(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2016 and 2015

Unaudited

NOTICE TO THE READER

"In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not audited or reviewed the interim consolidated financial statements as at and for the three and six months ended June 30, 2016."

Colt Resources Inc.

Condensed Interim Consolidated

Financial Statements

June 30, 2016 – Unaudited

General information

Directors

John Gravelle, Audit Committee Chair [1,3] *(joined with effect from January 15, 2016)*

Hans H. Hertell, Corporate Governance and CRME Committee Chair [2,3,5,6]

Joe Tai, Compensation Committee Chair [1,3,4,5,6]

Nikolas Perrault, Chief Executive Officer [4]

Paul Yeou, Nominating Committee Chair [1,2,3,4]

Sabri Karahan, Technical Committee Chair [2,5,6]

Other officers

David A. Johnson, Legal Counsel and Corporate Secretary

Shahab Jaffrey, Chief Financial Officer

Auditors

Raymond Chabot Grant Thornton LLP

Board Committees:
1) Audit Committee
2) Corporate Governance Committee
3) Compensation Committee
4) Nominating Committee
5) Technical Committee
6) Independent Committee of Colt Resources Middle East ("CRME")

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Canadian dollars]	**Unaudited**		
	June 30, 2016 **$**	December 31, 2015 **Restated** $	January 1, 2015 **Restated*** $
ASSETS			
Current			
Cash *[note 6]*	**17,886**	25,606	159,873
Other receivables *[note 7]*	**546,248**	1,159,838	521,532
Inventories	**1,856,304**	2,279,740	2,428,972
Prepaid expenses and deposits	**353,405**	158,339	367,754
	2,773,843	3,623,523	3,478,131
Non-current			
Property, plant and equipment *[note 8]*	**1,981,787**	2,313,769	1,681,211
Exploration and evaluation assets *[note 9]*	**31,890,675**	31,285,442	26,286,184
Goodwill	**795,812**	834,572	779,542
Investment in an associate *[note 5]*	**111,390**	—	344,647
Loan receivable *[note 5]*	—	1,126,462	—
Deposits - Long term	**324,244**	463,160	558,401
	37,877,751	39,646,929	33,128,116
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank overdraft	**250,792**	222,258	322,874
Accounts payable and accrued liabilities *[note 10]*	**5,366,306**	3,911,915	2,526,234
Convertible preferred shares	**3,559,528**	3,651,990	3,264,520
	9,176,626	7,786,163	6,113,628
Non-current			
Senior secured notes	—	—	1,639,399
Accrued liability	**1,741,721**	1,636,567	—
Deferred income taxes	**445,077**	520,286	370,933
Total liabilities	**11,363,424**	9,943,016	8,123,960
Shareholders' equity			
Share capital *[note 11]*	**71,383,548**	70,681,391	61,181,617
Warrants *[note 11]*	**7,447,127**	7,200,064	1,793,250
Contributed surplus	**4,452,025**	4,452,025	4,452,025
Equity component of convertible preferred shares	**700,628**	700,628	700,628
Accumulated other comprehensive income	**1,095,882**	2,149,542	379,973
Accumulated deficit	**(58,564,883)**	(55,479,737)	(43,503,337)
Total shareholders' equity	**26,514,327**	29,703,913	25,004,156
	37,877,751	39,646,929	33,128,116

Going concern *[note 2]*
Related party transactions *[note 14]*
Commitments *[note 16]*
Subsequent events *[note 17]*

*See Note 4 for details regarding the restatement as a result of change in accounting policy

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

On behalf of the Board:

