TELFERSCOT RESOURCES INC.

FORM 2A
LISTING STATEMENT

May 1, 2017

1. Table of Contents

2. Corporate Structure

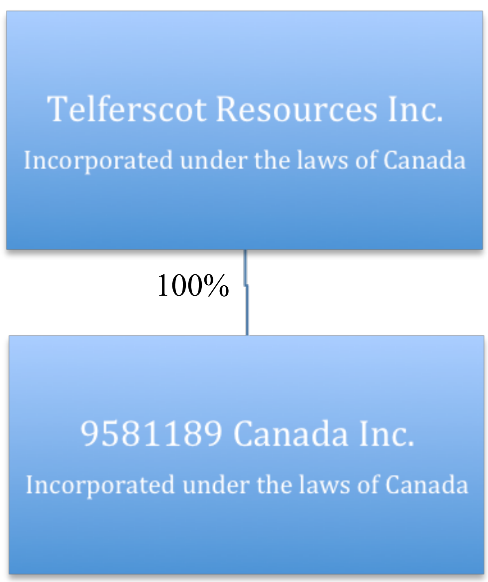
2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.

Telferscot Resources Inc.
2702-401 Bay Street, Toronto ON M5H 2Y4

2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of the Issuer.

Incorporated under the Canada Business Corporations Act

2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries.



2.4 The Issuer is not requalifying following a fundamental change or an acquisition, amalgamation, merger, reorganization or arrangement.

2.5 This section is not applicable.

3. General Development of the Business

3.1 A general description of the business can be found in Appendix "B"

3.2 See Appendix "B" for the following disclosure:

(1) (a) any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus; and

(b) any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus.

(2) Under paragraph (1) include particulars of

(a) the nature of the assets acquired or disposed of or to be acquired or disposed of;

(b) the actual or proposed date of each significant acquisition or significant disposition;

(c) the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;

(d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;

(e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;

(f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation, a directive of a Canadian securities regulatory authority, or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and

(g) whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

3.3 See Appendix "B" for a discussion of any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Listing Statement.

4 Narrative Description of the Business

4.1 For the following general narrative description see Appendix "B"

(1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:

(a) state the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

(b) describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

(c) disclose the total funds available to the Issuer and the following breakdown of those funds:

(i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and

(ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and

(d) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

(2) The Issuer does not have any products or services.

(3) The Issuer does not have any production or sales.

(4) This section is not applicable to the Issuer.

(5) The Issuer has no lending operations.

(6) The Issuer has had no bankruptcy or receivership or similar proceedings against it.

(7) See Appendix “B” for disclosure of the nature and results of any material restructuring transaction of the Issuer within the three most recently completed financial years or completed during or proposed for the current financial year.

(8) The Issuer has not implemented any social or environmental policies that are fundamental to the Issuer’s operations.

Companies with Asset-backed Securities Outstanding

4.2 The Issuer has no asset-backed securities.

4.3 See Appendix “B” for disclosure on the Issuer’s material property. In March 2016 the Issuer sold its remaining interest in its Democratic Republic of Congo exploration company, Kolwezi Copper Corp.

4.4 The Issuer has no Oil or Gas Operations

5. Selected Consolidated Financial Information

For responses to Section 5 see Appendix “A”

5.1 Annual Information — Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:

(a) net sales or total revenues;

(b) income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook;

(c) net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook;

(d) total assets;

(e) total long-term financial liabilities as defined in the Handbook;

(f) cash dividends declared per share for each class of share; and

(g) such other information as would enhance an investor's understanding of the Issuer's financial condition and results of operations and would highlight other trends in financial condition and results of operations.

5.2 See Appendix "B" for Quarterly Information — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (b) of Section 5.1.

5.3 The Issuer has no Dividends

5.4 The Issuer does not use foreign GAAP

6. Management's Discussion and Analysis

Annual MD&A

6.1 The Annual MD&A is dated May 1, 2017.

6.2 The Overall Performance of the Issuer can be found in Appendix "B" including an analysis of the Issuer's financial condition, results of operations and cash flows, known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on the Issuer's business.

