

**COLT RESOURCES INC.**  
**(Formerly Colt Capital Corp.)**  
**(An Exploration Stage Company)**

**Consolidated Financial Statements**  
**March 31, 2008 and 2007**

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## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF COLT RESOURCES INC. (Formerly Colt Capital Corp.)

We have audited the consolidated balance sheets of Colt Resources Inc. (formerly Colt Capital Corp.) (an exploration stage company) as at March 31, 2008 and 2007 and the consolidated statements of operations, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*"Smythe Ratcliffe LLP" (signed)*

Chartered Accountants

Vancouver, British Columbia  
May 15, 2008

**COLT RESOURCES INC.**  
(Formerly Colt Capital Corp.)  
(An Exploration Stage Company)  
**Consolidated Balance Sheets** (note 2)  
**March 31**

	<b>2008</b>	<b>2007</b>
		(note 16)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 6)	\$ 618,546	\$ 121,857
GST receivable	45,116	4,330
Interest receivable	7,365	1,829
Mineral Exploration Tax Credit receivable (note 8)	1,967	0
Prepaid expenses	12,936	0
Due from related party (note 11(a))	4,138	0
	690,068	128,016
<b>Equipment</b> (note 7)	14,023	0
<b>Performance Bonds</b> (notes 8(c) and (d))	113,707	0
<b>Mineral Property Interests</b> (note 8)	1,267,706	133,770
	\$ 2,085,504	\$ 261,786
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 103,654	\$ 35,644
Due to related parties (notes 11(c) and (e))	11,074	1,590
	114,728	37,234
<b>Convertible Debenture</b> (note 9)	723,307	0
	838,035	37,234
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 10)	1,575,097	607,894
<b>Contributed Surplus</b>	393,183	16,794
<b>Equity Portion of Convertible Debt</b> (note 9)	878,108	0
<b>Deficit</b>	(1,598,919)	(400,136)
	1,247,469	224,552
	\$ 2,085,504	\$ 261,786

Commitments and Subsequent Events (notes 14 and 15)

Approved on behalf of the Board:

*"Bedo H. Kalpakian"*

..... Director

Bedo H. Kalpakian

*"J. Wayne Murton"*

..... Director

J. Wayne Murton

**COLT RESOURCES INC.**  
**(Formerly Colt Capital Corp.)**  
**Consolidated Statements of Operations**  
**Years Ended March 31**

	<b>2008</b>	<b>2007</b>
		(note 16)
<b>Expenses</b>		
Directors' compensation (notes 10(g) and 11(f) and (g))	\$ 495,939	\$ 14,904
Interest, accretion and financing fees on long-term debt	306,397	0
Shareholder communication	98,252	1,885
Office	73,680	3,884
Consulting	130,016	1,890
Salaries	43,837	0
Legal	30,915	23,694
Accounting and audit	27,562	19,012
Rent	27,213	300
Listing and transfer agent fees	16,093	15,212
Filing fees	5,465	3,661
Flow-through financing fee	4,376	0
Bank charges	3,806	260
Insurance	1,825	0
Foreign exchange gain	(9,802)	(285)
Amortization	2,337	0
<b>Loss Before Other Items and Income Tax</b>	<b>(1,257,911)</b>	<b>(84,415)</b>
<b>Other Items</b>		
Interest	29,678	2,727
Gain on settlement of debt	0	8,404
	29,678	11,131
<b>Loss Before Income Tax</b>	<b>(1,228,233)</b>	<b>(73,284)</b>
<b>Income Tax</b>		
Future income tax recovery (note 13)	29,450	0
<b>Net Loss and Comprehensive Loss for Year</b>	<b>\$ (1,198,783)</b>	<b>\$ (73,284)</b>
<b>Basic Loss Per Share</b>	<b>\$ (0.18)</b>	<b>\$ (0.03)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>6,833,463</b>	<b>2,749,382</b>

**COLT RESOURCES INC.**  
**(Formerly Colt Capital Corp.)**  
**Consolidated Statements of Cash Flows**  
**Years Ended March 31**

	<b>2008</b>	<b>2007</b>
		(note 16)
<b>Operating Activities</b>		
Net loss	\$ (1,198,783)	\$ (73,284)
Items not involving cash		
Accrued interest, accretion and financing fees on long-term debt	306,397	0
Future income tax recovery	(29,450)	0
Gain on settlement of debt	0	(8,404)
Issuance of finder's warrants	30,450	0
Amortization	2,337	0
Stock-based compensation	345,939	16,794
	(543,110)	(64,894)
Changes in non-cash working capital		
Prepaid expenses	(12,936)	0
GST receivable	(40,786)	(1,730)
Interest receivable	(5,536)	(1,829)
Accounts payable and accrued liabilities	(622)	16,374
Due from related party	5,346	1,590
<b>Cash Used in Operating Activities</b>	<b>(597,644)</b>	<b>(50,489)</b>
<b>Investing Activities</b>		
Purchase of capital assets	(16,360)	0
Performance bonds	(113,707)	0
Expenditures on mineral property interests	(1,012,271)	(133,770)
<b>Cash Used in Investing Activities</b>	<b>(1,142,338)</b>	<b>(133,770)</b>
<b>Financing Activities</b>		
Proceeds from convertible debt, net of costs	1,317,350	0
Proceeds from shares issued, net of issuance costs	919,321	282,000
<b>Cash Provided by Financing Activities</b>	<b>2,236,671</b>	<b>282,000</b>
<b>Inflow of Cash</b>	<b>496,689</b>	<b>97,741</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>121,857</b>	<b>24,116</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 618,546</b>	<b>\$ 121,857</b>
<b>Cash and Cash Equivalents Consist of:</b>		
Cash	\$ 23,546	\$ 1,857
Term deposits (note 6)	595,000	120,000
	\$ 618,546	\$ 121,857
<b>Non-Cash Operating, Investing and Financing Activities</b>		
Accounts payable for exploration of mineral property interests	\$ 68,632	\$ 0
Mineral exploration tax credit	\$ 1,967	\$ 0
Issuance of capital stock for settlement of debt	\$ 0	\$ 6,789
Issuance of capital stock for debt conversion	\$ 52,782	\$ 0
Issuance of capital stock for share subscription received	\$ 0	\$ 5,000
Issuance of capital stock for acquisition of mineral property interest	\$ 55,000	\$ 0
Interest paid	\$ 0	\$ 0
Income taxes paid	\$ 0	\$ 0