Director Director

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	$	**Restated*** $	$	**Restated*** $
EXPENSES				
Administrative expenses *[note 13]*	**(806,415)**	(1,324,889)	**(1,577,381)**	(2,032,168)
Exploration expenses	**(98,151)**	—	**(154,333)**	—
Depreciation *[note 8]*	**(98,336)**	(163,387)	**(158,011)**	(198,385)
Other (loss) /income, net	**251,312**	45,404	**(53,610)**	65,632
Loss before operations	**(751,590)**	(1,442,872)	**(1,943,335)**	(2,164,921)
Interest income	**2,714**	667	**2,714**	1,037
Finance costs	**(73,572)**	(325,869)	**(113,632)**	(401,044)
Change in fair value of derivative financial liability - warrants	—	(227,526)	—	(507,882)
Foreign exchange (loss)/ gain	**14,100**	(81,522)	**(34,838)**	(32,763)
Share of (loss)/ gain on an investment in associate, net *[note 5]*	**(94,053)**	(781,540)	**(1,105,593)**	(744,647)
Loss before income taxes	**(902,402)**	(2,858,662)	**(3,194,685)**	(3,850,220)
Income tax expense/ (recovery)				
Current	**(157,268)**	7,350	**(184,748)**	7,350
Deferred	**89,552**	386	**75,209**	(29,951)
	(67,716)	7,736	**(109,539)**	(22,601)
Net loss for the period	**(834,686)**	(2,866,398)	**(3,085,146)**	(3,827,619)
Other comprehensive loss				
Other comprehensive income (loss) to be reclassified to profit or loss				
Foreign exchange (loss)/ gain on translation of foreign subsidiaries	**(2,919,499)**	1,179,773	**(1,024,308)**	654,831
Items that will not be reclassified to profit or loss				
Share of other comprehensive loss of associate accounted for using the equity method	—	—	**(29,352)**	—
Other comprehensive income/ (loss) for the period, net of tax	**(2,919,499)**	1,179,773	**(1,053,660)**	654,831
Total Comprehensive loss for the period	**(3,754,185)**	(1,686,625)	**(4,138,806)**	(3,172,788)
Net loss per share				
Basic and fully diluted	**(0.00)**	(0.01)	**(0.01)**	(0.02)
Weighted average number of outstanding shares				
Basic and diluted	**250,516,736**	204,905,507	**244,558,109**	194,848,275

Going concern *[note 2]*
*See Note 4 for details regarding the restatement as a result of change in accounting policy
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30,
[Canadian dollars]

	Unaudited	
	2016	2015
	$	**Restated** $
OPERATING ACTIVITIES		
Net loss for the period	**(3,085,146)**	(3,827,619)
Items not impacting cash:		
Accretion expense	**121,837**	78,950
Change in fair value of derivate financial liability - warrants	**—**	507,882
Depreciation *[note 8]*	**158,011**	198,385
Change in inventories to net realizable value	**338,429**	(32,885)
Gain on dilution of investment [*note 5]*	**(936,703)**	78,921
Share of loss of an investment in associate recognised *[note 5]*	**2,012,944**	665,726
Deferred income taxes	**75,209**	(29,951)
Unrealized foreign exchange gain	**(29,193)**	32,831
	(1,344,610)	(2,327,760)
Change in non-cash working capital	**371,364**	(1,180,161)
Net cash flows from operating activities	**(973,246)**	(3,507,921)
INVESTMENT ACTIVITIES		
Increase/ (decrease) in bank overdraft	**28,534**	(107,254)
Investment in an associate *[note 5]*	**—**	(400,000)
Decrease in deposits - long term	**138,916**	24,247
Addition to property, plant and equipment - Net *[note 8]*	**(869)**	700,612
Additions to exploration and evaluation assets, net *[note 9]*	**(141,062)**	(976,639)
Net cash flows from investing activities	**25,521**	(759,034)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares and warrants, net of issuance cost *[note 11]*	**949,220**	5,899,063
Net cash flows from financing activities	**949,220**	5,899,063
Foreign exchange loss on cash	**(9,214)**	(1,676)
Net increase in cash	**1,494**	1,632,108
Cash, beginning of period	**25,606**	159,873
Cash, end of period *[note 9]*	**17,886**	1,790,305

Going concern *[note 2]*

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

Colt Resources Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six months ended June 30,
[Canadian dollars]

