would be covered in drill holes."

The quartz vein system that was mined here in the past and the visible mineralization that has not been explored or drilled "is as good as any I've seen for a vein-type gold deposit," Murton tells a group of visiting analysts and investors on a recent site visit.

That speaks volumes for a seasoned geologist like Murton, whose career has spanned geographies as diverse as Ghana, Venezuela, Brazil, and Peru, as well as North America.

Colt's Penedono concession is nestled in northern central Portugal, about 300 km northeast of Lisbon, and just south of the country's picturesque Douro River valley, famous for its port wine.

The company acquired the property from Rio Narcea Gold Mines, now part of Lundin Mining (LUN-T, LMC-N) on July 4, and started drilling 20 days later. A second drill was added in the third week of August. The company has already completed a drill program of 1,360 metres.

The concession is made up of more than six properties or showings, but Colt is concentrating first on the strongly developed vein structure of Santo Antonio, about 3 km northwest of Penedono.



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The former mill has sat idle for about 50 years and the dilapidation is evident. Colt is likely to scrap the mill and recycle the metal.



Digging Deep: One of two diamond drill rigs testing the Penedono property in Portugal.

"Some of the veins look very good," Murton says. "We are attempting to find out just how good the mineralization is, and if there is enough to make an open pit."

There have been no estimates made of mineral resources or reserves on Santo Antonio. But results obtained from surface rock sampling and underground sampling of core by Rio Narcea, returned values ranging from 2.28 grams gold per tonne over 7.64 metres to 16.03 grams gold over 0.79 metre.

Based on incomplete government records, the Santo Antonio vein system was mined to at least 150 metres below surface. There is no information, according to Colt, that the veins had bottomed out.

"For a junior company like Colt, this acquisition puts us in a league where we can grow at a much faster pace than had we just acquired some grassroots exploration prospect and tried our luck on it," says Bedo Kalpakian, Colt's Vancouver-based chairman and chief financial officer.

So far, Colt has drilled 12 holes and shipped core from its first six holes to EcoTech Laboratories in Kamloops, B.C. The core is cut in two pieces; half of it is shipped out, the remaining half is kept under lock and key in Penedono. Colt expects to have all its data compiled by the end of the year.

Murton notes the drills are getting close to 100% core recovery.

"There are good rock mechanics -- good rock structure," he explains. "There is little or no fracturing in the granite."

This is evident in observations of the Roman workings where the veins have been mined down about 20-30 metres and the vertical openings are standing open and unsupported.

"We have another six months to a year of drilling to make sure the veins have what we think they have," Murton says. "Then we'll be ready to consider going underground in the fall of 2008."

A pro-mining country

Access to most parts of the 205-sq.-km concession is by paved roads that snake across sparsely populated farmland sprinkled with small groves of chestnut and olive trees.

Some of the area's other attributes include hydroelectric power and a gas station that is less than 1 km away from the site. Moderate temperatures mean the land can be worked 12 months of the year.



Geologists Filipe Faria (left) and Wayne Murton discuss the new veins they have found since Colt Resources Inc. acquired the Penedono property in Portugal.

"The infrastructure is world-class," says Nikolas Perrault, president of Tidalwave Capital, which provides Colt with business development and capital market advice. "The road system is much better than what we have in Quebec."

If Penedono goes into commercial production, the concentrate will be trucked or shipped to refineries in Belgium, Kalpakian says.

"We can either ship it by truck because the highways are very good or by boat because Portugal has deep-sea ports -- so all the amenities are there."

The coastal city of Porto is only a 3-hour drive from the mine site.

Colt also points out that the Portuguese government was extremely accommodating and helpful in expediting the transfer of the concession from Rio Narcea. For Kalpakian, who admits he "lost his shirt" after spending 12 years in Ecuador, government approval and support is crucial to the success of any mining venture.

"From all levels of government, we have seen nothing but co-operation and assistance," he says. "The government has been more than helpful to us from day one and they have gone out of their way to co-operate and assist us."

Not only did the government facilitate the timely granting of the concession (which was important because Colt needed to complete a work program on the property before the concession lapsed), but it also helped the company secure two diamond-drill rigs owned by a government agency.

"It is very pro-mining oriented," Kalpakian says of Portugal. "Even for a small country, they have colleges and universities that graduate students in geology and geophysics."

In terms of existing infrastructure on the property, the remnants of a decaying mill and two rusted ball-rod mills and a nearby tailings pond are the only reminders that Santo Antonio used to treat about 400 tonnes a day.

Murton estimates that there may be as much as 100,000 tonnes of tailings left in the pond with a reported possible grade of about 1.5 grams per tonne gold.

"There is a possibility of recovering gold from the tailings," notes Filipe Faria, a consulting geologist on the project. "There's a good possibility the previous operators lost a good portion of the gold as their plant may not have been that great."

Preliminary company estimates indicate that it will cost between 12-15 million euros (\$16.6-\$20.8 million) to bring the property into commercial production -- including building a new mill. But Colt says it will complete a bankable

feasibility study to confirm the numbers.

Permitted and drill-ready

Gold mineralization is widespread on the property and previous exploration work has outlined numerous high-quality targets. To date, exploration has centred on trenching and diamond drilling on Santo Antonio veins -- which have returned encouraging results.

The known strike lengths of the veins varies from about 350-500 metres for Veins 1-4, 300 metres for Vein 5, 650 metres for Vein 6, and 100-400 metres for Veins 7 and 13.

The mineralization characteristics at Santo Antonio are vein deposits with steeply dipping quartz/sulphide gold-bearing veins. Vein widths can vary from about 5 cm up to 3 metres.

The size of the vein system is at least 1.2 km wide by 1 km long, and Murton claims he has already found more veins than Rio Narcea's original 13.

Several clusters of quartz veins containing gold in arsenopyrite with occasional tungsten mineralization occur within a broad zone that extends from the southeastern edge of the concession through to the central western edge of the concession -- a distance of 16 km.

The Santo Antonio veins usually consist of a barren, clear-to-milky white quartz core that is commonly sheared and re-crystallized. The barren core is often bounded on the vein walls by arsenopyrite-rich material that may contain gold values.

Gold is chiefly to be found in the arsenopyrite. Gold grades and content of gold in vein systems are dependent upon the amount of arsenopyrite in the veins.

The area of northern Portugal that hosts the concession is characterized by a northwest-southeast-trending granitic intrusive assemblage relating to ductile shear zones and crustal overthrusting.

Looking back

Although government records are sketchy, early investigations on the property were carried out in the 1930s and 1940s by Portuguese companies that excavated old pits and shafts. Many of the old shafts still exist -- with elaborate rock structures as headframe supports.

In the 1950s, Companhia das Minas de Ouro do Penedono, a private, family-run business, started to develop and mine Santo Antonio. Shafts and adits were

driven and at least four levels established on four of the 13 known vein structures. The deepest level reached 150 metres below the surface.

The company built a flotation mill, plus a cyanide-leach circuit and began treating ore in 1954. Tenuous records of the time indicate that perhaps as much as 110,000 tonnes of material were processed with about 331,000 grams (11,675 oz.) of gold recovered. But with the price of gold hovering at around US\$35 per oz., problems with land rights and inadequate technology, the undercapitalized company terminated production in 1957.

Virtually nothing has been done on the property since.