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Mining Sector
Core activities: Exploration
Core area of activity: Portugal
Listing: CNQ (COLT-CNQ)

Colt Resources Inc

The company's top project is in northern Portugal with others in Canada. Its key projects are in the earlier stages of exploration and none has a delineated NI 43-101-compliant resource. Exploration success would offer material upside to investors.

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Initiation Report

Contents

I certify that this report represents my own opinions.

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About Objective Capital:

Objective Capital is a leading UK provider of objective corporate research.

We offer investors two levels of insight – a regular survey of the complete small and mid-cap segment, highlighting those stocks where attention should be focused, and our detailed institutional-quality, sponsored research coverage. As always, our research doesn't offer trading recommendations or advice but an objective uptodate assessment of the prospects, and risks, of the companies we cover.

While the companies we cover sponsor our research, it is always written on behalf of our readers. It is of the essence of our research that it be **independent** — that is opinions, estimates and valuations be solely those of Objective's analyst; **objective** — that is based upon verifiable data; and **transparent** — that is based upon explicit assumptions.

Our research complies with all FSA recommendations as may arise out of CP172 and CP176, i.e., that it be independent of any broking or trading interests; and CP205, i.e., that it comply with standards for objectivity.

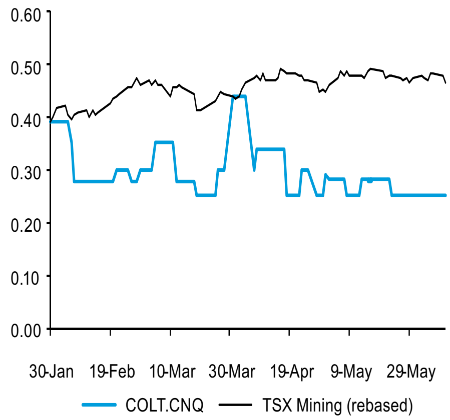
Key Points

10 June 2008
Price: C$0.25

Colt Resources Inc is a Canadian-based junior explorer listed on the Canadian Trading and Quotation System (CNQ), which is focusing its exploration effort on precious and base metals. The company's top project is in northern Portugal with others in Canada. Its key projects are in the earlier stages of exploration and none has a delineated NI 43-101-compliant resource. The market supports our core valuation based on early exploration status. Clearly, the portfolio of properties carries significant risk. However, exploration success would offer material upside to investors.

- ***Colt's top project is the Penedono gold property in northeastern Portugal***
  Colt Resources acquired the Penedono gold property in mid-2007 and it is the company's top prospect. It represents almost 75 percent of our core valuation of €3m for total exploration assets. Six separate gold targets have been identified on the 10,500-hectare property, which has seen exploration intermittently since the 1930s. The company drilled the project in 2007 and it proposes a 1,500-metre programme to fulfill its spending requirements for 2008.
- ***The Extra High property in British Columbia also ranks highly***
  Colt signed an option agreement with a sister company, Zab Resources Inc, that currently gives Colt a 67-percent interest in the Extra High massive sulphide gold, silver and base metals prospect near Kamloops in British Columbia. The project hosts a modest historical resource of 375,000 tonnes, grading 4.0 grams of gold and 55 grams of silver per tonne, with a combined zinc and lead content of over eleven percent. Colt proposes a 1,500-metre drill programme on Extra High this year, leading to a NI 43-101-compliant resource calculation.
- ***The Armamar Meda prospect adds to the potential of Penedono***
  Late in 2007, the company acquired licences covering the Armamar Meda property, which surrounds the Penedono property. Colt considers the 43,600-hectare property favourable for tungsten, base and precious metals. Exploration is at an early stage and the company plans modest expenditures to fulfill the terms of its agreements, but the project offers added exploration potential to Penedono. The presence of a known scheelite-bearing tungsten occurrence adds considerable interest to this concession.
- ***Exploration risk remains high***
  Although Colt's key properties contain known mineral deposits, none has a formally delineated compliant resource, and successful development depends entirely upon further exploration success. A high proportion of the company's valuation is locked up in this exploration potential. Assessing fair value for Penedono is therefore difficult and subjective. As with any exploration company, there is a significant degree of risk associated with the potential investment rewards. Further exploration may not delineate sufficient economic mineralisation to support our base hypotheses.
- ***Our core valuation is in line with market's perception of early stage exploration...***
  We assess Colt's current value at C$0.26 per share, with significant potential for appreciation through exploration success. Continued successful development results in valuations as high as C$1.61 per share, on our model, in the post-permitting environment. The company's Extra High and Armamar Meda properties and other prospects offer further upside potential.

Price chart (C$)



Current fair value of equity

Expected Value	C$3.0m
Value per share	**C$0.26**

Derisked upside potential*

Our core scenario	C$0.71
Our optimistic scenario	C$1.61
Maximum potential	C$2.14

*potential assuming projects reach permitting

Company details

Quote	
Shares	
- CNQ	COLT
Hi-Lo last 12-mos. (p)	0.04 - 0.50
Shares issued (m)	11.6
Fully diluted (m)	30.2
Market Cap'n (C$m)	2.9
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Overview

Colt Resources Inc is a Canadian Trading and Quotation System-listed junior exploration company based in Vancouver. It holds two properties in Portugal and three in Canada, with the Penedono gold project in Portugal and the Extra High polymetallic project in Canada ranking most highly. The company plans an additional financing to carry out its planned exploration programmes this year on Penedono and Extra High. The company recently acquired three new prospects, but these will carry a lesser priority in the short-to-medium term.

The Penedono project is Colt's most advanced project…

Colt acquired the 10,500-hectare Penedono project in northeastern Portugal in mid-2007, as a key component of the company's reorganisation. The property lies approximately 350 kilometres northeast of Lisbon, in a sparsely populated region that nevertheless has good infrastructure to support a mining operation.

The property experienced several periods of exploration, commencing in the 1930s. The initial work centred on the Santo Antonio and Ferronha gold veins and in the 1950s, a local company attempted to mine the Santo Antonio veins, driving several shafts and adits. The operator ran a small flotation mill with a cyanide leach circuit during the mid 1950s. Several companies conducted limited exploration from the 1970s onward, but weakening gold prices forced a halt to these efforts.

Six separate gold targets are known to exist within the property: Santo Antonio, Ferronha, Sirigo Dama, Turgueira, Boucoes and Paredes-Dacotim. Historic records are available for over 3,000 metres of drilling, and Colt commenced a drill programme after acquiring the project last year.

The most advanced deposit is Santo Antonio, which hosts 13 individual veins of mineralisation, including veins No. 1, 2, 3, and 6, which supported prior development or production. Colt completed twelve holes for 1,355 metres of drilling, focusing on Veins No. 4 and 5 of the Santo Antonio system, which represent a potential new source of relatively untested mineralisation. Seven other known veins are untested, offering further development potential.

Colt plans a comparable drill programme during 2008. The scale of the programme will depend on the company's financial resources, but a minimum expenditure of €0.2m is required by the end of October 2008. The proposed budget is significantly higher, and contemplates further testing of veins No. 4 and 5, as well as initial drilling on veins No. 11 and 13, which lie parallel to and approximately 600 metres northwest of vein No. 5.

The Extra High project adds further value to Colt…

Colt acquired its current 67-percent interest in the Extra High project near Kamloops, British Columbia, Canada early this year. The polymetallic project contains an historic, non-NI 43-101-compliant mineral resource of 375,000 tonnes, averaging 4.00 grams of gold and 55 grams of silver per tonne, with 0.5 percent copper, 6.1 percent zinc and 4.8 percent lead.

The project lies at 1.450 metres elevation, but is just sixty kilometres north of Kamloops and is connected to the town by paved and well-maintained logging roads. The property has reasonable access to infrastructure as a result.

Three promising mineralised structures cross the property, including the Rea Zone, which is the principal target, but the Silver and Twin Mountain Zones offer added exploration potential. Exploration on the property began over a century ago, but drilling of the Rea Zone did not begin until the 1980s. Since then, nearly 10,000 metres of drilling has been completed.

Zab Resources completed an eighteen-hole drill programme in 2005 and Colt and Zab completed an eight-hole drill programme in 2007. The work showed potential for lower-grade mineralisation adjacent to the main K7 massive sulphide lens, improving the potential for open pit mining of the deposit. The company proposes a 1,500-metre drill programme this year on the main lens, potentially leading to a formal mineral resource calculation late this year.

Three other properties offer additional upside

Colt acquired the Armamar Meda tungsten, gold and base metals prospect in northeastern Portugal late last year. The project surrounds the Penedono property and therefore offers further exploration upside to the company's main project. Armamar Meda is at an early stage of exploration, but contains an old past producer of silver, lead and, zinc as well as a potentially economic tungsten deposit which has only been partially drilled off. The project is likely to remain a lower priority in the medium term.

Also a lower priority for now, are two uranium prospects in northern Quebec that the company acquired earlier this year. The Urasand property and the Lac Barrin North properties offer potential uranium anomalies worthy of exploration.

Colt's management has successfully reorganised the company

Bedo Kalpakian joined the company as director in 2004 and successfully acquired the key mineral projects that allowed Colt to obtain its CNQ listing in 2007. Mr Kalpakian has 23 years of experience managing and directing public companies.

Colt's management also has considerable geological experience and familiarity with Portugal. The company's chief operating officer, Jorge Valente, has been involved with the mining industry in Portugal, Angola and Brazil since 1970. Lisbon-based consulting geologist, Filipe Faria, has over 25 years of experience in mineral exploration in Portugal.

Valuation

Our valuation approach

We have valued Colt Resources based on assessing the economic potential of the company's key property, Penedono. In so doing we have accounted for: the likelihood that an economic resource will ultimately be proven; the likelihood that feasibility will be established, after considering metallurgical, social and permit issues etc; and the likely economics if actual mining were to occur, considering parameters such as tax, operating costs, revenues etc.

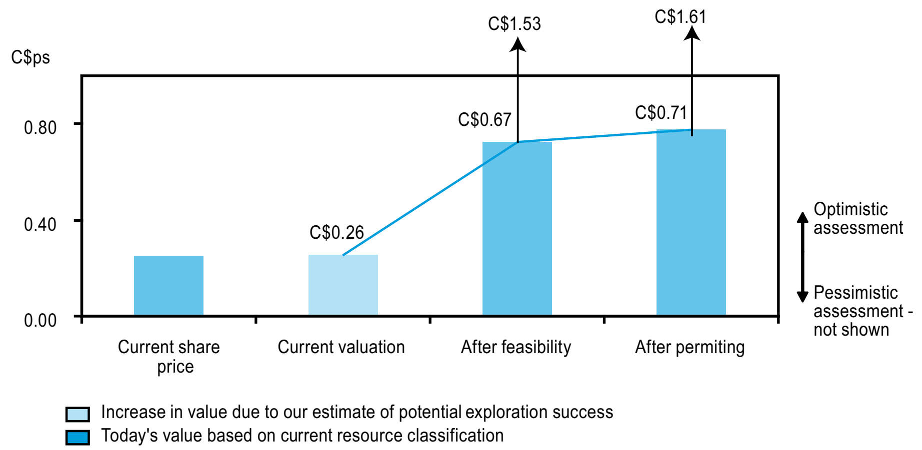
One of the key issues that any mining analysis must consider is the problem posed by the dependence of our assessment on commodity prices. This issue takes two forms – what will be the price environment when mining eventually occurs; and the operating dynamics in response to changing mining prices.