	Share capital	Warrants	Contributed surplus	Equity component of preferred shares	Accumulated other comprehensive income *	Accumulated Deficit	Total equity
	$		$	$	$	$	$
As at December 31, 2014	61,181,617	1,793,250	4,452,025	700,628	379,973	(43,503,337)	25,004,156
Net loss for the year (restated)	—	—	—	—	—	(11,976,400)	(11,976,400)
Other comprehensive loss (restated)	—	—	—	—	1,769,569	—	1,769,569
Comprehensive loss for the year (restated)	—	—	—	—	1,769,569	(11,976,400)	(10,206,831)
Issuance of common shares and warrants, net of share issue costs *[note 19]*	9,492,574	5,414,014	—	—	—	—	14,906,588
Exercise of warrants *[note 19]*	7,200	(7,200)	—	—	—	—	—
As at December 31, 2015 (restated)	70,681,391	7,200,064	4,452,025	700,628	2,149,542	(55,479,737)	29,703,913
Net loss for the period	—	—	—	—	—	**(3,085,146)**	**(3,085,146)**
Other comprehensive income	—	—	—	—	**(1,053,660)**	—	**(1,053,660)**
Comprehensive income/(loss) for the period	—	—	—	—	**(1,053,660)**	**(3,085,146)**	**(4,138,806)**
Issuance of common shares and warrants, net of share issue costs *[note 11]*	**702,157**	**247,063**	—	—	—	—	**949,220**
Exercise of warrants *[note 11]*	—	—	—	—	—	—	—
As at June 30, 2016	**71,383,548**	**7,447,127**	**4,452,025**	**700,628**	**1,095,882**	**(58,564,883)**	**26,514,327**

Going concern *[note 2]*

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

* represents foreign exchange attributable to foreign subsidiaries

1. GENERAL INFORMATION

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

The Company's main focus is the continued exploration and development of its gold and tungsten properties in Portugal. The Company is also earning in a copper-zinc project in the Iberian Pyrite Belt in Portugal through an earn-in agreement with another Canadian TSXV listed corporation Avrupa Minerals Ltd.

Colt Resources Inc. is incorporated in Canada and it has an administrative office in Montreal, Canada and an operating office in Lisbon, Portugal where it conducts operations through its wholly owned subsidiary ColtInvestco SGPS S.A. and its subsidiaries, Q.S.P.A. – Sociedade Vitícola Unipessoal Lda. ["QSPA"], Eurocolt Resources Unipessoal Lda. ["Eurocolt"], Aurmont Resources Unipessoal Lda. ["Aurmont"], TungSPA Unipessoal Lda. ["TungSPA"]. These subsidiaries represent the interests of Colt Resources Inc. in Portugal.

The address of the registered office of Colt Resources Inc. is 500 Place D'Armes, Suite 1800, Montreal, Quebec, Canada H2Y 2W2.

2. GOING CONCERN

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

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

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

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

The Company's current committed cash resource is insufficient to cover expected expenditures in fiscal 2016. The Company's ability to continue as a going concern is also dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

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

3. BASIS OF PREPARATION

Statement of compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"] and in accordance with IAS34 "Interim Financial Reporting".

Basis of presentation

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 5 and 6 of the consolidated financial statements for the year ended December 31, 2015, with the exception of the new standard adopted as described in Note 4.

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

The Board approved and authorised these condensed interim consolidated financial statements on for issue on August 26, 2016.

4. NEW STANDARD ADOPTED

IAS 41 Agriculture

IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants are no longer within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell.

On January 1, 2016, the company retrospectively applied amendments to IAS41 Agriculture. The Company elected to use the fair value of the Biological assets as at January 1, 2015 as its deemed cost. This change are now classified as Property Plant and Equipment under IAS 16 and the deemed cost of $461,806 is depreciated over the remaining life of the Biological assets which is estimated to be 32 years as at January 1, 2015. Refer note 8.

Consequently, the following have been restated:

i) Consolidated Statement of Financial Position

	Impact of change in accounting policy		
	As previously reported	Adjustment	As restated
As at January 1, 2015	$	$	$
Property, plant and equipment	1,219,405	461,806	1,681,211
Biological assets	461,806	(461,806)	—
Others	31,446,905		31,446,905
Total Assets	33,128,116	—	33,128,116
Total Liabilities	(8,123,960)	—	(8,123,960)
Total Shareholders Equity	(25,004,156)	—	(25,004,156)
As at December 31, 2015			
Property, plant and equipment	1,834,813	478,956	2,313,769
Biological assets	676,863	(676,863)	—
Others	37,333,160	—	37,333,160
Total Assets	39,844,836	(197,907)	39,646,929
Total Liabilities	(9,943,016)	—	(9,943,016)
Accumulated other comprehensive income	(2,167,687)	18,145	(2,149,542)
Accumulated deficit	55,299,975	179,762	55,479,737
Others	(83,034,108)	—	(83,034,108)
Total Shareholders Equity	(29,901,820)	197,907	(29,703,913)