**COLT RESOURCES INC.**  
**(Formerly Colt Capital Corp.)**  
**Consolidated Statements of Shareholders' Equity**  
**Years Ended March 31**

	Number of Shares	Capital Stock	Subscriptions Receivable	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Shareholders' Equity
<b>Balance – March 31, 2006</b>	1,084,000	\$ 314,105	\$ 5,000	\$ 0	\$ 0	\$ (326,852)	\$ (7,747)
Common shares issued for cash	3,990,000	222,000	(5,000)	0	0	0	217,000
Flow through shares issued for cash	150,000	75,000	0	0	0	0	75,000
Issuance costs	0	(10,000)	0	0	0	0	(10,000)
Stock-based compensation	0	0	0	0	16,794	0	16,794
Common shares issued for debt	135,783	6,789	0	0	0	0	6,789
Cancellation of shares in escrow	(28,000)	(10,500)	0	0	0	0	(10,500)
Issuance of replacement shares	28,000	10,500	0	0	0	0	10,500
Re-issuance of founder's shares	272,000	0	0	0	0	0	0
Net loss for year	0	0	0	0	0	(73,284)	(73,284)
<b>Balance – March 31, 2007</b>	5,631,783	607,894	0	0	16,794	(400,136)	224,552
Common shares issued for cash (note 10(b))	3,908,000	900,921	0	0	0	0	899,321
Flow-through shares issued for cash	57,143	18,400	0	0	0	0	20,000
Equity portion of convertible debt	0	0	0	909,137	0	0	909,137
Common shares converted from convertible debt (note 9)	211,130	52,782	0	(31,029)	0	0	21,753
Common shares issued for mineral property interest (note 10(c))	220,000	55,000	0	0	0	0	55,000
Stock-based compensation	0	0	0	0	345,939	0	345,939
Finder's fees warrants	0	(30,450)	0	0	30,450	0	0
Renouncement of tax deductibility relating to flow-through shares	0	(29,450)	0	0	0	0	(29,450)
Net loss for year	0	0	0	0	0	(1,198,783)	(1,198,783)
<b>Balance – March 31, 2008</b>	10,028,056	\$ 1,575,097	\$ 0	\$ 878,108	\$ 393,183	\$ (1,598,919)	\$ 1,270,307

**COLT RESOURCES INC.**  
**(Formerly Colt Capital Corp.)**  
**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

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**1. NATURE OF OPERATIONS**

Colt Resources Inc. (formerly Colt Capital Corp.) ("Colt" or the "Company") was incorporated on April 25, 2000. The Company was a capital pool corporation as defined in Policy 2.4 of the TSX Venture Exchange ("TSX-V"). The Company commenced trading on the TSX-V on March 12, 2001. The Company was unable to complete its qualifying transaction within the time period allowed by Policy 2.4 of the TSX-V, and effective November 10, 2003, the Company was delisted from the TSX-V.

On March 1, 2007, the Company's common shares were approved for listing and commenced trading on the Canadian Trading and Quotation System Inc. ("CNQ") under the ticker symbol "COLT".

The Company is engaged in the acquisition, exploration and if warranted, the development of mineral property interests.

During the fiscal year ended 2008 the Company incorporated a Portuguese subsidiary, Eurocolt Resources Unipessoal Lda. ("Eurocolt").

Pursuant to a Special Shareholders' Resolution, the Company changed its name from "Colt Capital Corp." to "Colt Resources Inc." and consolidated its capital stock on a 5 (old) common shares for 1 (new) common share basis, effective as of July 18, 2007.

**2. GOING-CONCERN**

The Company's annual audited consolidated financial statements have been presented on the basis that the Company will continue as a going-concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company reported net losses of \$1,198,783 for the year ended March 31, 2008 and \$73,284 for the year ended March 31, 2007, and has an accumulated deficit of \$1,598,919 at March 31, 2008 and \$400,136 for the year ended March 31, 2007. These recurring losses and the need for continued funding raise substantial doubt about the Company's ability to continue as a going-concern.

The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations, or the receipt of proceeds from the disposition of its mineral property interests. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Eurocolt. All intercompany balances and transactions have been eliminated.

**COLT RESOURCES INC.**  
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**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Foreign currency translation

The functional currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rate at the date of transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and a term deposit with a maturity of less than one year at the date of acquisition. The term deposit is highly liquid, can be converted to a known amount of cash at any time, and is held at a Canadian chartered bank.

(d) Amortization

Amortization of equipment is calculated on the declining-balance basis at the following annual rates:

Computer equipment	30%
Mining equipment	20%

Additions during the year are amortized at one-half of the annual rates.

(e) Deferred financing costs

Deferred financing costs are recorded at fair value and are amortized at the rate of the instruments to which they relate.

(f) Mineral property interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property interest acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, sold or the Company's mineral rights are allowed to lapse.

All capitalized costs are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a mineral property interest exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the mineral property interest for an amount greater than the deferred costs, the mineral property interest is written down for the impairment in value.