From a valuation perspective, the aspect of operational dynamics that is of interest is the ability to "mothball" operations during periods when the commodity price is below the marginal cost of extraction. This creates what is frequently referred to as "optionality" – something that traditional NPV fails to capture. Intuitively this can most easily be understood by thinking of NPV as assuming that positive and negative deviations from our mid-case have a similar likelihood of occurring and hence balance each other – however, in mining, the downside is capped at the cost of "mothballing" the site.

We capture these aspects by valuing each year's production as an option assuming that prices revert to mean over the long run – that is, the mine will only operate if the commodity price is above the extraction cost. In essence, rather than valuing that year's production as we would in an NPV model as the discounted value of the cash-flow estimated using the mid-case for the commodity price we value the probability that the price is above the extraction cost.

In valuing the economic potential of resource projects, we assume that while commodity prices are volatile they return to an inflation-adjusted, long-run mean. For example, in the case of precious metals, gold has historically traded at approximately US$550 per ounce in current dollars since the early 1970s, with deviations from mean normally correcting over 8.0 years with a volatility of 25 percent.

What Colt Resources could be worth - now and in the future

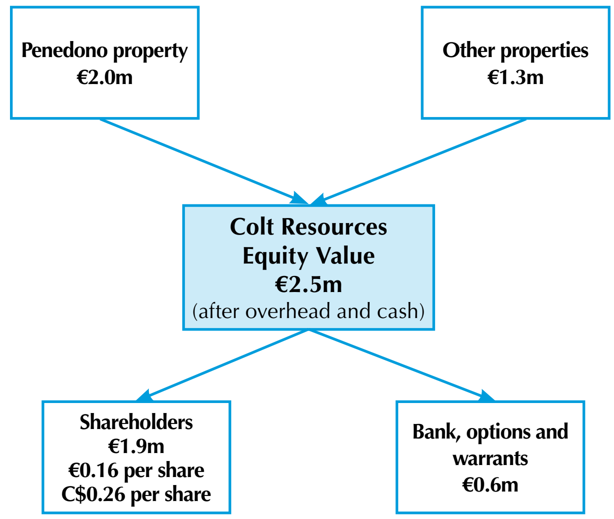


Source: Objective Capital

Fair value summary (€m)

	Base	Scenario Pessimistic	Optimistic
Property portfolio			
- Penedono	2.0	(1.8)	6.2
- Extra High	0.6	0.6	0.6
- Armamar Meda	0.6	0.6	0.6
- Quebec U3O8	0.1	0.1	0.1
Total	3.3	(0.6)	7.4
Less: overhead	1.7	1.7	1.7
Expected value of portfolio	1.6	(2.3)	5.8
Add: other investments	0.0	0.0	0.0
Add: starting cash + new funds	0.9	0.9	0.9
Total current value for firm	2.5	(1.3)	6.7
Less: bank & other debt	0.5	0.5	0.5
Total value to equity claims	2.0	(1.8)	6.2
Less: warrants and options	0.2	0.0	1.0
Ordinary equity holders	1.9	(1.8)	5.2
Value per share (€)	**0.16**	**(0.16)**	**0.45**
Value per share (C$)	**0.26**	**(0.25)**	**0.72**

Components of Colt Resources' entity value



Expected value of Colt Resources

Scenario	Risked mineable resources (m tonnes)	Penedono property value (€m)	Colt Valuation (€m)	Value per share (C$)
Base case outlook	**3.0**	**2.0**	**3.0**	**0.26**
Value for scenarios of further exploration success				
Full proved up	5.4	8.7	11.4	0.99
Optimistic outlook	4.5	6.2	8.3	0.72
Pessimistic outlook	1.5	(1.8)	(2.9)	(0.25)
Value with no further exploration success				
Current resource estimate	0.6	(1.8)	(2.9)	(0.25)

Note:
- *'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven' status*
- *for further details see Penedono property section*

Penedono valuation (€m)

Scenarios for exploration success	**Base**	**Optimistic**	**Pessimistic**
Net value of production	**34.4**	34.4	34.4
Expected mining success*	***50%***	*75%*	*25%*
Expected net value of production	**17.2**	25.8	8.6
Add: tax shield on depreciation charge	**2.1**	2.1	2.1
Less: development & operational capex	**11.3**	11.3	11.3
Value of mining operations	**7.9**	16.6	0.0
Probability of reaching mine development	***48%***	*48%*	*48%*
Expected value of deposit	**3.8**	8.0	0.0
Less:			
- expect pre-development costs**	**0.2**	0.2	0.2
- further exploration costs ***	**1.6**	1.6	1.6
Expected value of project	**2.0**	6.2	(1.8)
effective risk haircut	***85%***	*68%*	*100%*
Ownership	***100%***	*100%*	*100%*
Colt's share	**2.0**	6.2	(1.8)

* portion of reserve/resource expected to be converted to a mineable resource, probability-weighted for our confidence they will be proven-up
** shown as expected value of being incurred after allowing for likelihood of reaching each development stage
*** present value

Sensitivities to assumptions on ...

Recovery rate (%)	*91%*	*92%*	***93%***	*94%*	*95%*
Value (C$ps)	0.20	0.23	**0.26**	0.29	0.32
Change in value (%)	*-21%*	*-11%*		*+11%*	*+21%*
Operating costs (US$/oz)	1.33	**1.40**	1.47	1.54	1.61
Value (C$ps)	0.33	**0.26**	0.19	0.12	0.05
Change in value (%)	*+27%*		*-27%*	*-54%*	*-81%*
Increase in capital cost (%)	***+0%***	*+10%*	*+20%*	*+30%*	*+40%*
Value (C$ps)	**0.26**	0.20	0.13	0.07	0.00
Change in value (%)		*-25%*	*-49%*	*-74%*	*-99%*

Commodity market assumptions

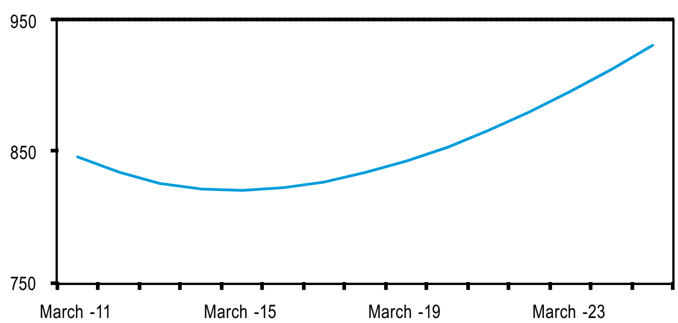
Gold prices are mean reverting

Long run level (in 2008 prices)	550 US$/oz
Avg time to revert	8 years
Volatility	*25%*
Inflationary price growth	*2.5%*

Sensitivity to market assumptions ...

Long run real gold prices (US$/oz)	500	525	**550**	575	600
Value (C$/share)	0.04	0.15	**0.26**	0.37	0.48
Change in value (%)	*-84%*	*-42%*		*+42%*	*+83%*
Time for gold price to revert to mean (years)	6	7	**8**	9	10
Value (C$/share)	0.10	0.18	**0.26**	0.34	0.42
Change in value (%)	*-63%*	*-31%*		*+31%*	*+60%*
Volatility of gold price (%)	*20%*	***25%***	*30%*	*35%*	*40%*
Value (C$/share)	0.17	**0.26**	0.38	0.52	0.69
Change in value (%)	*-35%*		*+44%*	*+99%*	*+165%*
Interest rate (%)	*3.00%*	*3.50%*	***4.00%***	*4.50%*	*5.00%*
Value (C$/share)	0.35	0.30	**0.26**	0.22	0.18
Change in value (%)	*+35%*	*+17%*		*-15%*	*-30%*

Expected gold price (US$/oz)



Our key assumptions

We model Colt's Penedono project based on the following key assumptions:

- the property currently has no NI 43-101-compliant resource, but we hypothesise a potential ten million tonnes in theoretical mineral potential. Our analysis assumes that further exploration will convert this to a mineable resource of some six million tonnes – or, after allowing for the confidence level of each resource category, 3 million tonnes on a risk adjusted basis.
- assuming exploration success we have modelled that mining will commence in the third quarter of calendar 2012 targeting an eventual capacity of 1,000 tonnes per day. We assume capital expenditures will begin by mid-2011, with a total cost of approximately €15m over the following year.
- we assume initial cash operating costs of €295 per ounce of gold produced, or €24.50 per tonne milled, increasing at a nominal rate of inflation thereafter. We assume a tax rate of thirty percent.
- Colt has yet to complete exploration of the Penedono project. Given exploration success, we thereafter assume success probabilities of sixty percent, 85 percent and 95 percent at the pre-feasibility, feasibility and permitting stages respectively.

Our results

After allowing for likely economics, exploration potential and development risk our analysis suggests an expected value of €2.0m for the Penedono project. We ascribe estimated values of €0.6m ($C0.95m) for the Extra High project, and a value of €0.6m (C$0.95m) for Armamar Meda based on the potential value of its tungsten showing and a nominal value for the gold and base metals potential. We also ascribe a nominal value of €0.06m (C$0.1m) for the company's recently acquired uranium prospects in Quebec.

After allowing for currency conversion, corporate overhead and outstanding warrants, our assessment of Colt's ordinary equity results in a base-case current valuation of C$3.0m, or C$0.26 per share, with an optimistic current valuation of C$0.72 per share, assuming higher probabilities of exploration success.

Our analysis suggests that Colt's current value is based entirely on exploration potential and should there be no further exploration success, then the current level of risked resources may not be sufficient to justify extraction. Alternately, our base case and optimistic outlooks, assuming success at all stages through permitting, result in valuations of C$0.71 and C$1.61 per share respectively. Success at any of the company's other key projects, or delineation of additional tonnages beyond our hypothesised estimates could add further value."

Benchmarks

Benchmark comparisons with other companies can offer only a rough guide to what might occur as Colt explores and develops Penedono and Extra High, in that the company is a junior, exploring properties prior to the prefeasibility stage, without any NI 43-101-compliant resources.

As shown in the table below, we have compared other companies with significant gold projects at early and intermediate stages of exploration, and a few now in production. In general terms, they show the increase in value attaching to a resource as exploration advances.