ii) Consolidated Statement of Operations and Comprehensive Loss

	Impact of change in accounting policy		
	As previously reported	Adjustment	As restated
For the year ended December 31, 2015			
Depreciation	(223,154)	(14,431)	(237,585)
Change in fair value of biological assets	172,169	(172,169)	—
(included in Other loss/ income)			
Others	(11,745,653)	—	(11,745,653)
Net loss for the year	(11,796,638)	(186,600)	(11,983,238)
Comprehensive loss for the year	(10,008,925)	(186,600)	(10,195,525)
For the three months ended June 30, 2015			
Depreciation	(151,545)	(11,842)	(163,387)
Change in fair value of biological assets			
(included in Other loss/ income)	10,877	34,527	45,404
Others	(2,748,415)	—	(2,748,415)
Net loss for the period	(2,889,083)	22,685	(2,866,398)
Comprehensive loss for the period	(1,707,330)	(1,980)	(1,686,625)
For the six months ended June 30, 2015			
Depreciation	(182,935)	(15,450)	(198,385)
Change in fair value of biological assets			
(included in Other loss/ income)	48,479	17,153	65,632
Others	(3,694,866)	—	(3,694,866)
Net loss for the period	(3,829,322)	1,703	(3,827,619)
Comprehensive loss for the period	(3,151,529)	(22,962)	(3,172,788)

5. INVESTMENT IN ASSOCIATE

Colt Resources Middle East (“CRME”) is a private entity that is not listed on any public exchange and is involved in exploration activities in the Greater Middle East area. The Company’s interest in Colt Middle East has been accounted for using the equity method in the consolidated financial statements as the Company has a significant influence having one representative amount the five directors on the CRME board.

The following table illustrates the summarized unaudited financial information of CRME and the proportionate carrying amount of the Company's investment in CRME as at June 30, 2016 and December 31, 2015.

	Unaudited	
	June 30, 2016	December 31, 2015
Balance Sheet	$	$
Current assets	**540,876**	269,660
Non-current assets	**840,513**	838,587
Current liabilities	**(598,153)**	(2,449,856)
Net assets	**783,236**	(1,341,609)
Proportion of the Company's ownership	**14.22%**	12.81%
Investment at balance sheet date	**111,390**	-
Movement of Company's share in CRME's net assets		
As at January 1, 2016 and January 1, 2015	**-**	344,647
Share of losses	**(809,560)**	(1,910,247)
Share of losses not recognised *	**-**	180,872
Effect of increase in shareholding – recognition of losses	**(1,203,384)**	-
Effect of dilution of shareholding	**936,702**	817,320
	(1,076,242)	912,055
Share of OCI	**(29,352)**	167,408
Additional investment by the Company during the period (i)	**1,216,984**	400,000
As at June 30 / December 31	**111,390**	-

* Share of losses restricted to value of investment. Hence share of losses amounting to $180,872 could not be recognized as investment value was reduced to Nil, as at December 31, 2015.

(i) On January 13, 2016, at the Company's Annual General Meeting, a majority of disinterested shareholders formally approved the conversion of loan to associate into the investment in common shares of CRME at USD 0.30 per share. As a result of this conversion, the Company received 2,837,982 shares of CRME which increased its shareholding in CRME to 14.22% [December 31, 2015: 12.81%].

	2016	2015
Loss and Comprehensive Loss	$	$
Expenses	**5,692,419**	13,869,013
Average proportion of the Company's ownership	**14.22%**	13.77%
Company's share of loss for the period	**809,561**	1,910,247

6. CASH AND BANK

	June 30, 2016	December 31, 2015
	$	$
Cash at banks	**17,886**	25,606

Cash at banks earn interest at floating rates based on daily bank deposit rates or prime rates.