Selected Annual Financial Information

6.3 The following financial data can be found in APPENDIX "A":

(a) net sales or total revenues;

(b) income or loss before discontinued operations and extraordinary items, in total and on a per-share and diluted per-share basis;

(c) net income or loss, in total and on a per-share and diluted per-share basis;

(d) total assets;

(e) total long-term financial liabilities; and

(f) cash dividends declared per-share for each class of share.

6.4 For a discussion of variations see Appendix B"

6.5 See Appendix "B" for a discussion of the Results of Operations

6.6 See Appendix "B" for a Summary of Quarterly Results

6.7 See Appendix "B" for a discussion of the Issuers Liquidity

6.8 See Appendix "B" for a discussion of the Issuers Capital Resources

6.9 See Appendix "B" for a discussion of Off-Balance Sheet Arrangements

6.10 See Appendix "B" for a discussion of the Issuers Transactions with Related Parties.

6.11 See Appendix "A" and "B" for a discussion of Fourth Quarter events.

6.12 There are no Proposed Transactions.

6.13 There are no changes in Accounting Policies or Initial Adoption

6.14 There are no Financial Instruments or Other Instruments

Interim MD&A

6.15 The Issuer is not including an interim MD&A with this revised Listing Statement.

6.16 There is no Updated Disclosure being provided for this section.

6.17 See Appendix "A" for additional Disclosure for Issuers without Significant Revenue:

6.18 Description of Securities:

(a) disclose the designation and number or principal amount of:

  (i) as at December 31, 2016 the issuer had 104,856,961 common shares outstanding.

  (ii) There are 10,150,000 stock options outstanding as at May 1, 2017.

  (iii) There is no class or series of voting or equity securities of the Issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the Issuer;

6.19 See Appendix “A” for a Breakdown of the following:

(a) if the Issuer has not had significant revenue from operations in either of its last two financial years, disclose a breakdown of material components of:

  (i) capitalized or expensed exploration and development costs,

  (ii) expensed research and development costs,

  (iii) deferred development costs,

  (iv) general and administrative expenses, and

  (v) any material costs, whether capitalized, deferred or expensed, not referred to in paragraphs (i) through (iv);

(b) present the analysis of capitalized or expensed exploration and development costs required by subsection (a) on a property-by-property basis, if the Issuer’s business primarily involves mining exploration and development; and

(c) provide the disclosure in subsection (a) for the following periods:

  (i) the two most recently completed financial years, and

  (ii) the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial statements included, if any.

Subsection (a) does not apply if the information required under that subsection has been disclosed in the financial statements.

6.20 The Issuer did have negative cash flow from operating activities in its most recently completed financial year for which financial statements have been included as disclosed in the statement of cash flows in Appendix “A”.

6.21 The Issuer does not have significant equity investees.

7. Market for Securities

7.1 The Issuers securities are listed on the CSE.

8. Consolidated Capitalization

8.1 On March 24 2016 the Issuer announced a distribution to shareholders of record as of March 10, 2016 ("Shareholders") of $0.0145 per share ("Distribution") as and by way of a reduction in the stated capital of the Company. Shareholders had the option, at their election, to receive the Distribution in the form of common shares issued from treasury, cash or a combination thereof. If a shareholder did not make an election they will receive their entire Distribution in common shares**.** The shares will be valued at $0.005 per share. Therefore, if a Shareholder elects to receive all shares in lieu of cash, they will be entitled to receive 2.9 additional Common Shares for each Common Share currently held.

All registered shareholders were mailed an election form on March 15th, 2016. Shareholders had until close of business on April 8th 2016 to return their election form to the Company.

On April 29, 2016 the Issuer issued 44,581,961 common shares to those shareholders who elected not to receive cash as part of the return of capital process.

9. Options to Purchase Securities

Group	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)
Executive Officers	10,150,00[(1)]	$0.00714
Directors who are not also Exec. Officers	0	n/a
Consultants	0	n/a

[(1)]Options held by Grove Capital Group, a company controlled by the CEO. See paragraph 20 below.