For current or imminent producers, the market is ascribing values between C$100 and C$200 per ounce of gold equivalent in established resources. Companies with well-defined formal resources but still without feasibility studies carry market capitalisations between C$20 and C$100 per ounce of gold equivalent, a range generally dependent upon the stage of exploration, the size of the deposit and the likely method of mining. Companies with initial resource calculations and with potential to substantially increase these resources have lower market capitalisations.

At present, Colt falls in the lower range of these values, but this is based on a hypothetical tonnage potential that the company has yet to prove. As a result, the comparisons carry a significant amount of risk, and are presented here to demonstrate the potential market appreciation as the company advances the Penedono project.

Comparable companies

Company	Ticker	Price C$	Shares (m)	Mkt Cap (m)	Gold Equiv Mln Oz.	Mkt Cap per ounce Au Ounce	
Colt Resources Inc	COLT.CNQ	0.25	10.1	$2.5	0.5*	$5.26	Early exploration
Conroy Diamonds & Gold	CDG.L	0.052	105.7	$5.5	0.7	$8.33	Resource; exploration
Midlands Minerals	MEX.V	0.275	53	$14.6	1.0*	$14.58	Resource; exploration
GLR Resources	GRS.TO	0.43	63.6	$27.3	1.2	$22.79	Resource, feasibility
Osisko Exploration Ltd	OSK.T	4.21	160.4	$675.3	8.4	$80.39	Feasibility in progress
Etruscan Resources	EET.TO	2.04	124.2	$253.4	2.7	$93.84	Production
Great Panther	GPR.TO	1.11	81.1	$90.0	0.9	$100.02	Production
Golden Star Resources	GSC.TO	3.37	235.9	$795.0	7.3	$108.90	Production
Barrick Gold Corp	ABX.TO	38.31	871.7	$33,394.8	207.1	$161.25	Production
Red Back Mining	RBI.TO	6.31	188.3	$1,188.2	6.1	$194.78	Production

* *based at least partially on hypothesised mineralisation*

Source: Objective Capital

Key Risks

Colt Resources holds several mineral prospects in Portugal and Canada, but none has a defined mineral resource, and none has yet received scoping or prefeasibility studies. The company has an historical mineral resource on one project, but the company's value depends on its ability to advance its prospects sufficiently to demonstrate economic viability. Although both of the company's key mineral prospects offer potential for success, each carries significant risk.

Colt Resources' success depends on…

…the company delineating sufficient resources to support mining

To date, Colt does not have a NI 43-101-compliant mineral resource delineated on any of its properties. The company has several mineralised targets on its key projects, but it will require further drilling to generate a formal resource. We base our valuation of Colt on what we believe is the reasonable assumption that the company can delineate a mineral resource on Penedono and Extra High. Failure to generate a mineral resource capable of supporting a mine would therefore have a materially adverse impact on our valuation.

…the company's ability to control capital and operating costs

The company's key projects contain smaller-scale deposits at present, and development will require careful planning and execution. The typical project scale creates the risk that future cash flow will be insufficient to repay the required initial capital investment. Further, there is the risk that revenues will be insufficient to cover operating costs. Mining developments and operations continue to face significant inflationary pressures due to shortages of equipment, supplies and labour. We expect these pressures will abate in the mid-term, but there is a risk that inflationary pressures will exceed our assumed rates.

…gold prices remaining robust

Gold prices have edged lower from their crest above US$1,000 per ounce early this year, and we expect the price to revert toward its long-term, inflation-adjusted mean of US$550 per ounce over the next several years. Although our modelled price of gold supports the economic viability of Colt's Penedono project, and robust metal prices support continued exploration at Extra High, there is the risk of materially lower gold and metal prices occurring in the longer term. This could adversely affect our valuation.

…the company's ability to raise further funds for exploration and development

Colt is a junior exploration company with limited access to capital and we expect it will need increasing amounts of cash to fund its exploration programmes. In addition, the company would need capital to cover development costs, should it have exploration success. The need for further private placements of Colt's shares could result in significant dilution to shareholders.

…the company's ability to obtain permits and environmental approvals

Colt does not face any obvious permitting or environmental impediments on its key projects, but the company would have to complete detailed environmental assessments in order to obtain government approvals for project development. Although the risk of failing to obtain permission appears low, there is the risk of added costs and delays.

Corporate Overview

Colt Resources Inc is a Canadian-based public company trading on the CNQ Stock Exchange, an alternative exchange in Canada for emerging companies. Colt is a junior exploration company that is engaging in the acquisition and exploration, and potentially the development of mineral projects around the world. Colt already has secured several projects in Portugal and Canada that primarily provide exposure to gold, but also to base metals and uranium.

The company's most advanced project is the Penedono gold project in Portugal. It also holds the Armamar Meda tungsten, base and precious metals project in Portugal and the Extra High volcanogenic massive sulphide property in British Columbia. Both will see active exploration programmes this year. Colt also has exposure to uranium in Quebec, Canada, through its Urasand and Lac Barrin properties. The company has applied to the Portuguese government for the rights to two other mineral prospects.

Colt Resources was incorporated as Colt Capital Corp in 2000 and it completed an initial public offering that year as a "Capital Pool Company". The company was initially listed on the TSX Venture Exchange, but it was suspended in 2003 and subsequently delisted for failing to complete a qualifying transaction.

Bedo Kalpakian and Jacob Kalpakian joined Colt in 2004 as directors. Bedo Kalpakian assumed the office of president of Colt in 2007 and the company obtained its CNQ listing on March 1 2007, based on its acquisition of the Extra High property as a qualifying transaction. In 2006, Colt agreed to option the property from Bronx Ventures Inc., now named Zab Resources Inc. Zab is a company controlled by the Kalpakian group.

In mid-2007, Colt commenced a corporate reorganisation. At the time, Colt Capital had just over 29 million shares outstanding, which it rolled back on a 1-for-5 basis. Subsequent to its reorganisation, cold completed a private placement of convertible debentures.

If it fully exercises its option with Zab, Colt will have a 100-percent interest in the Extra High project, which lies in the Kamloops district of British Columbia. The company, together with Zab, completed drilling on the property last year that expanded the known mineralised zone at K7 to a depth of 150 metres. Assays from the mineralised zone show significant values of gold and silver, plus copper, zinc and lead.

In mid-2007, Colt acquired the Penedono exploration licence in northeastern Portugal and this property now ranks as the top mineral project for Colt. To acquire Penedono, Colt issued 200,000 shares and agreed to pay modest licence fees to the Portuguese government. The company must spend €0.6m by 29 October 2009. The company's spending commitment for the year ending 29 October 2008 is €0.2m.

The Penedono gold project lies in a sparsely populated part of the country, but the region has good infrastructure in place, with an adequate supply of capable and willing workers. The property supported a small-scale mine during the 1950s. Previous work outlined gold mineralisation in several areas on the property. Five of the zones are ready for additional drilling and five more require additional investigation. Colt completed 1,350 metres of drilling in 2007 in twelve holes on two of the several Santo Antonio vein systems present on the property.

Assays yielded encouraging gold values and Colt is planning for an exploration programme based on a recommended €0.48m plan proposed last year. The work will include additional drilling on the Santo Antonio veins and examination of the Paredes-Dacotim and Turgueira areas of the property.

Late in 2007, Colt entered into a prospecting and exploration agreement with the Portuguese government that gives it the right to explore for tungsten, base- and precious metals on the Armamar Meda property, covering 43,600 hectares of ground partially contiguous to the Penedono concession. This concession contains a modest past producer of silver, lead and zinc, and an area of tungsten mineralisation (non NI 43-101-compliant) with a loosely defined potential geological resource of one million tonnes estimated at between 0.8 and 1.0 percent tungsten trioxide based on six drill holes.

Colt Resources currently has 11.557 million common shares issued and outstanding. As of 1 March 2008, the compa.ny had 0.43 million options outstanding, exercisable at C$0.25 each and on 20 March 2008, it granted 1.57 million additional options, again exercisable at C$0.25 each. Colt Resources also has 4.43 million share purchase warrants outstanding, exercisable at prices between C$0.25 and C$0.35.

In addition, Colt Resources issued C$1.465m in convertible debentures, which accrue interest at a rate of 10.0 percent, compounded monthly. The debentures are convertible into units priced at C$0.25 each on or prior to 28 June 2008, C$0.30 on or prior to 28 June 2009, and C$0.35 on or prior to 28 June 2010. If fully exercised prior to 29 June 2010, the debentures would convert to 5.32 million common shares and a like number of warrants. If all options, warrants and debentures were fully exercised, Colt Resources would have approximately 30.2 million shares issued and outstanding.

On 1 January 2008, Colt had a bank balance of C$1.5m and net current assets of C$0.5m. During the first three quarters of its current fiscal year, which ends 31 March 2008, Colt issued 3.82 million shares for net proceeds of C$0.88m. During its previous fiscal year, Colt issued 4.55 million shares for net proceeds of C$0.31m.

Colt's officers and directors currently hold approximately 13.4 percent of the company's shares. The company's chief financial officer, Jonathan Rich, holds 700,000 shares and company president, Bedo Kalpakian, holds 328,500 shares directly and indirectly.

Like many Canadian junior mineral exploration companies, Colt maintains its head office in the Vancouver region of British Columbia.

Operating Environment

Gold is a unique commodity, as it has limited industrial and chemical uses that cause its destruction or loss. Because of its unique colour and brilliance, combined with its rarity, nearly all of the gold ever produced remains intact and available for resale under the right economic circumstances. Since the beginnings of recorded time, gold has been the dominant metal of choice for jewelers and investors. To this day, the two sectors account for most of the demand for the metal.

Historical gold production has now reached about 160,000 tonnes. About two-thirds of the world's total gold production occurred following the Second World War.

The supply and demand profile

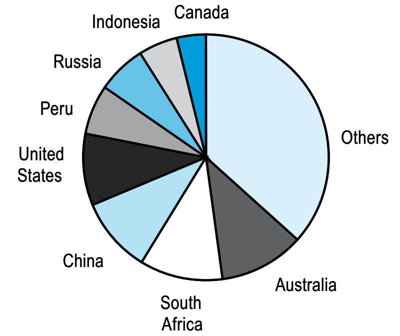
Gold production lags the price curve and world production crested at approximately 2,600 tonnes during 2001, about five years after a major decline in price set in. Production slipped just marginally since then, to about 2,500 tonnes per year, notwithstanding a recent resurgence in price. Mining continues to account for just over sixty percent of gold supply over the past five years, despite the adverse mining environment sparked by record low prices on an inflation-adjusted basis. Recycled gold accounted for almost one quarter of the supply over that same period, while sales by central banks contributed nearly one sixth of the annual gold supply during the five-year span.