7. OTHER RECEIVABLES

	June 30, 2016	December 31, 2015
	$	$
Trade receivables, net	**239,121**	470,396
Commodity taxes receivable	**95,171**	452,539
Other receivables	**211,956**	236,903
	546,248	1,159,838

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

8. PROPERTY, PLANT AND EQUIPMENT

	Mining Equipment	Building	Machinery & Equipment	Computer & Office Equip	Leasehold Improvement	Grape Vines	Automobiles	Total
	$	$	$	$	$	$	$	$
Cost								
As at December 31, 2014	27,005	1,163,598	75,053	530,026	88,335	-	100,363	1,984,380
Increase						461,806		461,806
As at January 1, 2015 (restated)	27,005	1,163,598	75,053	530,026	88,335	461,806	100,363	2,446,186
Additions	773,916	-	-	3,597	-	-	-	777,513
Disposal	(17,169)			(1,552)			-	(18,721)
Foreign currency translation adjustment	18,489	82,144	5,299	5,232	-	21,943	(40,561)	92,546
As at December 31, 2015 (restated)	**802,241**	**1,245,742**	**80,353**	**537,303**	**88,335**	**483,749**	**59,802**	**3,297,524**
Additions	-	-	-	869	-		-	869
Disposal	-	-	-	-	-		-	-
Foreign currency translation adjustment	(127,008)	(157,857)	(279)	(39,553)	-	9,638	(40,269)	(355,327)
As at June 30, 2016	**675,233**	**1,087,885**	**80,074**	**498,619**	**88,335**	**493,387**	**19,533**	**2,943,066**
Accumulated depreciation								
As at December 31, 2014	17,856	144,570	63,980	378,584	88,335	-	71,650	764,975
Charge for the year (restated)	108,550	43,874	6,135	50,114	-	14,431	14,481	237,585
Foreign currency translation adjustment	7,486	12,826	4,883	7,827	-		(30,167)	36,417
Disposal	(10,471)		-	(1,552)	-	-	-	(45,584)
As at December 31, 2015 (restated)	123,421	201,270	74,998	434,973	88,335	14,431	55,964	993,393
Charge for the period	64,497	21,131	3,437	42,344	-	22,099	4,503	158,011
Foreign currency translation adjustment	(20,662)	(38,577)	(1,378)	(73,225)	-	(8,507)	(47,776)	(190,125)
Disposal	-		-	-	-		-	-
As at June 30, 2016	**167,256**	**183,824**	**77,057**	**404,092**	**88,335**	**28,023**	**12,691**	**961,279**
Net book value as at:								
June 30, 2016	**507,977**	**904,061**	**3,017**	**94,527**	**-**	**465,364**	**6,842**	**1,981,787**
December 31, 2015 (restated)	678,820	1,044,470	5,355	102,330	-	478,956	3,838	2,313,769
January 1, 2015 (restated)	9,149	1,019,028	11,073	151,442	-	461,806	28,713	1,681,211

9. EXPLORATION AND EVALUATION ASSETS

	December 31, 2015	Additions/ (Disposals) $	Foreign currency translation adjustments $	Impairment	June 30, 2016
Tabuaço	15,681,981	126,408	257,341	—	16,065,730
Santo António (formerly Penedono)	2,912,614	—	—	—	2,912,614
Boa Fé	9,677,795	14,655	157,781	—	9,850,231
Alvalade	3,013,052	—	49,049	—	3,062,101
	31,285,442	**141,063**	**464,170**	**—**	**31,890,675**

	December 31, 2014 $	Additions/ (Disposals) $	Foreign currency translation adjustments $	Impairment	December 31, 2015
Tabuaço	14,468,815	345,373	867,793	—	15,681,981
Santo António (formerly Penedono)	2,912,614	—	—	—	2,912,614
Boa Fé	8,904,755	237,500	535,540	—	9,677,795
Montemor-o-Novo	—	102,098	—	(102,098)	—
Cercal	—	77,863	—	(77,863)	—
Borba	—	112,015	—	(112,015)	—
Alvalade	—	3,013,052	—	—	3,013,052
	26,286,184	3,887,901	1,403,333	(291,976)	31,285,442

Non-cash additions amounted Nil for the period ended June 30, 2016. [December 31, 2015: $2,015,591]

Intangibles

Intangible assets included in exploration for and evaluation assets amounted to $28,337,037 as at June 30, 2016 [December 31, 2015 – $27,558,722].