10. Description of the Securities

10.1 The Issuer is authorised to issue an unlimited number of Common Shares.

10.2 The Issuer has no Debt securities.

10.4 The Issuer has 10,150,000 stock options as at December 31, 2016

10.5 There are no modification of terms.

10.6 This section does not apply.

10.7 There have been no sales of the Common Shares within the last 12 months.

10.8 The shares of the Issuer have been listed on the CSE since April 2011.

11. Escrowed Securities

11.1 There are no escrowed securities

12. Principal Shareholders

As of the date of this Listing Statement the following persons beneficially own directly or indirectly, or exercise control or direction over, more than 10% of the voting rights attached to all of the outstanding shares of the Issuer:

Name	Number of Common Shares (post-Consolidation)	Percentage of Common Shares
Stephen Coates[(1)]	16,313,729 [(1)]	15.56%

[(1)] Held as to 4,681,010 Common Shares directly, and 1,560,000 Common Shares through two trusts which are controlled by Mr. Coates and 10,072,719 are held by Mr. Coates' spouse and children.

13 Directors and Officers

Name Municipality of Residence	**Position with Corporation**	**Principal Occupation or Employment for the Last Five Years**	**Director/Officer From**	**Number of Shares Beneficially Owned or Controlled**
Stephen Coates Toronto, Ontario	Director	Principal of Grove Capital Group since 2009.	June 2, 2010	16,313,729 [(1)]
Bruce Reid Toronto, Ontario	Director	Geologist	February 25, 2016	12,100,000
Robert Kirtlan Perth, Australia	Director	Finance Professional	February 25, 2016	6,000,000
Geoff Kritzinger Toronto, Ontario	CFO	Contract CFO	July 27, 2011	1,600,000

[(1)] Held as to 4,681,010 Common Shares directly, and 1,560,000 Common Shares through two trusts which are controlled by Mr. Coates and 10,072,719 are held by Mr. Coates' spouse and children.

(2) 3,500,000 held beneficially through a holding company controlled by Mr. Kirtlan

14. Capitalization

This section is not applicable.

15. Executive Compensation

15.1 See Appendix "A" Note 17.

16. Indebtedness of Directors and Executive Officers

16.1 No officer or director of the Corporation is indebted to the Corporation for any sum.

17. Risk Factors

17.1 Risk Factors are disclosed in Appendix "B"

18. Promoters

To the Issuer's knowledge, it does not have any "promoters" within the meaning given under CSE policies.

19. Legal Proceedings

The Issuer is not involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the Issuer.

Since the formation of the Issuer to the date hereof, management knows of no:

(i) penalties or sanctions imposed against the Issuer by a court relating to provincial or territorial securities legislation or by a securities regulatory authority;

(ii) other penalties or sanctions imposed by a court or regulatory body against the Issuer necessary to be disclosed for the Listing Statement to constitute full, true and plain disclosure of all material facts relating to the Issuer; and

(iii) settlement agreements the Issuer entered into before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

20. Interest of Management and Others in Material Transactions

A management contract with Grove is referenced below under the heading "Commitments". Grove is controlled by one of the directors of the Company, and was paid fees as detailed above under the heading "Office and Administrative Expenses".

Each independent director receives a quarterly honorarium of $1,500. Fees recorded for the year ended December 31, 2016 were $12,000 (2015 - $12,000). All such honorariums have been paid in full up to June 30, 2016 such that, as at December 31, 2016, accounts payable and accrued liabilities include $6,000 (2015 - $39,000) in respect of such fees.

Commitments

The company's management contract with Grove for corporate and administrative support and office space is on a monthly basis with a six-month notice period.

21. Auditors, Transfer Agents and Registrars

21.1 The Issuers Auditor is *MNP LLP, 50 Burnhamthorpe Rd West, Suite 900, Mississauga ON L5B 3C2*

21.2 The Issuers Transfer Agent is *Capital Transfer Agency, 401 - 121 Richmond St. West, Toronto ON M5H 2K1*

22. Material Contracts

Other than as disclosed in this Listing Statement, the Issuer has not entered into any material contracts other than contracts in the ordinary course of business.

23 Interest of Experts

23.1 There are no direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.

23.2 There is no beneficial ownership, direct or indirect, by a person or company referred to in section 23.1 of any securities of the Issuer or any Related Person of the Issuer.