**COLT RESOURCES INC.**  
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**Years Ended March 31, 2008 and 2007**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(f) Mineral property interests (Continued)

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such, options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as mineral property interest costs or recoveries when the payments are made or received.

Capitalized costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the applicable mineral rights are allowed to lapse.

(g) Income taxes

The Company follows the asset and liability method based on the accounting recommendations for income taxes issued by the Canadian Institute of Chartered Accountants' ("CICA"). Under the asset and liability method, future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using substantially enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets can also result by applying unused loss carry-forwards and other deductions. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assumed. The amount of future income tax asset is limited to the amount of the benefit that is more likely than not to be realized.

(h) Stock-based compensation plans

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and consultants, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(i) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimated timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has no material AROs to record in the financial statements.

**COLT RESOURCES INC.**  
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**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(j) Flow-through shares

The Company may from time to time issue flow-through common shares to finance its mineral exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholder the income tax attributes of mineral exploration costs financed by such shares. The tax impact to the Company of the renunciation is recorded on the date the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future income tax liability.

(k) Interest income

Interest income on the term deposits is recognized on an accrual basis at the stated rate over the term to maturity.

(l) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares restricted or held in escrow, other than where their release is subject to the passage of time, have not been included in the calculation of the weighted average number of common shares outstanding.

(m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include the accrual of interest receivable, valuation of charges related to financing, impairment of mineral property interests, asset retirement obligations, environmental obligations, accrued liabilities, allocation of debt and equity portions of convertible debentures, rate of accretion for deferred charge of conversion feature, amortization, assumptions for stock-based compensation expense and determination of the valuation allowance for future income tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

**COLT RESOURCES INC.**  
**(Formerly Colt Capital Corp.)**  
**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

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**4. CHANGES IN ACCOUNTING POLICIES**

(a) Financial Instruments

Effective April 1, 2007, the Company adopted the CICA Section 3855, "*Financial Instruments – Recognition and Measurement*", which establishes standards for the recognition and measurement of financial instruments. Under the new standard, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities.

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. Any financial instrument can be designated as held-for-trading as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in net income (loss).

Financial assets that have a fixed maturity date and fixed or determinable payments where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets are included in net income (loss).

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in net income (loss).

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity, or loans and receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Upon the sale of the available-for-sale asset, cumulative gains and losses arising from the sale are included in net income (loss).

Financial liabilities that are not classified as held-to-maturity are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are included in net income (loss).

On the date of adoption, the Company re-measured its financial assets and liabilities as appropriate. There was no impact on the financial statements arising from the adoption of this standard. In accordance with this standard, prior period financial statements have not been restated.

**COLT RESOURCES INC.**  
**(Formerly Colt Capital Corp.)**  
**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

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**4. CHANGES IN ACCOUNTING POLICIES (Continued)**

(b) Comprehensive income

Effective April 1, 2007, the Company adopted the CICA Handbook Section 1530, "*Comprehensive Income*", which establishes standards for presentation and disclosure of comprehensive income. Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income consists of unrealized gains and losses that under generally accepted accounting principles are required to be recognized in a period but excluded from net income for that period. These consolidated financial statements do not contain any other comprehensive income.

(c) Recent accounting pronouncements

(i) Financial instrument disclosures

In March 2007, the CICA issued Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", which together comprise a complete set of disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial instruments; Section 3863 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company will implement these disclosures in the first quarter of 2009.

(ii) Capital disclosures

In December 2006, the CICA issued Section 1535, "Capital Disclosures", which applies to fiscal years beginning on or after October 1, 2007. This section establishes standards for disclosing information about an entity's capital and how it is managed. The Company will implement these disclosures in the first quarter of 2009.

(iii) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

**COLT RESOURCES INC.**  
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**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

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**4. CHANGES IN ACCOUNTING POLICIES (Continued)**

(c) Recent accounting pronouncements (Continued)

(iv) Business combinations

The proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date subsequent to the effective date. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will result in measuring business acquisitions at the fair value of the acquired entities and a prospectively applied shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

(v) Convergence with International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of the IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**COLT RESOURCES INC.**  
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**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

**5. FINANCIAL INSTRUMENTS**

(a) Financial instruments

The Company has designated its cash and cash equivalents as held-for-trading; interest receivable, amounts due from related party and amounts due to related parties as loans and receivables; performance bonds as held-to-maturity; and accounts payable, accrued liabilities and convertible debenture, as other liabilities.

(b) Fair value

The fair values of the Company's cash and cash equivalents, interest receivable, amounts due from related party, amounts due to related parties, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments. The fair value of cash and cash equivalents includes the balance of interest receivable.

(c) Interest rate risk

The Company is exposed to interest rate price risk to the extent that the convertible debenture bears a fixed rate of interest (note 9).

(d) Credit risk

The Company is not exposed to credit risk with respect to its interest receivable as the Company's interest receivable is from a regulated Canadian bank.

(e) Currency risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received by the Company are denominated in currencies other than the Canadian dollar (primarily Euros). The Company does not manage the currency risks through hedging or other currency management tools.