Tangibles

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

	Land	**Building**	**Total**
	$	$	$
As at December 31, 2014	1,946,050	1,534,933	3,480,983
Foreign currency translation adjustment	137,380	108,357	245,737
As at December 31, 2015	2,083,430	1,643,290	3,726,720
Foreign currency translation adjustment	(96,762)	(76,320)	(173,082)
As at June 30, 2016	1,986,668	1,566,970	3,553,638

10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	June 30, 2016	December 31, 2015
	$	$
Trade payables	**3,311,042**	2,622,271
Accrued liabilities	**446,971**	472,370
Employees and social institutions	**172,383**	74,970
Related parties	**497,312**	409,391
Other payables	**938,598**	332,913
	5,366,306	3,911,915

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

11. SHAREHOLDERS' EQUITY

Authorised

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

Issued and outstanding common shares

The common shares issued by the Company are shown in the following table during the period ended June 30, 2016 and year ended December 31, 2015:

	Number of shares	$
As at December 31, 2014	**173,632,915**	**61,181,617**
Issuance of common shares [ii]	**68,139,447**	**10,194,340**
Share issue costs	**-**	**(701,766)**
Issuance of shares for options exercised [ii]	**48,000**	**7,200**
As at December 31, 2015	**241,820,362**	**70,681,391**
Issuance of common shares [i]	**9,770,000**	**739,882**
Share issue costs	**-**	**(37,725)**
As at June 30, 2016	**251,590,362**	**71,383,548**

i. During June 2016, the Company closed a private placement consisting of 9,770,000 units comprising of 9,770,000 common shares and 4,885,000 warrants at $0.10 per unit and exercise price of $0.15 per warrant having expiry of 3 years for a total gross consideration of $977,000. The Company incurred share issuance cost of $43,706 of which $33,761 was paid in cash and remaining $9,945 as 168,800 Broker warrants having expiry of 2 years. The relative fair value of common shares was calculated as $739,882 (net of share issuance costs) and allocation of $237,118 as relative fair value of shareholder warrants) calculated using Black Scholes option pricing model based on the following assumptions:

Share price ($ per share)	$0.10
Expected risk free interest rate [%]	0.53%
Expected volatility [%]	120.1515%
Expected life [in years]	3 years
Expected dividends [$]	Nil
Weighted average fair value per warrant ($)	$0.6412

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

The fair value of broker warrants was calculated as $9,945 using Black Scholes option pricing model based on the following assumptions:

Share price ($ per share)	$0.10
Expected risk free interest rate [%]	0.53%
Strike price	$0.150
Expected volatility [%]	134.671%
Expected life [in years]	2 years
Expected dividends [$]	Nil
Weighted average fair value per warrant ($)	$0.0589

ii. During the year ended December 31, 2015, the Company issued the following:

a. 1,388,306 common shares at $0.10 per share for an amount of $138,833 to pay semi annual interest up to December 31, 2014 to the units holders of senior secured notes issued in 2014 and 2013.

b. During February - March 2015, the Company closed a private placement consisting of 20,000,000 units comprising of 20,000,000 common shares and 10,000,000 warrants at $0.10 per unit and exercise price of $0.15 per warrant having expiry of 2 years for a total gross consideration of $2,000,000. The Company incurred share issuance costs of $173,075 of which $88,520 was paid in cash and remaining as 885,200 Broker warrants having expiry of 2 years. The relative fair value allocation of shares was calculated as $1,367,586 (net of share issuance costs) and allocation of $459,272 as relative fair value of shareholder and broker warrants calculated using Black Scholes option pricing model based on the following assumptions:

Share price ($ per share)	$0.15
Expected risk free interest rate [%]	0.46%
Expected volatility [%]	112.32%
Expected life [in years]	2 years
Expected dividends [$]	Nil
Weighted average fair value per warrant	$0.105

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

c. During June 2015, the Company closed a private placement consisting of 21,843,142 units comprising of 21,843,142 common shares and 21,843,142 warrants at $0.175 per unit and exercise price of $0.25 per warrant having expiry of 3 years for a total gross consideration of $3,822,550. The Company incurred share issuance cost of $493,838 of which $266,174 was paid in cash and remaining as 1,520,994 Broker warrants having expiry of 2 years. The relative fair value of common shares was calculated as $1,990,434 (net of share issuance costs) and allocation of $1,319,409 as relative fair value of shareholder warrants) calculated using Black Scholes option pricing model based on the following assumptions:

Share price ($ per share)	$0.235
Expected risk free interest rate [%]	0.67%
Expected volatility [%]	114.99%
Expected life [in years]	3 years
Expected dividends [$]	Nil
Weighted average fair value per warrant ($)	$0.1584