Mining companies were slow to resume their exploration programmes, and the price surge that began in 2005 is just now sparking renewed exploration efforts on a broad scale. Meanwhile, huge increases in base metal prices should provide a significant new source of gold in the longer term, as porphyry copper deposits are developed. These deposits may account for about one quarter of the gold remaining in undiscovered resources.

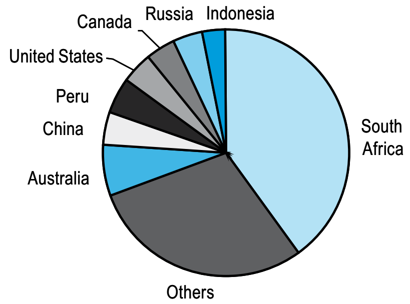
The jewellery industry dominates the demand for gold. Since 2000, approximately three quarters of the annual gold supply is transformed into jewellery. Over the same interval, investors and speculators took up about one eighth of the annual gold supply. Industrial and chemical uses of gold accounted for the remaining one eighth of the gold produced annually.

Although users of base metals and other commodities often have major alternatives to rely upon in the event of major price movements or supply shortages, users of gold have limited opportunities for substitution. Other precious metals see just limited use in the jewellery sector, and in any case, their prices typically track that of gold.

Global gold mining production 2007



Global gold reserve base 2007



Source: United States Geological Survey

Price influences

Investors continue to view gold as an excellent hedge against inflation, although the metal is no longer a primary international currency. Because of this perception, the price of gold continues its traditional pattern of tracking the price of oil and the United States dollar.

In addition, shifts in world politics and dramatic events occasionally exert powerful short-term influences on the price of the metal, as speculators flock to, or shy from, gold as an investment hedge. This response is universally assumed, but often overrated. Although the crest of the previous big bull market peaked during the opening days of the Iranian crisis and the opening salvoes of the Iraq-Iran war in 1980, other world events failed to trigger a similar reaction. For instance, the dramatic decline in the price of gold from 1997 to 2001 coincided with increased terrorist activity by Al Qaeda, events that included the bombing of United States embassies in the summer of 1998 in Nairobi and Dar es Salaam and the bombing of the USS Cole in Yemen in the fall of 2000. Indeed, although the deadly events of September 11, 2001 and the world's response must rank as one of the biggest shocks in memory, it failed to boost gold out of its rut.

As a result, we maintain the price of oil and the relative strength of the United States dollar offers the strongest correlation with gold. Both oil and the US dollar are powerful factors in determining the rate of inflation, so it is entirely logical that the US inflation rate is the best predictor of the price of gold.

Meanwhile, changes in the global economy are exerting major influences on the supply and demand curves. Despite the occasional hiccup, economic growth in China and other key Asian countries is expected to continue at a torrid pace in the medium term. This added demand is straining the supply side of the pricing equation beyond its traditional bounds. We expect continued growth in China and other developing Asian economies, so demand for gold should remain buoyant in the medium term.

Aside from the rising price of gold, the costs of fuel, steel and labour continue to grow, increasing the operating and capital costs of mines. The average quoted cash cost for gold production in 2005 averaged US$270 per ounce. The amortised capital and closure costs of the mines as well as the expenses of exploration needed to replace reserves bring the real average cost of an ounce of gold to about US$375 per ounce. This steady erosion of profits at mines with limited profitability could impact the supply.

We expect renewed exploration programmes and the development of existing deposits will add considerably to the supply of gold in the longer term, providing a realistic cap on gold in the longer term.

The price outlook

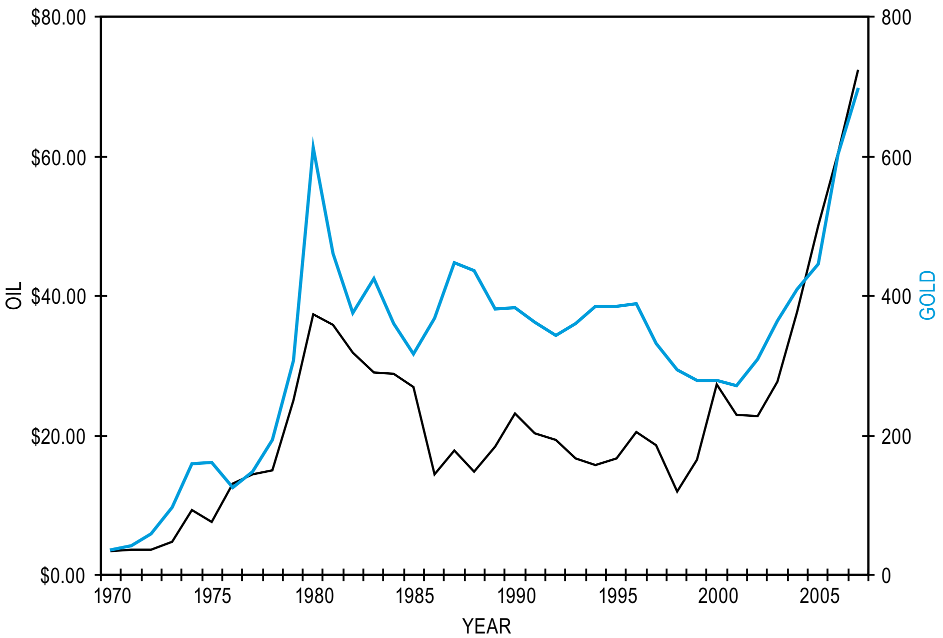
Gold has a reputation for volatility because of a surge nearly thirty years ago that carried the price to a high of over US$800 per ounce by 1980. That surge occurred in less than a decade since the metal threw off the US$35-per-ounce shackle it endured from the days of the Great Depression to the early 1970s. A twenty-year bear market then set in, sending gold to a low of barely US$250 per ounce by the late 1990s.

The rally that began in 2001 is now in its sixth year, but the long-term outlook nevertheless remains bullish. Despite the perception of price volatility, gold remained remarkably flat for lengthy stretches, notably in a fourteen-year period that ended with the crash in the mid-1990s. The price of the metal averaged about US$400 per ounce from 1982 to 1996 and it rarely strayed from a range between US$350 and $450 per ounce.

Despite lingering memories of gold at under US$300, we believe the inflation-adjusted long-term average price since 1970 of US$556 represents a realistic floor going forward. As a result, we expect gold to stabilise near this value, adjusted upward for the cumulative effects of inflation, once the current rally runs its course.

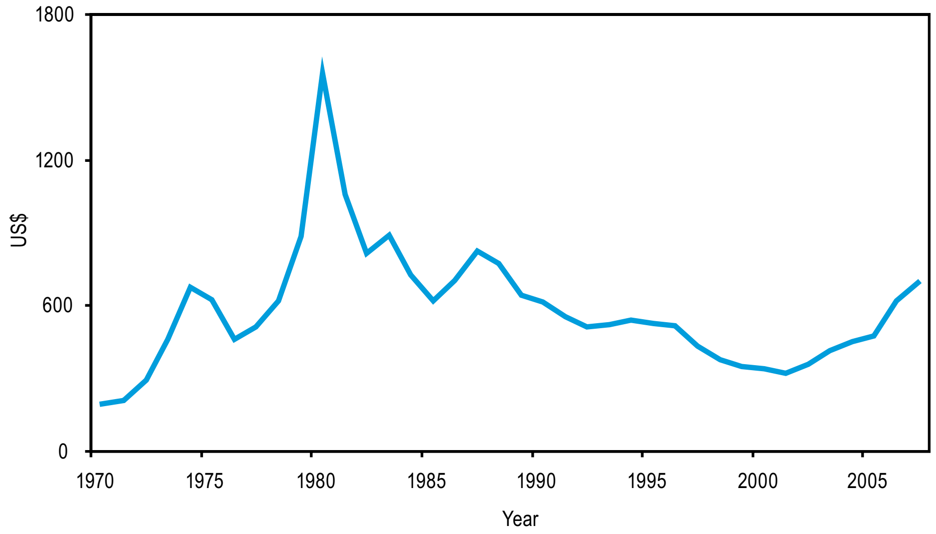
Most indicators remain neutral to positive for gold. The US dollar should decline slightly relative to other major currencies for the next few years. Meanwhile, the United States and other developed countries are experiencing a mildly inflationary cycle. Oil prices are showing little sign of retreating from near-record levels any time soon, although we ultimately expect oil will gradually retreat toward its twenty-year inflation-adjusted average of about US$20 per barrel. As a result, many gold analysts expect the shorter-term gold price will average well above US$700 per ounce for the next few years, supported by supply and demand concerns.

Gold vs oil



Source: Kitco

Inflated adjusted gold



Source: Kitco

The mining environment in Portugal

In 2007, the International Monetary Fund ranked Portugal 39th on its list of per capita gross domestic product based on purchasing power parity. That put it immediately behind South Korea, the Czech Republic, Oman and Saudi Arabia, and just ahead of Estonia, Slovakia and Barbados.

Portugal has a modest population, just over ten million, which places its economy among the smaller European nations. The country has a thriving and competitive market economy that the World Economic Forum ranked higher than that of neighbouring Spain and France. Significant contributions to Portugal's economy are provided by the oil, petrochemical, automotive, shipping and electronics industries. Manufactured goods account for about one-third of the country's exports.

Portugal's economy suffered in the years following a 1974 leftist military coup. The situation improved after the country's entry into the European Union (EU) in the mid-1980s, largely because of the resulting increase in trade and monies provided by the EU to improve the country's infrastructure.

Portugal qualified for the EU's Economic and Monetary Union in 1999 and adopted the euro as its currency. The country has been struggling to sustain its growth rate and its governmental deficit exceeded the three-percent limit in the early 2000s. As a result, Portugal's per capita GDP is again decreasing in relation to its European neighbours, reversing an improving trend that prevailed since 1985.

Portugal has moderate mineral potential based on geology, but the country's mining industry makes a comparatively modest contribution to its economy. Portugal does rank fifth among the world's tungsten producers, and the country is a significant source of tin and uranium.

Lundin Mining operates the Neves Corvo mine, an underground polymetallic base metal operation. The deposit was discovered in the 1970s and it was placed into production in 1989. Mining peaked at 2.3 million tonnes per year in 1998. Annual copper concentrate production currently stands at approximately 90,000 tonnes. The mine also produces zinc concentrate. The company also runs the nearby Aljustrel mine, which contains a significant resource of zinc, copper and lead.

Primary Metals Inc, now a subsidiary of Sojitz Corp, operates the Panasqueira mine. The underground operation is a significant source of tungsten, copper and tin.

Redcorp Ventures Ltd. is actively exploring two properties in Portugal for gold and base metals. Northern Lion Gold Corp is drilling on a promising gold prospect in Portugal, as is Kernow Resources and Developments Ltd and St. Elias Mines Ltd.