**6. TERM DEPOSITS**

The following term deposits included in cash and cash equivalents were held by the Company at March 31, 2008 and 2007:

<b>2008</b>		
Interest Rate	Maturity Date	Face Value
Prime less 2.05%	December 19, 2008	\$ 595,000
<b>2007</b>		
Interest Rate	Maturity Date	Face Value
Prime less 2.5%	January 8, 2008	\$ 95,000
Prime less 2.5%	December 10, 2007	25,000
		\$ 120,000

**COLT RESOURCES INC.**  
(Formerly Colt Capital Corp.)  
**Notes to Consolidated Financial Statements**  
**Years Ended March 31, 2008 and 2007**

**7. EQUIPMENT**

	2008			2007	
	Cost	Accumulated Amortization	Net	Net	
Computer equipment	\$ 14,019	\$ 2,103	\$ 11,916	\$ 0	
Mining equipment	2,341	234	2,107	0	
	\$ 16,360	\$ 2,337	\$ 14,023	\$ 0	

**8. MINERAL PROPERTY INTERESTS**

	Canada		Portugal			Total
	Extra High	Uranium Properties	Penedono Gold	Armamar- Meda	Moimenta Almendra	
Balance, March 31, 2006	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Acquisition costs	133,770	0	0	0	0	133,770
Balance, March 31, 2007	133,770	0	0	0	0	133,770
Acquisition costs	310,000	18,000	55,000	26,493	4,116	413,609
Property development expenditures						
Mineral exploration	81,553	72,000	541,837	26,904	0	722,294
Mineral exploration tax credit	(1,967)	0	0	0	0	(1,967)
	389,586	90,000	596,837	53,397	4,116	1,133,936
Balance, March 31, 2008	\$ 523,356	\$ 90,000	\$ 596,837	\$ 53,397	\$ 4,116	\$ 1,267,706

(a) Extra High Mineral Property - Canada

On September 8, 2006, the Company entered into an Option Agreement with Zab Resources Inc. ("Zab"), a company related by common directors and officers, whereby the Company had the right to acquire a 50% undivided interest, subject to a 1.5% net smelter returns ("NSR") royalty payable to an arm's length party, in the Extra High Property (the "Property") by incurring exploration expenditures of \$240,000 on the Property by no later than February 28, 2007 and by making cash payments to Zab totaling \$133,770 by no later than March 26, 2007. On October 31, 2006, the Company and Zab entered into an Amending Agreement whereby the Company was granted an extension period until June 26, 2007 to incur exploration expenditures on the Property and to make the cash payments to Zab.

On June 14, 2007, Zab amended its Option Agreement with the Company whereby the Company was granted the right to acquire a 34% interest in the Property by making cash payments to Zab totaling \$193,770 by no later than June 26, 2007 (paid). The Amending Agreement released the Company of the requirement to incur \$240,000 in exploration expenditures on the Property.

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**8. MINERAL PROPERTY INTERESTS (Continued)**

(a) Extra High Mineral Property – Canada (Continued)

On January 21, 2008, the Company entered into an Option Agreement with Zab, whereby the Company has the right and option to acquire, in two separate equal tranches, Zab's 66% undivided interest in the Property. Pursuant to the Option Agreement, the Company has exercised the first tranche of the option by making a cash payment of \$250,000 to Zab and has acquired from Zab a 33% undivided interest in the Property. As a result of exercising the first tranche of the option, the Company now holds a 67% undivided interest in the Property and has become the operator of the Property. Furthermore, pursuant to the Option Agreement, the Company will be solely responsible for all exploration and property expenditures in respect of the Property that are initiated and incurred by the Company from January 31, 2008 to December 31, 2008.

In order to exercise the second tranche of the option, the Company must make a cash payment of \$250,000 to Zab on or before December 31, 2008. And upon the Company making such payment, the Company will be deemed to have exercised the second tranche of the option and to have acquired from Zab the remaining 33% undivided interest in the Property, subject only to an existing 1.5% NSR royalty payable to an arm's length party (the "Arm's Length Royalty") and to a 0.5% NSR royalty payable to Zab (the "Zab Royalty"). The Company will have the option to purchase the Zab Royalty for the sum of \$500,000 and the Company will also have the option to purchase one-half of the Arm's Length Royalty for the sum of \$500,000.

In the event that the Company does not exercise the second tranche of the option by December 31, 2008, the Option Agreement will terminate and the Company and Zab shall operate as joint venture partners with the Company holding an initial 67% undivided interest in the Property and Zab holding an initial 33% undivided interest in the Property. Thereafter, each party shall contribute its proportionate share of the property expenditures. Should any party's interest be diluted to less than a 10% undivided interest in the Property, then its interest will forever be converted to a 0.5% NSR royalty.

(b) Uranium Properties - Canada

On October 5, 2007, the Company entered into a Property Option Agreement regarding the "Uranium Properties" with Diagnos Inc. ("Diagnos"), as further amended by a letter agreement dated November 28, 2007, whereby Diagnos has agreed, under certain terms and conditions, to grant the Company the sole and exclusive option to purchase a 100% undivided right, title and interest, subject only to a 2% NSR royalty, in two uranium exploration prospects, which are located in the province of Quebec. The Company paid Diagnos \$90,000 on February 8, 2008 and is obligated to drill at least three exploration holes of not less than 100 feet per hole on each prospect by December 31, 2008. If not drilled, Diagnos has the right to terminate the Property Option Agreement. Furthermore, in the event that a favorable feasibility study is completed in respect to each property, then the Company is obligated to issue a number of fully issued and non-assessable common shares of the Company, which shall be calculated by dividing \$70,000 by the average closing trading price of the shares of the Company for the 30 days after the completion date of such favorable feasibility study. Additionally, the Company has the right to reduce the 2% NSR royalty to 1% by making a cash payment of \$1,000,000 to Diagnos.

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**8. MINERAL PROPERTY INTERESTS (Continued)**

(c) Penedono Gold Property - Portugal

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

Upon the Government of Portugal approving the Company's requested amendments to the terms and conditions of the Penedono Exploration License, and upon approving its assignment to the Company, Rio Narcea and the Company closed the transaction contemplated in the Definitive Agreement.