23.3 This section is not applicable.

23.4 This section is not applicable.

24. Other Material Facts

24.1 There are no particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

25. Financial Statements

25.1 Financial Statements for the year ended December 31, 2016 are attached as Appendix "A"

25.2 This section is not applicable

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the listing of the above mentioned securities on CNSX. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto

this 1st day of May, 2017.

"Stephen Coates"	"Geoff Kritzinger"
Chief Executive Officer and Director	Chief Financial Officer
Stephen Coates	Geoff Kritzinger
Promoter (if applicable)	Director
Director	

APPENDIX A: FINANCIAL STATEMENTS

TELFERSCOT RESOURCES INC.

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Stated in $CAD)

TELFERSCOT RESOURCES INC.
Consolidated Statements of Financial Position
As at December 31, 2016 and 2015
(Stated in $CAD)

		2016		2015
ASSETS				
Current:				
Cash	$	**15,562**	$	110,693
Accounts receivable (Note 6)		**-**		47,960
Prepaid expenses		**1,500**		1,500
Investment in private company (Note 7)		**-**		1,182,905
	$	**17,062**	$	1,343,058
LIABILITIES				
Current:				
Accounts payable and accrued liabilities (Note 8)	$	**82,220**	$	202,002
Refundable proceeds on cancellation of private placement (Note 5(b)(ii))		**-**		200,828
		82,220		402,830
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 9)		**2,939,629**		3,590,655
Contributed surplus		**187,804**		39,749
Reserve for share based payments (Note 10)		**50,750**		148,055
Accumulated deficit		**(3,243,341)**		(3,763,118)
Accumulated other comprehensive income		**-**		924,887
		(65,158)		940,228
	$	**17,062**	$	1,343,058

Going concern (Note 1(b))

Commitment (Note 18)

Subsequent event (Note 19)

The accompanying notes form an integral part of these consolidated financial statements

Approved on behalf of the Board:

"Rob Kirtlan" Director *"Stephen Coates"* Director

TELFERSCOT RESOURCES INC.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Years Ended December 31, 2016 and 2015
(Stated in $CAD)

	2016	2015
Revenue		
Gain on sale of KCC shares (Note 7)	$ 907,634	$ -
Gain on exercise of option (Note 11)	34,721	-
	942,355	-
Expenses		
Professional fees	118,474	35,354
Office and administration (Note 17(a))	113,580	119,694
Write-off of HST ITC's in accounts receivable (Note 6)	56,134	-
Foreign exchange loss	54,920	-
Share based payments (Note 10(c))	50,750	-
Shareholder communication and reporting issuer costs	24,725	14,497
Insurance	3,995	4,295
	422,578	173,840
Net income (loss)	$ 519,777	$ (173,840)
Basic income (loss) per share (Note 12)	$ 0.006	$ (0.004)
Diluted income (loss) per share	$ 0.005	$ (0.004)
Net income (loss)	$ 519,777	$ (173,840)
Item that may be reclassified subsequently to net income (loss)		
Gain on change in fair value of KCC shares (Note 7)	-	924,887
Gain on sale of KCC shares (Note 7)	(924,887)	-
Net comprehensive income (loss)	$ (405,110)	$ 751,047

The accompanying notes form an integral part of these consolidated financial statements

TELFERSCOT RESOURCES INC.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
Years Ended December 31, 2016 and 2015
(Stated in $CAD)