Properties

The company is currently exploring four projects: the Penedono gold property and the Armamar Meda tungsten, gold and base metals property in Portugal, the Extra High base metals property in British Columbia and the Urasand-Lac Barrin North uranium properties in Quebec.

Exploration activities are most advanced at the Penedono and Extra High properties. The company has also applied to the Portuguese government for the rights to two additional mineral prospects.

Penedono

Source: Colt Resources Inc

Penedono

Location and infrastructure

The Penedono concession is located in northern Portugal, 100 kilometres east-southeast from the city of Porto, and encompasses an area of 10,500 hectares. Colt acquired the property from Rio Narcea in 2007. The company agreed to pay Rio Narcea a one-percent net smelter return (NSR) royalty up to a maximum of US$1.0m after the commencement of commercial production. In addition, there is an underlying NSR royalty payable to the government during production up to a maximum of four percent when the price of gold exceeds US$350 per ounce.

The surface rights are held by various entities and are available by negotiation with landowners. Sub-surface mineral rights now held by Colt as the concession owner cover gold, silver, copper, lead, zinc, antimony, tungsten, molybdenum, tantalum and niobium.

Access and general infrastructure in the area is good. Main paved highways cross the concession and secondary paved roads provide access to within a few kilometres of most of the mineral targets. High voltage power is available locally and water should be readily available from several small rivers crossing the concession.

The topography undulates gently with rounded hills and slopes ranging in elevation from 500 metres to 1,000 metres above sea level. Hilltops are mostly barren of trees with only scrub bushes and grasses growing. Where cultivated, valley slopes and bottoms are planted with chestnut trees, olive groves or vineyards. Some sheep grazing is present. The land is generally of low agricultural value. The village of Penedono, home to some 900 people, is located near the right-centre of the concession, the nearest large urban centre is Viseu, fifty kilometres southwest.

The climate is temperate and humid with a mean temperature of 15°C and an annual rainfall of up to 20 centimetres. Summer temperatures may reach 40°C while minor snowfalls may occur in the winter at higher elevations. Mining operations will be possible all year round.

Geology and Mineralisation

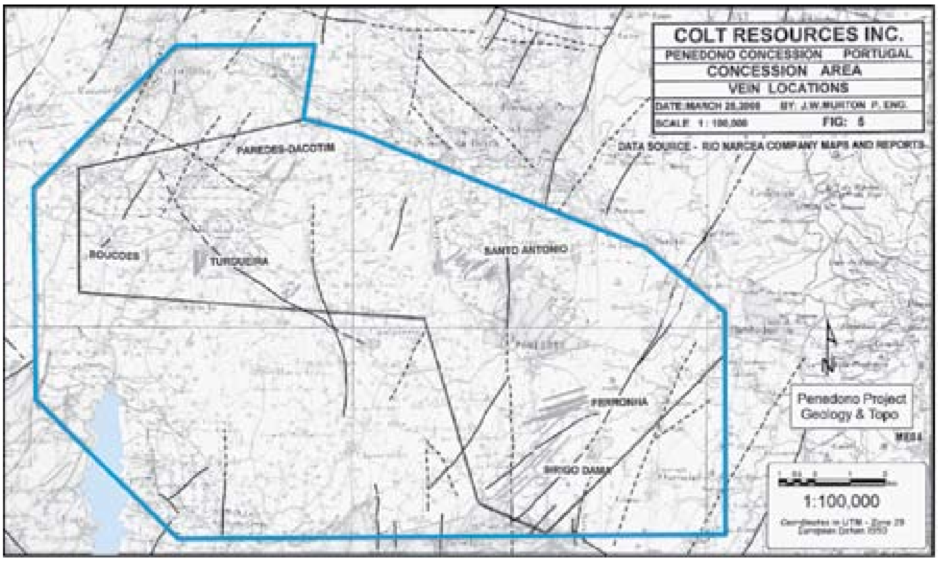
The region of Northern Portugal that hosts the Penedono property is underlain by a northwest-southeast trending granitic batholith, with intrusion of the granites partially controlled by a major shear zone of similar trend. In places, an older sedimentary sequence of rocks has been thrust over the granites, composed predominantly of quartzites, conglomerates and greywackes. In the contact areas with the granites, a metamorphic alteration halo of chloritic schist and phyllite develops. Cross cutting all rocks is a series of major northeast trending fault structures that appear to have played a role in mineralisation.

Within the property itself, the dominant rock-type is a light-coloured, two mica (muscovite and biotite) granite, which occurs in numerous intrusive phases. Within the granite, large masses of chloritic schist and aplite-pegmatites occur. Pegmatite veins are also widespread.

The texture of the granites varies from fine to coarse-grained and from equigranular to porphyritic. The majority of mineralised veins occur in the coarse-grained granite, large zones of which have undergone extensive hydrothermal alteration with the formation of kaolin, sericite and the development of greisen wall-rock alteration around veins.

Six separate gold targets have been identified to date within the property: Santo Antonio (Granja), Ferronha, Sirigo Dama, Turgueira, Boucoes and Paredes-Dacotim.

Penedono concession area



Source: Colt Resources Inc

The styles of mineralisation seen are typical of intrusion related gold systems. Steeply dipping quartz-sulphide veins host gold at Santo Antonio, Ferronha and Paredes-Dacotim. Gold mineralisation is also present in greisen alteration zones associated with quartz-sulphide veinlets at Turgueira and Boucoes; while at Sirigo Dama, gold is associated with sheeted veins and stockwork fracture systems.

Although there are some variations between the deposits, such as the orientation of the veins, they have broadly similar structural and mineralogical characteristics. All veins have vertical to sub-vertical dips. Individual veins range in size from tight fractures to widths of up to three metres; lengths range from tens of metres to over 700 metres.

Most of the major veins contain a barren, early phase of quartz with a later phase of arsenopyrite-quartz veining and replacement mineralisation that introduced gold into the system. Many of the veins are bounded by an envelope of greisen alteration, which re-crystallises the granite host and leads to the formation of coarse grains of muscovite mica and quartz. Gold grades in the veins appear to be dependent upon the amount of arsenopyrite in the veins. Tungsten mineralisation also occurs in places.

The Santo Antonio system is the most extensively explored and the best understood deposit. The veins have a northeast orientation and the walls have been altered by greisenisation which extends for up to five metres beyond the vein margins. The size of the mineralised vein system is at least 1.2 kilometres wide by one kilometre long, and hosts at least thirteen veins.

Exploration history

The Penedono area has been known to contain gold since at least Roman times and more recently has seen exploration and/or limited production in phases during the 1930s to the 1950s, again in the 1970s to the 1990s, and in recent years.

In the 1930s to the 1950s, investigations were carried out on the Santo Antonio and Ferronha deposits. Plans and records are very limited but the site contains evidence of mining activities, such as old shafts, tunnels and open cuts, at both these sites and at the other deposits.

In the 1950s, a Portuguese company started to develop and mine the Santo Antonio gold veins. Shafts and adits were driven and at least four levels established on four of the vein systems. The deepest level appears to be 150 metres below surface. A small flotation mill with a cyanide leach circuit was constructed around 1954 and operations ceased in 1957.

From the 1970s onwards, several companies investigated the potential of the Penedono area, including RTZ Corporation (now Rio Tinto) and a joint venture between a Portuguese company and the French BRGM. Following changes to the regulatory framework in the early 1990s, a 60,000-hectare area encompassing the present Penedono concession was acquired by the Portugal-based SMM in 1995. This concession was explored in joint venture with Canadian Greystar Resources until it was dropped in 1998.

Rio Narcea acquired the present Penedono concession area later in 1998 and oversaw several phases of exploration through to 2003. The company conducted a regional programme of geochemical sampling and geophysics, and more detailed programmes of geological mapping and rock sampling, trenching, underground sampling and limited diamond drilling programmes. A further short programme of drilling was carried out in 2004-05.

There have been three diamond drilling campaigns totaling 3,907 metres, on the Penedono property, for which records are available. Greystar Resources drilled 556 metres on the Paredes-Dacotim area; Rio Narcea completed an eleven-hole, 2,271-metre diamond drilling programme during 2001-2003 on Santo Antonio, Ferronha, Turgueira, and Paredes-Dacotim; and during 2005 they completed an additional eight holes, totalling 1,080 metres, on Santo Antonio, Paredes-Dacotim and Turgueira.

A total of 2,742 rock samples were collected from outcrops, trenches, pits, diamond drill holes and underground workings during the Rio Narcea work programmes. As is to be expected from mineralisation of this nature, the assay results show highly variable values but clearly demonstrate the potential for delineating gold orebodies at economic grades and widths.

In particular, drilling at Santo Antonio tested the vein system down to depths between fifty and 200 metres below surface. Vein 5 returned the best mineralised intercepts in four holes. Assays included 1.6 metres with 7.78 grams per tonne gold, 0.76 metre averaging 14.17 grams of gold per tonne, 1.0 metre of 3.51 grams of gold per tonne and 1.57 metres averaging 9.05 grams of gold per tonne. Vein No. 1 also returned encouraging results from the one hole drilled there, with 2.1 metres averaging 3.18 grams of gold per tonne.

Colt Resources undertook a follow-up programme of diamond drilling on the Santo Antonio vein system in the second half of 2007. A total of 1,355 metres of core was completed in twelve holes, focused on Veins 4 and 5 of the Santo Antonio system.

This drilling has yielded additional mineralised intercepts that indicate that the strike length of mineralisation on Veins 4 and 5 now extends to 120 metres, with a vertical component of greater than 105 metres. Widths of mineralisation were relatively narrow, but grades indicated economic potential. More significantly, two of the holes intercepted a previously unidentified vein system adjacent to Vein 4 but at a different orientation. The best intercept on this new vein returned 1.21 grams of gold per tonne over 17.0 metres.

Although we have not reviewed sampling and analytical procedures for the Rio Narcea and Colt Resources phases of exploration, there is no reason to suspect that appropriate, industry standard practices have not been followed with regard to logging, handling, sampling and QA/QC data verification.

Colt Resources' exploration strategy and costs to date have been appropriate to the stage of exploration. Exploration activities on the concession are continuing. The 2008 work programme, budgeted at C$300,000 is based around a drilling campaign of some twelve diamond drill holes, totaling 1,200 to 1,500 metres. The drilling is aiming to confirm grades and widths in the main Santo Antonio vein systems, particularly Veins 11 and 13, while also testing for extensions and new sub-parallel mineralised structures.

Resources

No estimates have been made of mineral resources or ore reserves for any of the deposits within the concession.

In order to illustrate the potential economics of a future mining operation, we have projected potential production scenarios for Penedono based on the assumption that a mineable resource of six million tonnes, with a diluted grade of 2.48 grams of gold per tonne is eventually delineated at Penedono. We have ignored the potential for recovering gold from the retreatment of historic tailings.