As consideration for the Assignment, the Company has issued to Rio Narcea, as fully paid and non-assessable, 200,000 restricted common shares of the Company on the closing date of the transaction. Of these 200,000 restricted common shares, 50,000 common shares became tradeable on December 29, 2007, 50,000 common shares became tradeable on March 29, 2008, 50,000 common shares will become tradeable on June 29, 2008 and 50,000 common shares will become tradeable on September 29, 2008. Furthermore, from commercial production and under certain terms and conditions, the Company is obligated to pay to Rio Narcea a 1% NSR royalty to a maximum amount of US \$1,000,000.

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

In respect to the formal transference to the Company of the Penedono Exploration License, the Company has lodged a performance bond in the form of a bank guarantee for the amount of €50,000 in favor of the Government of Portugal. Furthermore, the Company has paid the Government of Portugal an exploration license fee of €5,125 and is obliged to pay €2,563 on or before October 29, 2009. Should the property be placed into commercial production, then the Company is obliged to pay a 4% NSR royalty to the Government of Portugal.

Pursuant to the terms and conditions of the Penedono Exploration License, the Company has relinquished approximately 100 square kilometers of ground located in the Penedono Concession. The Company has applied to reacquire the relinquished ground from the Government of Portugal.

**8. MINERAL PROPERTY INTERESTS (Continued)**

(d) Armamar-Meda Concession and Exploration License - Portugal

On December 10, 2007, the Company entered into a prospecting and exploration license agreement with the Government of Portugal whereby the Company has been granted the exclusive right to prospect and explore for base and precious metals on the Armamar Meda Property, which is partially contiguous to the Company's Penedono Exploration Concession (the "Armamar Meda Concession and Exploration License"). The initial term of the Armamar Meda Concession and Exploration License is for three years (the "Initial Term"), which can be extended twice on an annual basis (the "Extended Term"). During the Initial Term, the Company is obligated to incur prospecting and exploration expenditures of not less than €25,000 in the first year, €50,000 in the second year and €75,000 in the third year.

Upon the expiry of the Initial Term, the Company shall be required to relinquish, on an annual basis, 50% of the area covered by the Armamar Meda Concession and Exploration License. During the Extended Term, the Company is obligated to incur exploration expenditures on an annual basis of not less than €100,000. During the Initial and Extended Terms, the Company is obligated to pay to the Government of Portugal an annual license fee in the amount of €35 per square kilometer of ground covered by the Armamar Meda Concession and Exploration License. On January 22, 2008, the Company lodged a bank guarantee in favor of the Government of Portugal, as a performance bond, for the amount of €20,000 in respect to the Armamar Meda Concession and Exploration License.

Upon the completion of the Initial and Extended Terms, the Company may apply for an Exploitation License, which, if granted, shall have a term of 30 years and which may be extended by the Government of Portugal's approval for a period not to exceed 20 years (the "Exploitation License"). Upon the granting of the Exploitation License, and in the event that mining activities are to take place, then the Company shall be obligated, at the Company's sole discretion, either to pay 10% of the net income derived from its mining activities or, alternatively, pay NSR royalty on production at NSR rates ranging from 1% to 4% depending on the price of gold. Additionally, as soon as the Exploitation License is granted to the Company, and provided that production from the mining activities is determined to exceed 1,000,000 ounces of gold or gold equivalent during the life of the mining activities, then the Company will be obligated to pay €100,000 as a commercial discovery bonus to the Government of Portugal.

(e) Moimenta Almendra Property – Portugal

This property is in the application stage for an exploration license.

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**8. MINERAL PROPERTY INTERESTS (Continued)**

*Realization of assets*

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

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

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

*Title*

Although the Company has taken steps to verify the title to mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

*Environmental obligations*

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

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**9. CONVERTIBLE DEBENTURE**

At March 31, 2008, convertible debentures with a face value of \$1,415,000 (and accrued interest of \$109,966) due June 28, 2010, with interest at 10% per annum paid at maturity, were outstanding. The debt is convertible into units, each unit consisting of one common share and one share purchase warrant. If converted before June 29, 2008, the conversion price will be \$0.25 per unit, if before June 29, 2009, \$0.30 per unit and if before June 29, 2010, \$0.35 per unit. Each warrant is exercisable to purchase one common share at \$0.25 up to June 29, 2008, \$0.30 up to June 29, 2009 and \$0.35 up to June 29, 2010, expiring on June 29, 2010.

On January 14, 2008, \$50,000 of principal and \$2,782 of interest was redeemed for 211,130 units. The non-equity portion related to this conversion totaling \$18,971, the equity portion related to this conversion totaling \$31,029, and accrued interest of \$2,782 were recorded as a reduction in the convertible debenture (notes 10 (d) and (f)).

Face value, convertible debt issued June 29, 2007	\$	1,465,000
Accrued interest		112,748
2008 conversion of debt		(52,782)
<hr/>		
Face value, convertible debt, March 31, 2008		1,524,966
Deferred charge for conversion feature		(909,137)
Accretion of deferred charge		164,349
Equity allocation of conversion		31,029
<hr/>		
Unamortized deferred charge for conversion feature, March 31, 2008		(713,759)
Finders' fee on convertible debt issued, June 29, 2007		(117,200)
Amortization of finders' fee		29,300
<hr/>		
Unamortized finders' fee, March 31, 2008		(87,900)
<hr/>		
<b>Convertible debt, March 31, 2008</b>	<b>\$</b>	<b>723,307</b>
<hr/>		
Equity portion of convertible debenture, issued June 29, 2007	\$	909,137
Equity allocation of conversion		(31,029)
<hr/>		
<b>Equity portion of convertible debenture, March 31, 2008</b>	<b>\$</b>	<b>878,108</b>

Using the Black-Scholes model, the Company valued the equity portion of the convertible debt at \$909,137 by assuming a 188% volatility, an interest rate of 4.56%, and a term to expiry of 3 years and attributed this value to the deferred charge for conversion feature, which is accreted over the term to maturity using the effective interest rate method, by charges to earnings for the period.