	Share capital		Reserve for warrants		Contributed surplus	Reserve for share based payments	Accumulated deficit	Accumulated other comprehensive income	Total
	Shares	Amount	Number	Amount					
As at January 1, 2015	**30,275,000**	**$ 3,440,655**	**6,000,000**	**$ 12,000**	**$ 27,749**	**$ 148,055**	**$ (3,589,278)**	**$ -**	**$ 39,181**
Expiry of warrants	-	-	(6,000,000)	(12,000)	12,000	-	-	-	-
Proceeds from private placement (Note 5(b)(i))	30,000,000	150,000	-	-	-	-	-	-	150,000
Net loss for year	-	-	-	-	-	-	(173,840)	-	(173,840)
Gain on change in fair value of KCC shares (Note 7)	-	-	-	-	-	-	-	924,887	924,887
As at December 31, 2015	60,275,000	3,590,655	-	-	39,749	148,055	(3,763,118)	924,887	940,228
Expiry of options (Note 10(a))	-	-	-	-	108,166	(108,166)	-	-	-
Surrender of options (Note 10(b))	-	-	-	-	39,889	(39,889)	-	-	-
Share based payments (Note 10(c))	-	-	-	-	-	50,750	-	-	50,750
Net income for year	-	-	-	-	-	-	519,777	-	519,777
Realization of gain of change in fair value of KCC shares (Note 7)	-	-	-	-	-	-	-	(924,887)	(924,887)
Reduction in stated capital (Note 9(a))	-	(873,935)	-	-	-	-	-	-	(873,935)
Issuance of common shares in satisfaction of elections with respect to reduction in stated capital (Note 9(a))	44,581,961	222,909	-	-	-	-	-	-	222,909
As at December 31, 2016	**104,856,961**	**$ 2,939,629**	**-**	**$ -**	**$ 187,804**	**$ 50,750**	**$ (3,243,341)**	**$ -**	**$ (65,158)**

The accompanying notes form an integral part of these consolidated financial statements

TELFERSCOT RESOURCES INC.

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015
(Stated in $CAD)

	2016	2015
Operating activities		
Net income (loss) for year	$ **519,777**	$ (173,840)
Add (deduct) items not affecting cash:		
Share based payments	**50,750**	-
Write-off of HST ITC's in accounts receivable	**56,134**	-
Gain on sale of KCC shares	**(907,634)**	-
	(280,973)	(173,840)
Change in non-cash working capital items		
Accounts receivable	**(8,174)**	(43,004)
Prepaid expenses	**-**	300
Accounts payable and accrued liabilities	**(119,782)**	(40,959)
	(408,929)	(257,503)
Investing activities		
Proceeds on sale of KCC shares	**1,165,652**	-
Financing activities		
Proceeds from issuance of share capital	**-**	150,000
Cash returned to shareholders as part of reduction in stated capital	**(651,026)**	-
Refundable proceeds on cancellation of private placement	**(200,828)**	200,828
	(851,854)	350,828
Increase (decrease) in cash	**(95,131)**	93,325
Cash, beginning of year	**110,693**	17,368
Cash, end of year	$ **15,562**	$ 110,693
Non-cash transaction:		
Shares issued to shareholders as part of shareholder distribution	$ **222,909**	$ -

The accompanying notes form an integral part of these consolidated financial statements

1. **NATURE OF OPERATIONS AND GOING CONCERN**

(a) **Nature of operations**

Telferscot Resources Inc. ("the Company" or "Telferscot") was incorporated under the Canada Business Corporations Act on May 31, 2010 and was engaged in the acquisition and exploration of resource properties in the Democratic Republic of Congo ("DRC"). It has registered offices at 401 Bay Street, Suite 2702, Toronto, Ontario, Canada, M5H 2Y4, is a reporting issuer in the provinces of Ontario, British Columbia, Alberta and Manitoba, and trades under the symbol "TFS" on the Canadian Securities Exchange ("CSE").

From the beginning of the prior fiscal year to the reporting date, the Company has entered into a series of inter-related agreements and resulting transactions as part of a corporate re-organization and re-capitalization, as follows:

(i) As announced on May 13, 2015, a proposed transaction with Resideo Properties Inc. *(see note 5(a))*
(ii) A private equity placement was completed in June, 2015 for $150,000 *(see note 5(b)(i))*
(iii) A second round of financing in October, 2015, ultimately cancelled in November, 2015 and the funds were returned to investors in January, 2016 *(see note 5(b)(ii))*
(iv) On November 11, 2015, the Company announced it had entered into a letter of intent to sell its entire 7.4% interest in KCC for gross proceeds of $1,165,652 (USD $854,700) *(see note 7)*
(v) Cancellation of the Resideo transaction in January, 2016 *(see note 5(c))*
(vi) On March 24, 2016, as approved at the Annual General Meeting held on February 25, 2016, the Company announced a distribution of capital of $0.0145 per share, distributable in cash, common shares or combination thereof *(see note 9(a))*
(vii) On May 17, 2016 and further on June 30, 2016 and October 5, 2016, announcements have been made with respect to a proposed transaction with Auxico Resources Canada Inc. ("Auxico") *(see note 4)* that, on completion, will constitute a reverse takeover of the Company by Auxico
(viii) On January 5, 2017, the Company announced the termination of the proposed transaction with Auxico *(see note 4(d))*