Our scenarios are based on the assumption that a 1,000 tonne-per-day open pit mining operation is developed at Santo Antonio. We have assumed ore is processed on site to prepare an arsenic-rich flotation concentrate for shipment and sale to a third party. These projections represent our assumptions for the sole purpose of this research and valuation and do not reflect any in-house plans by Colt Resources.

Exploration potential

The exploration programmes to date have demonstrated the overall gold potential of the Penedono concession. Six gold targets have been identified through a combination of geochemistry, trenching, sampling and drilling and the results have generated a number of targets of economic potential, which warrant follow-up exploration.

It is clear that the Penedono concession covers terrain that is prospective for gold mineralisation. Across the concession, however, the density of drill holes that currently exists for the number of targets is very low and further drilling is required and appropriate.

Colt's 2007 drilling programme demonstrated the benefits of additional drilling. Although widths of mineralisation intercepted were narrow on the two target veins, the lateral and vertical extent of known mineralisation was extended and, significantly, at least one new vein system was intercepted.

Only a portion of the concession has been covered with detailed geochemical or geophysical sampling and follow-up work on existing geochemical anomalies has been limited. For example, the area of the Ferronha vein swarm is manifested by a strong gold-arsenic geochemical soil anomaly but was the target of only limited investigation by Rio Narcea. At other locations, the amount of exploration work has been limited; such as at Sirigo Dama, which has had no detailed exploration beyond reconnaissance sampling of rock quarries.

The potential therefore exists for the discovery of additional mineralisation, or even new blind or buried deposits, on the concession.

In addition to the gold mineralisation, tungsten mineralisation (wolframite and scheelite) is present at a number of the targets, particularly Boucoes and Marofa, but has not been systematically tested for in the rock samples and drill-holes.

The Marofa area lies adjacent to Santo Antonio. Colt reanalysed samples from previous exploration programmes at Marofa for both tungsten and gold. Individual assay values ranging up to 0.14 to 0.83 per cent tungsten oxide (WO_3) and up to 59 g/t gold have been reported; highlighting the exploration potential of this area. Marofa is currently being re-evaluated by Colt and preliminary mapping and sampling results report visible wolframite (tungsten mineralisation).

Risked mineable resource assumptions

Reserves		**Probability**	**Tonnes** (m)
Proven		*90%*	0.0
Probable		*50%*	0.0
Total		***0%***	**0.0**
Resources	**Conversion**	**Probability**	**Tonnes** (m)
Measured	*0%*	*90%*	0.0
Indicated	*90%*	*50%*	0.0
Inferred	*80%*	*10%*	0.0
Hypothesised	*60%*	*10%*	10.0
Total	***60%***	***10%***	**10.0**
Mineable resource			**Tonnes** (m)
Mineable resource			**6.0**
Risked mineable resource			**Tonnes** (m)
Current classification			0.6
Scenarios for exploration success			
- base case			3.0
- optimistic case			4.5
- pessimistic case			1.5

Notes:
- *mineable resource have been estimated as reserves plus the portion of resources that would be expected to convert to reserves considering deposit type and likely grade variability*
- *risked mineable resource refers to the various classes of resource/reserve weighted by their assumed confidence level*

Source: Objective Capital

Proforma Penedono property profit and loss

Proforma P&L (€m)	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
	Year ending March												
Gr oss revenues	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**8.8**	**15.5**	**15.2**	**14.9**	**14.7**	**14.9**	**15.0**	**15.2**
Operating costs	0.0	0.0	0.0	0.0	0.0	5.1	9.1	9.0	8.9	9.1	9.8	9.8	9.8
Operating profit	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3.7**	**6.3**	**6.2**	**6.1**	**5.7**	**5.1**	**5.2**	**5.4**
Depreciation	0.0	0.0	0.0	0.0	0.0	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Administrative costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.8**	**5.2**	**5.0**	**5.0**	**4.6**	**4.0**	**4.2**	**4.3**
Assumptions													
Capital costs (€m)					10.0	5.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Tonnes ore mined (000's)					0.0	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Gold (000 oz)					0	17	29	29	28	28	28	28	28
Au g/t					2.80	2.76	2.71	2.66	2.61	2.61	2.61	2.61	2.61

Other assumptions

Processing costs €7.5/t; Open pit costs (ore & waste) €1.45/t

Source: Objective Capital

Project status

Colt's Penedono property contains prospects at different of stages of exploration. Santo Antonio is the most advanced, but even here, delineation of sufficient ore reserves to support a bankable feasibility study is likely to be several years away.

Applications would be needed at state level for a mining licence and various environmental permits; and at local level for planning permission. The authorities in northern Portugal are supportive of mining projects that can demonstrate environmentally responsible mining with long-term economic viability.

There are no obvious social or environmental issues that would materially impact the successful permitting of a mining operation. There has been a long history of mining in the concession area and Colt Resources believes the local population is supportive of their development plans. At present, there are no known environmental liabilities associated with the concession due to its previous operating history.

The support infrastructure in the region for a potential mining operation is good. This should allow a relatively straightforward project development without unduly high capital costs.

Key issues

The extent of ground held or optioned to the company, its favourable geological environment and the exploration results to date, all suggest that an economic gold deposit or deposits could be delineated in the medium term within the Penedono concession.

For the purposes of our valuation, Objective Capital has made various assumptions regarding the tonnages and grades of mineralisation eventually delineated for mining. These assumptions do not conform to a recognised code for the reporting of mineral resources and ore reserves and should not be relied on.

Mineralisation in intrusion-related gold deposits can be erratic and show poor continuity and, for all these deposits, there remains a risk that despite promising geology and exploration results, mineralisation cannot be delineated in sufficient tonnage and/or grade to make mining economically attractive.

There has been no recent mineral processing or metallurgical testwork on mineralisation from the Santo Antonio deposit or other areas of the concession. The reported mineralogy and textures of the mineralised rock should not prevent economic gold recoveries being achieved, but the association of gold with arsenopyrite can be problematic and will require careful control of concentrate quality.

Exploration work at Paredes-Dacotim indicates that there is a possibility of surface enrichment, as diamond drilling beneath some of these trenches returned lower grades than surface samples. This could indicate that the current surface expressions of gold mineralisation are providing a misleading indication of the quality of targets at depth, but it is more likely that this simply reflects the need for more closely spaced drilling to better establish grade relationships.

The Turgueira area of the concession has the potential to host a small to medium size open pit operation on a yet to be defined gold resource. Early exploration results indicate that the Marofa area has potential for tungsten mineralisation.

Colt Resources intends to complete a financing prior to commencing its 2008 exploration programme. The company expects it will continue to raise sufficient funds to continue its exploration and development activities in the medium term. The potential for debt or equity financing of any development phases will be tied to Colt's share price and, as with all junior exploration companies; this is often highly correlated to prevailing commodity prices.

The assumptions made in our production models involve various risks and uncertainties and there can be no assurance that such assumptions will prove to be accurate; actual results and future events could differ materially from those anticipated.

Extra High

Location and infrastructure

The Extra High property is located 60 kilometres north from Kamloops in southeast British Columbia. Access to the property is via paved roads and then good gravel logging roads to the 1,450-metre elevation, roughly the mid-point of the property. The main area of interest lies immediately south of the former Samatosum mine. The property covers twelve claim tenures with a total area of 1,075 hectares.

In January 2008, Colt Resources increased its 34-percent interest in the Extra High property to 67 percent by making a cash payment of C$250,000 to Zab Resources. Under an option agreement with Zab, Colt can also acquire the remaining 33-percent interest for an additional C$250,000 payment. Colt has now become the operator of the property and is solely responsible for all exploration and expenditures in respect of development of the property.

The land consists of gently sloping hillsides that are partially clear-cut logged, while the remainder contains virgin timber, which is currently being harvested. Access may be gained year round providing that the roads are ploughed in the winter when snowfall averages about one to two metres.

Water is readily available from a number of small creeks and a small pond near the north boundary of the property. The major town of Kamloops is less than an hour's drive south, and is a major supply centre as well as good source of labour and equipment contractors. There is no immediate access to power but a deactivated power line remains in place to a past producing silver, lead, zinc mine immediately to the north of the property.

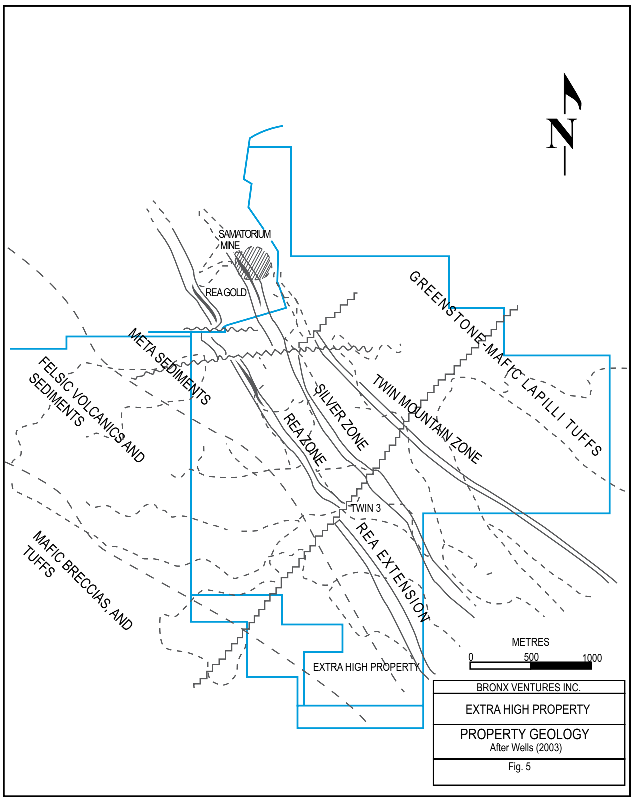
Geology and mineralisation

The Extra High property lies on the Adams Plateau which is located on the western edge of a belt of rocks termed the Eagle Bay Formation; a package of clastic meta-sediments, carbonates and mafic volcanic rocks, overlain by a succession of felsic to intermediate meta-volcanics and clastic meta-sediments. The Eagle Bay Formation has been extensively faulted and displaced so that formations are present in a stack of structural units.

Various mineral deposits in the region occur in the Eagle Bay Formation and include characteristics of volcanogenic massive sulphide (VMS) deposits of the Kuroko type. This classification has been applied to copper-lead-zinc, plus-or-minus barite, gold and silver mineralisation that occurs proximal to centres of explosive felsic volcanism.

The Extra High property is underlain by a northwest trending package of rocks termed the Rea Assemblage. The package consist of limestone, overlain by mafic lava flows and pyroclastics, then by felsic volcanics, cherts, as well as the pyrite-rich sediments that host the massive sulphide mineralisation, which in turn are overlain by sandstones, greywackes and conglomerates.