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

The fair value of broker warrants was calculated as $227,664 using Black Scholes option pricing model based on the following assumptions:

Share price ($ per share)	$0.235
Expected risk free interest rate [%]	0.67%
Strike price	$0.250
Expected volatility [%]	130.873%
Expected life [in years]	2 years
Expected dividends [$]	Nil
Weighted average fair value per warrant ($)	$0.1497

d. 1,866,354 common shares at $0.245 per share issued to the former executive in payment of unpaid salary, as well as severance totalling $457,257.

e. 1,069,718 common shares at $0.12 per share and 179,550 warrants [fair value of $18,853] at an exercise price of $0.15 per share for an amount totalling $132,543 to settle the debt to certain vendors and service providers.

f. 19,341,222 common shares at $0.175 per share and 19,341,222 warrants at strike price of $0.25 per share to settle senior note liability of USD 2,700,000 [equivalent to C$3,334,152] along with accrued interest of USD 100,000 [equivalent to C$123,400]. 5,999,998 warrants issued along with the Senior notes in 2013 and 2014 were cancelled. The issuance of share capital and warrants was recorded at the Fair value of $5,105,230 and $3,173,842 respectively. This settlement resulted in a loss on settlement of $ 6,067,341. The fair value of Senior note warrants was calculated using Black Scholes option pricing model based on the following assumptions:

Share price ($ per share)	$0.26
Expected risk free interest rate [%]	0.67%
Strike price	$0.250
Expected volatility [%]	104.48%
Expected life [in years]	3 years
Expected dividends [$]	Nil
Weighted average fair value per warrant ($)	$0.16

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

g. During November 2015, the Company closed a private placement consisting of 2,400,000 units comprising of 2,400,000 common shares and 2,400,000 warrants at $0.175 per unit and exercise price of $0.25 per warrant having expiry of 3 years for a total gross consideration of $420,000. The relative fair value of common shares was calculated as $266,868 and allocation of $153,132 as relative fair value of shareholder warrants calculated using Black Scholes option pricing model based on the following assumptions:

Share price ($ per share)	$0.115
Expected risk free interest rate [%]	0.54%
Strike price	$0.250
Expected volatility [%]	191.259%
Expected life [in years]	3 years
Expected dividends [$]	Nil
Weighted average fair value per warrant ($)	$0.066

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

Issued warrants

A summary of the changes in the Company's share purchase warrants during 2016 and 2015 is as follows:

	Number of warrants and exercisable	**Weighted average exercise prices** $	**Weighted average years to expiry**
As at December 31, 2014	**14,182,540**	$0.35	**2.64**
Issued	53,763,914	$0.23	2.23
Issued [broker]	2,406,194	$0.21	1.37
Exercised	(48,000)	-	-
As at December 31, 2015	**70,304,648**	$0.25	**1.48**
Issued	4,885,000	$0.15	**2.78**
Issued [broker]	168,800	$0.15	**1.78**
Expired	-	-	-
As at June 30, 2016	**75,358,848**		**1.71**

12. SHARE-BASED COMPENSATION

A summary of the share option transactions during the period ended June 30, 2016 and year ended December 31, 2015 is as follows:

	Number of options	**Weighted average exercise price** $	**Weighted average years to expiry**
Outstanding and exercisable as at December 31, 2014	**5,575,000**	**$0.50**	**1.07**
Expired	(3,175,000)	$0.38	0.56
Cancelled *	(400,000)	$0.36	0.50
Outstanding and exercisable as at December 31, 2015	**2,000,000**	**$0.71**	**0.56**
Expired/Cancelled	**(1,750,000)**	$0.73	-
Exercised	-	-	-
Outstanding and exercisable as at June 30, 2016	**250,000**	**$0.59**	**0.96**

* relates to cancellation of fully vested options before expiration of J W Murton who stepped down as a director during the year.