Finders' fees of \$117,200 were incurred to independent third parties by way of cash payments and are amortized over the term of the convertible debt.

**10. CAPITAL STOCK**

(a) Authorized

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Unlimited number of common voting shares  
 Unlimited number of preferred shares, issuable in series

(b) Issued

(i) Founder's shares

On November 1, 2004, of the 300,000 escrow shares, 272,000 escrow shares which were held by the former president and two former directors of the Company were cancelled due to a previous qualifying transaction not completing and pursuant to a letter agreement dated September 16, 2004 entered into by the two former directors, the former president and a current director of the Company. As per this agreement, it was agreed that as a finder's fee, settlement of debt and other due consideration, the former president of the Company and the two former directors will be compensated by the Company on the close of an acquisition of another business, company or project of merit ("Target") through the issuance of an aggregate of 272,000 common shares of the Company.

Pursuant to a Share Issuance and Pooling Agreement dated January 29, 2007 as amended on February 6, 2007, the Company issued on February 22, 2007, 272,000 common shares at a deemed issuance price of \$0.375 per share to the former president and two former directors. The 272,000 common shares are restricted and the hold periods expire as follows:

Date of Hold Period Expiry	Number of Common Shares
June 24, 2007	27,200
August 23, 2007	40,800
February 23, 2008	40,800
August 23, 2008	40,800
February 23, 2009	40,800
August 23, 2009	40,800
February 23, 2010	40,800
	272,000

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**10. CAPITAL STOCK (Continued)**

(b) Issued (Continued)

(i) Founder's shares (Continued)

On January 29, 2007, the Company entered into an Escrow Cancellation and Pooling Agreement whereby the Company cancelled the remaining 28,000 escrow shares and issued 28,000 replacement common shares at a deemed issuance price of \$0.375 per share to an arm's length party. The replacement common shares are restricted and the hold periods expire as follows:

Date of Hold Period Expiry	Number of Common Shares
June 24, 2007	2,800
August 23, 2007	4,200
February 23, 2008	4,200
August 23, 2008	4,200
February 23, 2009	4,200
August 23, 2009	4,200
February 23, 2010	4,200
	28,000

(ii) Consolidation

On July 18, 2007, the Company consolidated its 29,258,915 old common shares, exchanging 5 (old) common shares for 1 (new) common share resulting in 5,851,783 new common shares outstanding. All common shares and per share amounts have been restated to give retroactive effect to the 5:1 share consolidation that took effect on July 18, 2007.

During 2007 and 2008, the Company closed the following non-brokered private placements:

- (iii) During 2007, the Company closed non-brokered private placements including 100,000 common shares to a director, for a total of 660,000 common shares at a price of \$0.05 per common share for net proceeds of \$33,000.
- (iv) During 2007, the Company closed non-brokered private placements for a total of 3,280,000 common shares at a price of \$0.05 per common share for net proceeds of \$164,000.
- (v) During 2007, the Company closed non-brokered private placements for a total of 50,000 flow-through share units at \$2.00 per unit for net proceeds of \$90,000. Each unit is comprised of:
  - o 3 flow-through shares;
  - o 1 non-flow-through share; and
  - o 4 non-transferable share purchase warrants, each warrant entitling the holder to acquire an additional non-flow-through share at \$0.75 per share until December 31, 2007 (expired).

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**10. CAPITAL STOCK (Continued)**

(b) Issued (Continued)

- (vi) During 2008, the Company closed non-brokered private placements with various investors for a total of 364,000 units at \$0.25 per unit for proceeds of \$91,000. Each unit consists of one common share and one warrant, exercisable at \$0.30 per share for 36 months. Issue costs related to this issuance totaled \$7,280.
- (vii) During 2008, the Company closed non-brokered private placements with various investors for a total of 3,400,000 shares at \$0.25 per share for proceeds of \$850,000. Each unit consists of one common share and one warrant, exercisable at \$0.30 per share for 36 months. Issue costs related to this issuance totaled \$68,000.
- (viii) During 2008, the Company closed non-brokered private placements with an investor for a total of 57,143 flow-through shares at \$0.35 per unit for net proceeds of \$20,000. Issue costs related to this issuance totaled \$1,600.
- (ix) During 2008, the Company closed non-brokered private placements with various investors for a total of 144,000 shares at \$0.25 per share for proceeds of \$36,000. Each unit consists of one common share and one warrant, exercisable at \$0.30 per share for 36 months. Issue costs related to this issuance totaled \$800.

(c) Issued for mineral property interest

During 2008, the Company issued 200,000 shares valued at \$0.25 per share as per the Company's agreement with Rio Narcea for the acquisition of the Penedono Property. The Company issued a further 20,000 shares, valued at \$0.25 per share for a total value of \$5,000, as finder's fees related to this issuance.

(d) Issued for settlement of debt

During 2007, the Company signed a Debt Settlement Agreement with Morris McManus Professional Corporation, an arm's length party, to settle the Company's debt of \$4,289 by issuing 85,783 fully paid and non-assessable common shares of the Company at a deemed price of \$0.05 per share.

During 2007, the Company signed a Debt Settlement Agreement with Minecore International Inc., an arm's length party, to settle the Company's debt of US \$6,000 by issuing 50,000 fully paid and non-assessable common shares of the Company at a deemed price of \$0.05 per share as full and final settlement of the debt.

During 2008, convertible debt valued at \$52,782 was converted into units, each unit at a value of \$0.25 per share consisted of one common share and one warrant, yielding 211,130 common shares and warrants (notes 9 and 10(f)).