Extra High property geology



Source: Colt Resources Inc

Three mineralised structures cross the Extra High property from northwest to southeast: from west to east the Rea Zone, Silver Zone and Twin Mountain Zone. The Rea Zone is the principal target, hosting the bulk of the mineralisation delineated to date and being the focus of exploration activities. Exploration potential undoubtedly exists, however, in the other two zones.

Mineralisation within the Rea Zone is confined between an overlying hanging wall sedimentary unit consisting of greywackes and argillites and a footwall unit of mafic lava and tuff volcanics. VMS ore deposits commonly occur at particular geological horizons marked by major changes in rock type, alteration styles and depositional environment and this key marker horizon is an important exploration target.

Polymetallic sulphide mineralisation occurs predominantly within the uppermost pyrite-rich chert and other metasedimentary units. The sulphide occurrence is often in thin layers but can be more massive lenses, varying in width from less than one metre, up to 12.5 metres wide.

Within the massive sulphide zones, the ore mineralogy consists of eighty-to-ninety percent pyrite plus varying amounts, up to ten percent of galena, sphalerite and chalcopyrite plus arsenopyrite. The sulphides may be variably banded and are fine to medium grained. Stringer veinlets of sulphides also occur in the underlying cherts, cherty sediments and silicified tuffs.

Previous diamond drilling programmes have indicated numerous intersections of weakly mineralised to thin sections of massive sulphides extending over a strike length of two kilometres within the Rea Zone. The K7 lens lies near the northern boundary of the property and is the largest occurrence of massive sulphide located to date. It is also the best defined in terms of drilling density.

Exploration history

The property has had a long history of mineral exploration dating back to the 1890s, although much of the early work extended from more detailed investigations being undertaken on adjacent properties. All three mineralised zones (Rea, Silver and Twin Mountain) have been variously explored with geochemistry, trenching and drilling but the main focus of activities has been on the Rea Zone.

The Rea Zone on the western portion of the property was explored during the 1980s and early 1990s as part of a property wide programme to extend the horizon from adjacent properties. Exploration was carried out by a variety of parties under option agreements.

Esso Minerals and Homestake Canada explored the property between 1986 and 1992. From 1986, Esso Minerals conducted an extensive geological, geochemical and geophysical evaluation of the Rea Zone, followed by trenching and several phases of diamond drilling totaling 5033 metres. The diamond drilling resulted in the discovery of the K7 massive sulphide lens in 1988.

Homestake Canada acquired Esso's interest in the property in 1989 and completed 4,972 metres of diamond drilling in 25 holes, as well as 785 metres of trenching in 14 trenches, and 11 kilometres of electromagnetic (EM) surveys. Homestake completed a further 2,961 metres of diamond drilling in 1990 but, in a climate of low metal prices, the claims that now form the Extra High property were allowed to lapse.

Kamloops-based Mr P. Watt staked the property in 2000 and the interest subsequently passed to Bronx Ventures, a predecessor company to Zab Resources. In 2005, Bronx carried out an eighteen-hole, 1,874-metre diamond-drilling programme coupled with soil geochemical surveys and trenching in the area of the K7 lens, while additional soil samples were collected over four other near-surface targets on the property.

In 2007, the Colt-Zab joint venture conducted a diamond-drilling programme of eight holes for a total cored length of approximately 1,294 metres. The drilling revealed the potential for zones of lower grade mineralisation lying adjacent to the main massive sulphide lens, which may make open pit mining of the K7 deposit more economically attractive.

Colt intends to continue confirmation and step-out drilling on the K7 lens in 2008. A budget of some C$320,000 has been approved for up to 1,500 metres of drilling, with the objective of increasing drill density to allow a NI 43-101 compliant resource estimate to be completed.

Resources

An historic resource estimate was completed for the K7 lens in 1989, based on some 20 drill holes and surface trenches. The resource was estimated to a depth of 150 metres below surface and amounted to 375,000 tonnes, averaging 4.0 grams of gold and 55 grams of silver per tonne, with 0.5 percent copper, 4.8 percent lead, and 6.1 percent zinc.

Colt Resources has not done the work necessary to check and classify this resource estimate and is not treating it as NI 43-101 compliant, or verified by a qualified person. While this resource estimate should not therefore, be relied on, it does provide some indication of the potential size and grade of the massive sulphide deposit.

Exploration potential

Identifying the particular geological horizon associated with VMS mineralisation, at both the near-mine and regional scales, is a key exploration objective given there is potential for multiple ore bodies to be discovered. The fact that this has already been achieved on the Extra High claims, gives a significant boost to the chances of further exploration success.

Within the Rea Zone, the K7 lens has been delineated on the Extra High claims and the Rea Gold deposit exists on the property immediately to the north, highlighting the potential for this zone to host multiple ore bodies. While the primary exploration target for Colt remains the K7 lens and its lateral and depth extensions, additional targets to the south along the Rea Zone host previously identified mineralisation that warrant more detailed exploration drilling and trenching.

The Silver Zone lies parallel to and about 300 metres to the east of the Rea Zone. Its geology and style of mineralisation suggest it may represent a repeat of the key VMS target horizon, due to a proposed overturned fold. Significantly, the Silver Zone extends immediately to the north of the Extra High property where it hosts the Samatosum deposit that was mined for some 350,000 tonnes of silver-and gold-rich quartz/sulphide ore. The Silver Zone clearly represents a significant exploration target on Colt's property and future geochemical, geophysical and sampling programmes to identify drill targets would be fully justified.

Throughout the property, results to date have been positive and they certainly warrant continued funding of exploration to advance the targets identified to the next exploration decision stage.

Project status

Extra High is an exploration stage project and the delineation of sufficient resources to underpin plans for development could be several years away. Systematic exploration for additional VMS mineralisation can be time-consuming, and we see the project as an important, but longer-term, play.

Applications would be needed at provincial and federal level for mining permits, but the authorities in British Columbia are supportive of mining activity and there are no immediately apparent social or environmental issues that would unduly delay or prevent successful permitting. Development of the necessary site infrastructure would be relatively straightforward.

Key issues

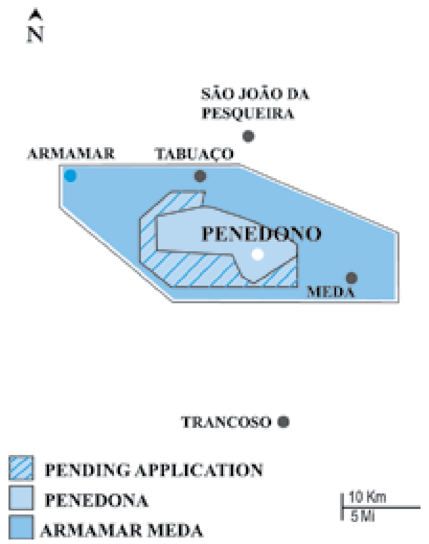
The Extra High property is prospective for volcanogenic massive sulphide (VMS) zinc-lead-copper-silver-gold deposits. The fact that exploration has already identified and located key marker horizons and zones throughout its properties is of considerable significance, as economic VMS mineralisation elsewhere in the region has commonly been associated with these geological structures.

The positive results generated by exploration programmes to date justify additional work on the property to enable a resource calculation and preliminary economic assessment to be completed. There is always a risk, however, that despite promising geology and initial exploration results, sufficient quantities of economically attractive mineralisation cannot be delineated.

There has been no reported metallurgical testwork on mineralisation from K7 lens or other areas of the property. Testwork will need to show that precious metal concentrates and base-metal concentrates can be efficiently produced from the orebody.

Faulting has played an important role in the disruption of the K7 lens and further work is required to more accurately locate these faults and their effect on spatial continuity of the orebody. Extensive faulting may reduce the recoverable tonnages and introduce excessive waste rock dilution during mining.

Armamar Meda property map



Source: Colt Resources Inc

Armamar Meda

In December 2007, Colt Resources entered into a prospecting and exploration license agreement with the Government of Portugal whereby Colt has been granted the exclusive right to prospect and explore for tungsten, gold and base metals on the Armamar Meda property. The property has a surface area of approximately 43,600 hectares, which is partially contiguous to the company's existing Penedono exploration concession.

The primary exploration target in the property is the known scheelite (tungsten) skarn mineralisation at Tabuaço, some 2-3 kilometres upstream (southwards) of Távora village. The mineralisation is hosted by meta-sedimentary units of the Beiras schist complex, in the contact metamorphic aureole of the Tabuaço granitic pluton.

The tungsten mineralisation is stratabound and consists of scheelite disseminated in various host rocks: marbles, calc-silicate hornfels, limestone and skarns; the latter being the only one with economic potential. The scheelite is accompanied by minor amounts of cassiterite (tin ore). The most promising scheelite occurrence is at San Pedro das Aguias.

The scheelite-bearing skarns were discovered by Portuguese Government geologists in 1980 following stream sediment sampling, detailed geological mapping, examination of scheelite mineralisation under UV-light and sampling of several carbonate/skarn horizons. In 1981 and 1982, six diamond drill holes were used to test the San Pedro das Aguias occurrence. Exploration was halted at the end of 1982 due to a breakdown in negotiations with the landowner.

The tungsten grades encountered in the skarn intersected by the drilling range between 0.30 and 1.40 per cent WO_3, with a large frequency of values in the 0.65-0.85 per cent range. The weighted average for the whole deposit is of around 0.88 per cent WO_3.

The style and grades of mineralisation identified to date are encouraging and warrant follow up exploration, both specific sampling/drilling at San Pedro das Aguias and a broader regional exploration programme to delineate other potential targets.

Exploration of Armamar Meda is at a very early stage, however, and we believe that the short-to-medium term outlook for Colt is much more tied to development of the Penedono concession itself. Armamar Meda therefore makes only a minor contribution to our valuation.

Other properties

Colt has also entered into a property option agreement with Diagnos Inc. in respect to two uranium properties located north of Natashquan in the Province of Quebec, Canada. Colt is obligated to drill at least three exploration holes of not less than thirty metres per hole on each prospect by December 31, 2008.

The Urasand property consists of 64 claims and is underlain by granitoid rocks of the Buit Complex, which has reported uranium anomalies, similar to showings in the Lac Turgeon region. A major shear zone cuts through the property and the presence of hematite and magnetite is seen as an indicator of uranium potential for Olympic Dam style mineralisation. The Lac Barrin North property consists of 24 claims with two target areas presenting uranium anomalies in quartz and feldspar porphyry.

These uranium properties are very early stage exploration plays and make no significant contribution to our assessment of Colt Resources' potential.