The following table summarizes stock options outstanding and exercisable as at June 30, 2016 and December 31, 2015:

		Number of Options	
Expiry Date	**Exercise price** $	**2016**	**2015**
July 3, 2016	$0.75	**50,000**	50,000
September 11, 2017	$0.55	**200,000**	200,000
Total options outstanding and exercisable	**$0.59**	**250,000**	2,000,000

13. ADMINISTRATIVE EXPENSES BY NATURE

	Three months ended June 30		**Six months ended June 30**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Management fees	**62,332**	483,573	**203,076**	575,184
Professional and consulting fees	**327,302**	199,828	**556,988**	387,132
Salaries	**80,807**	71,061	**140,802**	181,379
	470,441	754,462	**900,866**	1,143,695
Investor relations and marketing	**22,668**	29,233	**82,748**	48,058
Property investigation	**-**	-	**9,082**	-
Legal expenses	**8,256**	102,937	**17,917**	105,742
Insurance	**11,812**	12,413	**28,543**	38,531
Listing and transfer agent fees	**11,020**	44,023	**23,882**	75,540
Rent	**41,324**	57,515	**86,831**	95,144
Office expenses	**146,192**	291,298	**331,067**	469,569
General and administrative expenses	**94,701**	33,008	**96,445**	55,889
Administrative Expenses	**806,415**	1,324,889	**1,577,381**	2,032,168

14. RELATED PARTY TRANSACTIONS

Following were the related party transactions for the six months ended June 30, 2016 and 2015:

Six months ended June 30	**2016**	**2015**
	$	$
Management fees and related costs	**168,735**	575,000
Professional and consulting fees	**161,040**	68,531
Short-term benefits	-	29,112
Director fees	**75,500**	74,000
	405,275	746,827

As at June 30, 2016, $ 497,312 was owed to related parties [December 31, 2015, $409,391] and is included in accounts payable and accrued liabilities and $163,403 [2015: $123,203] is owed from the chief executive officer.

15. SEGMENTED INFORMATION

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

Total Assets	**June 30, 2016**	**December 31, 2015**
	$	$
Canada	**445,655**	1,810,369
Portugal	**37,432,096**	37,804,979
	37,887,751	39,615,348
Non-current Assets		
Canada	**222,046**	1,334,271
Portugal	**34,881,862**	34,657,554
	35,103,908	35,991,825

16. COMMITMENTS

The Company's mining and exploration activities are subject to various federal, provincial and local laws and regulations governing the protection of the environment as well as obtaining permits necessary for the Company's operations. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes that it conducts its operations so as to protect public health and the environment, and its operations are materially in compliance with all applicable laws and regulations and therefore it will be granted the required permits. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

During 2015, the Company entered into a facility agreement for an aggregate value of up to $30 million ("aggregate subscription price") with CITIC –GEMS fund a natural resources fund created by Global Emerging Markets ("GEM") and CITIC, whereby the Company can raise funds by committing CITICGEM Fund to purchase common shares of the Company.

As part of this facility agreement, the Company signed a promissory note to pay CITIC-GEM fund a commitment fee of 2% of this facility ($600,000) if and when it withdraws any amount on activating this facility. This fee is payable pro-rata in the same proportion as proceeds withdrawn on each subscription divided by the aggregate subscription price.

As of June 30, 2016, the Company has not activated this facility and therefore the commitment has no accounting impact on the consolidated financial statements as of June 30, 2016.

With respect to the Company's commitments to Antofagasta related to the acquisition of its 60% interest in Alvalade property, please refer Note 14 of the annual audited consolidated financial statements for the year ended December 31, 2015. The Company has re-negotiated the timing for the first and second payment such that US$150,000 will be settled by September 30, 2016 and the balance of US$450,000 by December 31, 2016.

17. SUBSEQUENT EVENTS

In connection with the acquisition of the Company's winery property in 2011, the Company had issued 5,000,000 convertible and redeemable preferred shares. The 5,000,000 preferred shares were convertible at any time by the holder into 4,385,965 common shares until August 23, 2016, at which time the holder would require the Company to redeem the preferred shares for cash consideration of €2,500,000. As of August 23, 2016, the convertible preferred shares were not converted into common shares by the holder. As at the date of these condensed interim consolidated financial statements, the Company has negotiated with the holder to obtain extension of the redemption until October 15, 2016.

On August 26, 2016, the Company announced that it has completed a private placement for 20,400,000 Units for gross proceeds of $1,428,000. Each Unit is comprised of one common share at $0.07 per share and warrant. Each whole warrant will be exercisable at a price of $0.10 during a period of 24 months from the date of closing.