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**10. CAPITAL STOCK (Continued)**

(e) Stock options

The Company has a stock option plan under which officers, directors, employees and consultants are eligible to receive stock options. The total number of common shares reserved under option for issuance may not exceed 20% of the common shares outstanding.

The following summarizes the stock options granted to officers, directors and consultants during the years ended March 31, 2008 and 2007. All options are exercisable upon granting.

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2006	0	N/A
Options granted	533,160	\$ 0.25
Balance, March 31, 2007	533,160	\$ 0.05
Options granted	1,572,451	\$ 0.25
Options cancelled	(100,000)	\$ 0.25
Balance, March 31, 2008	2,005,611	\$ 0.25

At March 31, 2008 and 2007, the following stock options are outstanding. Each option entitles the holder to purchase one common share at the exercise price per common share with the following expiry date:

Expiry Date	Exercise Price	Number of Options	
		2008	2007
February 22, 2012	\$ 0.25	433,160	533,160
March 19, 2013	\$ 0.25	1,572,451	0
Total stock options outstanding and exercisable		2,005,611	533,160

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**10. CAPITAL STOCK (Continued)**

(f) Warrants

The following summarizes the warrants that have been issued, exercised or expired during the years ended March 31, 2008 and 2007:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2006	0	N/A
Warrants issued	200,000	\$ 0.75
Balance, March 31, 2007	200,000	\$ 0.75
Warrants expired	(200,000)	\$ 0.75
Warrants issued	4,429,850	\$ 0.30
Balance, March 31, 2008	4,429,850	\$ 0.30

At March 31, 2008 and 2007, the following warrants are outstanding. Each warrant entitles the holder to purchase one common share at the exercise price per common share with the following expiry date:

Expiry Date	Exercise Price	Number of Warrants	
		2008	2007
December 31, 2007	\$ 0.75	0	200,000
December 30, 2008	\$ 0.25	310,720	0
December 30, 2010	\$ 0.30	3,908,000	0
June 29, 2010*	\$ 0.35	211,130	0
Total warrants outstanding and exercisable		4,429,850	200,000

\*The 211,130 warrants expiring June 29, 2010 are exercisable at \$0.25 per share until June 29, 2008, \$0.30 per share until June 29, 2009 and \$0.35 per share until June 29, 2010 (notes 9 and 10 (d)).

During 2008, finders' warrants totalling 310,720 warrants related to the issuance of private placements of 3,908,000 units exercisable at \$0.25 per share were also issued. The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finders' warrants granted. The calculated value of the warrants totalling \$30,450 was recognized as share issuance costs. These amounts are credited to contributed surplus. The fair value of each warrant granted was calculated using a volatility of 99%, an interest rate of 3.78%, an expected life of one year and a dividend yield of 0%.

(g) Stock-based compensation

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, compensation expense of \$345,939 (2007 - \$16,794) was recognized as directors' compensation in 2008.

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**10. CAPITAL STOCK (Continued)**

(g) Stock-based compensation (Continued)

The fair value of each option grant was calculated using the following weighted average assumptions:

	<b>2008</b>	<b>2007</b>
Expected life (years)	5	5
Interest rate	2.88%	2.93%
Volatility	134.79%	116.06%
Dividend yield	0.00%	0.00%

**11. RELATED PARTY TRANSACTIONS**

- (a) The Company shared office space and certain employees with Las Vegas From Home.com Entertainment Inc. ("Las Vegas"), a company related by certain common officers and directors. Effective August 1, 2007, Las Vegas increased the monthly fee charged to the Company for providing office space, telephone and photocopy services, office supplies, reception, accounting, secretarial services and other miscellaneous office services.

Pursuant to the Company's relocation to new office premises, the Company terminated its office services arrangement with Las Vegas effective January 1, 2008.

For the year ended March 31, 2008, the Company paid \$63,593 to Las Vegas (2007 - \$1,590) for office rent and office expenses.

As of January 1, 2008, the Company has entered into an agreement with Mountain Capital Inc. ("MCI"), a party related by common directors and officers, whereby MCI pays the Company \$1,575 per month for office rent and office services. At March 31, 2008, \$4,138 (2007 - \$0) was due from MCI.

- (b) On September 8, 2006, the Company entered into an option agreement for the Extra High Property with Zab; this agreement was subsequently amended on October 31, 2006 and June 14, 2007. The terms of the agreement were completed in full on June 26, 2007 (note 8(a)).

On January 21, 2008, the Company entered into an option agreement for the Extra High Property with Zab (note 8(a)).

As of March 31, 2007, the Company had paid Zab a total of \$133,770 during the year then ended for the acquisition of the Extra High Property.

As of March 31, 2008, the Company has paid Zab a total of \$310,000 during the year for the acquisition of the Extra High Property.

- (c) A director and the Chief Operating Officer of Colt who is also President and Chief Executive Officer of Eurocolt, the Company's wholly-owned Portuguese subsidiary receives a monthly fee of \$7,500. For the year ended March 31, 2008, the Company had paid him \$56,500 (2007 - \$0) in relation to these services. All related costs were capitalized against mineral property interests during the year. The Company reimburses him for all out-of-pocket expenses. At March 31, 2008, \$4,511 (2007 - \$0) was owed to the related party.