Financials

Profit & Loss

Year ending March (C$m)	2007A	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Revenues	**—**	**—**	**—**	**—**	**—**	**—**	**17.3**	**30.4**	**29.9**
COGS	—	—	—	—	—	—	(10.5)	(18.7)	(18.5)
Gross profits	—	—	—	—	—	—	6.7	11.7	11.4
Administrative Costs	(0.1)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)
EBITDA	**(0.1)**	**(0.6)**	**(0.6)**	**(0.7)**	**(0.7)**	**(0.7)**	**5.9**	**10.9**	**10.5**
Depreciation & amortisation	—	—	0.0	0.0	0.0	—	(1.9)	(3.1)	(3.0)
EBIT	(0.1)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	4.1	7.8	7.5
Interest	—	(0.1)	(0.0)	0.0	0.2	(0.2)	(0.8)	(0.7)	(0.2)
EBT	(0.1)	(0.7)	(0.6)	(0.6)	(0.5)	(0.9)	3.3	7.1	7.4
Tax paid	—	—	0.2	0.2	0.1	0.3	(1.0)	(2.1)	(2.2)
Earnings	**(0.1)**	**(0.7)**	**(0.4)**	**(0.4)**	**(0.3)**	**(0.6)**	**2.3**	**5.0**	**5.1**
Dividends		—	—	—	—	—	—	—	—
Retained earnings	**(0.1)**	**(0.7)**	**(0.4)**	**(0.4)**	**(0.3)**	**(0.6)**	**2.3**	**5.0**	**5.1**

Cashflow

Year ending March (C$m)	2007A	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
EBIT	(0.1)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	4.1	7.8	7.5
Depreciation	—	—	(0.0)	(0.0)	(0.0)	—	1.9	3.1	3.0
Gains & Writedowns	0.0	—	—	—	—	—	—	—	—
(Increase) decrease in receivables	0.0	(0.1)	—	—	—	—	(2.6)	(2.0)	0.1
(Increase) decrease in inventory	0.0	(0.1)	—	—	—	—	(1.3)	(1.0)	0.0
Increase (decrease) in payables	0.0	0.3	—	—	—	—	1.6	1.2	(0.0)
Net cash from Ops	**(0.1)**	**(0.4)**	**(0.4)**	**(0.6)**	**(0.6)**	**(0.6)**	**3.8**	**9.3**	**10.8**
Tax paid	—	—	0.2	0.2	0.1	0.3	(1.0)	(2.1)	(2.2)
Dividends	0.0	—	—	—	—	—	—	—	—
Net interest recieved (paid)	0.0	(0.1)	(0.0)	0.0	0.2	(0.2)	(0.8)	(0.7)	(0.2)
New equity	0.3	1.7	1.0	2.0	10.0	—	—	—	—
New (deposits) borrowings	0.0	0.7	—			12.0	(0.7)	(4.0)	(8.0)
Capital expenditure	(0.1)	(0.7)	(0.9)	(0.2)	(1.5)	(14.0)	(7.2)	(0.4)	(0.4)
Net cash from financing	**0.1**	**1.6**	**0.3**	**2.0**	**8.8**	**(1.9)**	**(9.7)**	**(7.3)**	**(10.8)**
Net increase (decrease) in cash	**0.1**	**1.2**	**(0.2)**	**1.5**	**8.3**	**(2.5)**	**(5.9)**	**2.0**	**(0.0)**

Balance Sheet

Year ending March (C$m)	2007A	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Fixed assets at NAV	0.1	0.8	1.8	1.9	3.5	17.5	22.8	20.2	17.6
Cash	0.1	1.1	0.8	2.2	10.3	7.7	1.6	3.5	3.3
Receivables	0.0	0.1	0.1	0.1	0.1	0.1	2.6	4.6	4.5
Inventory	0.0	0.1	0.1	0.1	0.1	0.1	1.4	2.4	2.4
Less Payables	0.0	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.9)	(3.1)	(3.1)
Net current assets	**0.1**	**1.0**	**0.6**	**2.0**	**10.2**	**7.5**	**3.7**	**7.3**	**7.1**
Less loans		(0.7)	(0.7)	(0.7)	(0.7)	(12.7)	(12.0)	(8.0)	—
Capital employed	**0.3**	**1.3**	**1.8**	**3.4**	**13.0**	**12.4**	**14.7**	**19.7**	**24.8**
Represented by									
Shares in issue	0.6	2.3	3.3	5.3	15.3	15.3	15.3	15.3	15.3
Add retained profit									
Prior periods	(0.3)	(0.4)	(1.1)	(1.5)	(1.9)	(2.3)	(2.9)	(0.6)	4.4
This period	(0.1)	(0.7)	(0.4)	(0.4)	(0.3)	(0.6)	2.3	5.0	5.1
Shareholders' funds	**0.3**	**1.3**	**1.8**	**3.4**	**13.0**	**12.4**	**14.7**	**19.7**	**24.8**

Source: Objective Capital

argillite: a fine grained sedimentary rock which can range from silt through mudstone and shale to clay. Many argillites also contain very fine particles of quartz, carbonate or carbon and pyrite.

granite: a coarse-grained igneous rock rich in quartz and feldspar minerals. It is a felsic rock in composition, i.e. contains a high proportion of quartz/silica.

greywacke: a fine to coarse grained sedimentary rock, composed largely of poorly sorted rock fragments in a fine grained matrix.

mafic: igneous rocks with compositions showing little or no quartz and dominated by ferro-magnesian (Fe-Mg rich) minerals.

metamorphic: rocks changed by temperature and pressure within the Earth's crust; **meta-sediments** are sedimentary sequences of rocks that have been metamorphosed; similarly **meta-volcanics** are the metamorphosed equivalents of originally volcanic rocks.

net smelter return (NSR): the value paid by a smelter for (a tonne of) ore concentrate based on the contained metal content less various deductions and charges.

NI 43-101: Canadian National Instrument 43-101, a regulatory standard for reporting details of exploration results and resource estimates for mineral projects.

plutonic (intrusive) : an igneous rock emplaced at depth within the crust (rather than erupted as a volcanic igneous rock). Substantial volumes of magma emplaced on a regional scale form **batholiths**.

QA/QC: Quality Assurance/Quality Control - a programme of checks to determine the precision and accuracy of sampling and analytical exploration data.

resources: a calculated tonnage and grade (concentration) of mineralisation, subdivided into measured, indicated and inferred, with decreasing levels of confidence in the quantities estimated.

scheelite: a tungsten-bearing mineral ($CaWO_4$), which can be an important ore mineral.

skarn: a metamorphosed impure limestone in which the addition of hot fluids causes new mineralisation to form. Often named after the main mineral constituents, e.g. quartz-diopside skarn or garnet-diopside skarn.

stockwork: a large-scale mass of veins too thin and closely spaced to be worked individually; the veins are usually of several intersecting orientations.

tectonic: relating to major structural movements in the Earth's crust.

volcanogenic massive sulphide (VMS): a mineral deposit consisting of a large accumulation (often lens shaped) of metal sulphides underlain by a stockwork feeder zone. More than one orebody may be present.

wolframite: $(Fe, Mn)WO_4$ is the most significant tungsten bearing mineral.

Appendix: Management

Bedo H. Kalpakian – President, Chief Executive Officer and Director

Bedo Kalpakian serves as chief executive officer and president of Colt Resources. He has also been chief financial officer of LasVegasFromHome.com Entertainment Inc since mid-2007 and has been its chairman since 1991. He has been the president of Zab Resources Inc, formerly Bronx Ventures Inc and Lucky 1 Enterprises Inc, since 1991 and serves as its chief executive officer and chief financial officer. Mr Kalpakian is also the president and chief executive officer of Mountain Capital Inc and the chief financial officer and secretary of Touchdown Capital Inc. Mr Kalpakian holds a Full Technological Certificate from the City & Guilds of London Institute.

Jacob (Jake) Kalpakian – Vice-President and Director

Jake Kalpakian is the nephew of Bedo Kalpakian. He serves as chief executive officer and president of Touchdown Capital Inc. and the president and chief executive officer of LasVegasFromHome.com Entertainment Inc, a company he has served as director since 1991. Jake Kalpakian is also the chief financial officer and secretary of Mountain Capital Inc. and he serves as vice-president of Zab Resources Ltd, where he has been a director since 1991.

J. W. Murton – Director

J. W. Murton is a geological and mining consultant and the President of J.W. Murton and Associates. He has been active in the mining industry for over four decades, and has managed and directed development and exploration projects throughout North and South America and in Ghana, Africa. Most recently, Mr Murton supervised an underground trackless development and exploration drilling programme for Tagish Lake Gold Corporation in the Yukon. He has previously managed a diamond drill programme for Wescan Goldfield in Saskatchewan.

Rudolf Muller – Director

Rudolf Muller joined the board of Colt in February 2006. He is currently employed as a sales and marketing manager by Jenaer Gewindetechnik GmbH, a German-based company that manufactures precision-engineered critical components for machine tooling, as well as medical and aerospace equipment. Previously, Mr Muller was sales and marketing manager of Carnica Beteiliguns GmbH of Germany, which manufactures fused silica and fused quartz components for optical and semiconductor applications. He served as a director of several public companies from 1987 to 1998, including predecessor companies to LasVegasFromHome.com Entertainment Inc and Zab Resources Ltd.

Jorge Valente – Director and Chief Operating Officer

Jorge Valente is a mining engineer who has been involved in the mining industry in Portugal, Angola and Brazil since 1970. He is the president of Valente Consulting and the co-founder and a director of Geo-ROM, Informação Sistematizada Ltda; Geo-ROM, Geological and Mining Services Ltd; and Real Extração de Minéros Ltd. Earlier in his career, Mr Valente was also director of mining for Conami-Nacional de Mineração S/A in Brazil, and a head underground engineer for Mines et Industries S/A in Portugal.

Filipe Faria

Filipe Faria is an exploration geologist with over 25 years of experience in mineral exploration and evaluation projects. He is a partner, managing director and the principal consulting geologist of GeoLog, a geological and mineral exploration consultancy based in Lisbon, Portugal. In this position, he has been responsible for several geological and mineral exploration and evaluation projects for a number of domestic and international clients on commodities such as gold, copper, lead-zinc, tungsten and diamonds in Western Europe and Southern Africa.

We are pleased to bring you this report on **Colt Resources Inc**.

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As we are unconflicted by corporate finance or PR/IR agendas, our analysts are always free to give their true opinion of the businesses we cover.

As always, I welcome your comments and feedback on our research!

Gabriel Didham, CFA
Objective Capital

Will Purcell
Will has been involved in the resource sector for 30 years in a variety of roles. Since the late 1990s, he has been active in assessed mineral resource investment projects. Will has a B. Math degree from the University of Waterloo in Ontario.

Paul Wheeler, BSc. ARSM
Paul is a mining geologist with over 18 years experience evaluating ore deposits. He has worked on mines and projects in West Africa, Europe and the former Soviet Union; and lectured at Camborne School of Mines.

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