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**11. RELATED PARTY TRANSACTIONS (Continued)**

- (d) A director of the Company charged the Company a fee of \$500 per day for geological services whenever his services are required by the Company and the Company reimburses him for all out-of-pocket expenses. During the year ended March 31, 2008, the Company had paid him \$53,500 (2007 - \$0) in relation to these services. All related costs were capitalized against mineral property interests during the year. At March 31, 2008, \$0 (2007 - \$0) was owed to the related party.
- (e) The Chief Financial Officer of the Company charged the Company a fee of \$6,250 per month for his services, pursuant to his contract with the Company. During the year ended March 31, 2008, the Company had paid him \$18,500 (2007 - \$0). At March 31, 2008, \$6,563 (2007 - \$0) was owed to the related party.
- (f) The Company entered into a Management Services Agreement dated November 1, 2007 with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros."), a private British Columbia corporation equally owned by two directors of the Company. The Management Services Agreement is renewable on a yearly basis and the management fees payable to Kalpakian Bros. is \$15,000 per month effective as of July 1, 2007. During the year ended March 31, 2008, the Company had paid Kalpakian Bros. \$135,000. At March 31, 2008 and 2007, \$0 was owed to the related party.
- (g) During the year ended March 31, 2008, the Company paid \$15,000 to the former President and director of the Company as compensation for his past services to the Company. At March 31, 2008 and 2007, \$0 was owed to the related party.
- (h) During the year ended March 31, 2008, the Company paid Las Vegas \$13,387 for computer equipment purchased on behalf of the Company. At March 31, 2008 and 2007, \$0 was owed to the related party.

**12. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests.

	<b>2008</b>	<b>2007</b>
Canada	\$ 1,431,154	\$ 261,786
Portugal	654,350	0
	<b>\$ 2,085,504</b>	<b>\$ 261,786</b>

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**13. INCOME TAX**

The reconciliation of income tax provision computed at the statutory tax rates to the reported income tax provision is as follows:

	<b>2008</b>	<b>2007</b>
Income tax benefit computed at Canadian statutory rates	\$ 383,112	\$ 25,005
Permanent differences not recognized in year	(107,449)	(5,328)
Temporary differences not recognized in year	(24,103)	0
Tax rate variation	(21,011)	0
Unrecognized tax losses	(201,099)	(19,677)
	<b>\$ 29,450</b>	<b>\$ 0</b>

Future income tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The applicable tax rate to be expected is 31% for 2008 and 34.12% for 2007. Significant components of the Company's future tax assets as at March 31 are as follows:

	<b>2008</b>	<b>2007</b>
Future income tax assets		
Loss carry-forwards	\$ 337,939	\$ 90,766
Undeducted financing fees	48,909	0
Cumulative eligible capital	32,469	41,506
Excess of carrying amounts of assets over tax basis	(26,600)	0
Future income tax assets	392,717	132,272
Valuation allowance for future income tax assets	(392,717)	(132,272)
Future income tax assets, net	<b>\$ 0</b>	<b>\$ 0</b>

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized and, consequently, have not been recorded in these financial statements.

Future income tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The applicable tax rate to be expected is 28.7% over the next five years.

The Company has capital losses for income tax purposes of approximately \$13,000, which can be carried forward indefinitely.

**COLT RESOURCES INC.**  
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**13. INCOME TAX (Continued)**

The Company has available non-capital losses of approximately \$1,164,000 that may be carried forward to apply against future income for Canadian tax purposes. The losses expire as follows:

2009	\$ 29,000
2010	34,000
2014	43,000
2025	26,000
2026	43,000
2027	66,000
2028	923,000
	\$ 1,164,000

**14. COMMITMENTS**

- (a) On January 21, 2008, Colt entered into an Option Agreement with Zab, a related company, whereby Colt has the right and option to acquire, in two separate equal tranches, Zab's 66% undivided interest in the Extra High Property (the "Property"). Pursuant to the Option Agreement, Colt has exercised the first tranche of the option by making a cash payment of \$250,000 to Zab and has acquired from Zab a 33% undivided interest in the Property. As a result of exercising the first tranche of the option, Colt now holds a 67% undivided interest in the Property and has become the operator of the Property. Furthermore, pursuant to the Option Agreement, Colt will be solely responsible for all exploration and Property expenditures in respect of the Property that are initiated and incurred by Colt from January 31, 2008 to December 31, 2008.

In order to exercise the second tranche of the option, Colt must make a cash payment of \$250,000 to Zab on or before December 31, 2008. And upon Colt making such payment, then Colt will be deemed to have exercised the second tranche of the option and to have acquired from Zab the remaining 33% undivided interest in the Property, subject only to an existing 1.5% NSR royalty payable to an arm's length party (the "Arm's Length Royalty") and to a 0.5% NSR royalty payable to Zab (the "Zab Royalty"). Colt will have the option to purchase the Zab Royalty for the sum of \$500,000 and Colt will also have the option to purchase one-half of the Arm's Length Royalty for the sum of \$500,000.

In the event that Colt does not exercise the second tranche of the option by December 31, 2008, then the Option Agreement will terminate and Colt and Zab shall operate as joint venture partners with Colt holding an initial 67% undivided interest in the Property and Zab holding an initial 33% undivided interest in the Property. Thereafter each party shall contribute its proportionate share of the property expenditures. Should any party's interest be diluted to less than a 10% undivided interest in the Property, then its interest will forever be converted to a 0.5% NSR royalty.

- (b) As of April 1, 2008, the Company signed a lease agreement with an arm's length party, for a lease at the existing premises. The agreement states that the Company will pay \$2,517 per month from April 2008 to September 2008; the lease payments will be \$2,613 per month thereafter until the lease expires on April 30, 2010.

**COLT RESOURCES INC.**  
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**14. COMMITMENTS** (Continued)

(b) (Continued)

The Company is committed to the following lease payments:

<b>Year</b>	<b>Amount</b>
2009	\$ 30,780
2010	31,356
2011	2,613
	<hr/>
	\$ 64,749

**15. SUBSEQUENT EVENTS**

Subsequent to March 31, 2008, the Company received notices of conversion from three convertible debenture holders requesting the conversion of \$200,000 face value of convertible debentures for the issuance of 871,242 units, each unit consisting of one common share and one common share purchase warrant.

**16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.