(b) **Going concern**

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. It would, in this situation, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

1. NATURE OF OPERATIONS AND GOING CONCERN, CONTINUED

(b) **Going concern, continued**

As at December 31, 2016, the Company has no source of operating cash flow and had an accumulated deficit of $3,243,341 (December 31, 2015 - $3,763,118). Working capital as at December 31, 2016 was a deficit of $65,158 compared to a surplus of $940,228 as at December 31, 2015. Net income for the year ended December 31, 2016 was $519,777 (2015 - net loss of $173,840). Operations since inception have been funded from the issuance of share capital, exercise of warrants and sale of assets.

With the closing of the sale of the Company's 7.4% interest in KCC on March 3, 2016 *(see note 7)* and the completion of the cash distributions to shareholders on April 29, 2016 *(see note 9(a))*, the Company anticipates it will have sufficient cash on hand to service its liabilities and fund public company operating costs for the immediate future. However, under current market conditions, there is uncertainty as to how long these funds will last, and whether they will be sufficient to execute on any new transaction for the public shell. In order to continue active operations, the Company will need to (i) arrange future financing will largely depend upon prevailing capital market conditions and the continued support of its shareholder base, and (ii) be successful in its action to realize upon the $150,000 break fee arising from the termination of the Auxico transaction *(see note 4(d))*. These factors create material uncertainties that cast significant doubt as to the propriety of the use of the going concern assumption upon which these consolidated financial statements have been prepared.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and were authorized for issuance by the Board of Directors on May 1, 2017.

(b) **Basis of presentation**

The consolidated financial statements have been prepared on the historical cost basis as modified by the measurement at fair value of financial assets classified as fair value through profit and loss ("FVTPL").

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(c) **Consolidation**

All entities in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, have been fully consolidated.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 9581189 Canada Inc., an inactive shell company incorporated with respect to the Resideo transaction *(see note 5)*.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions were eliminated in preparing the prior year financial statements.

(d) **Functional currency and foreign currency translation**

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the corporate offices located in Canada.

Foreign currency translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate at the end of the reporting period with all foreign currency adjustments being expensed.

(e) **Cash**

Cash consists of deposits held with banks.

(f) **Accumulated other comprehensive income**

Net comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Certain gains and losses arising from changes in fair value are temporarily recorded outside the consolidated statements of income (loss) in accumulated comprehensive income ("AOCI") as a separate component of consolidated shareholders' equity. Other comprehensive income (loss) includes any unrealized gains and losses on available-for-sale securities.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(g) **Provisions**

A provision is recognized on the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) **Income taxes**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that the taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(i) **Share based payments**

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured using the Black-Scholes option pricing model based upon the number of awards expected to vest. Compensation expense is recognized upon vesting over the tranche's vesting period by increasing the reserve for share based payments. Any consideration paid on exercise of share options is credited to share capital.

For other equity settled transactions, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the Company measures their value by reference to the fair value of the equity instruments granted.

(j) **Income (loss) per share**

Basic income (loss) per share amounts are calculated by dividing net income (loss) for the reporting period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted income (loss) per share amounts are calculated by dividing the net earnings attributable to common shareholders by the weighted average number of shares outstanding during the reporting period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. Diluted loss per share amounts are not presented if anti-dilutive.

(k) **Critical accounting estimates and judgements**

The preparation of these consolidated financial statements requires management to make estimates and judgements about the future that affect the amounts recorded in the consolidated financial statements. These estimates and judgements are based on the Company's experience and management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and judgements.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(l) **Financial instruments**

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments ("HTM"), or available-for-sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when its contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

Financial assets at FVTPL

A financial asset is classified as FVTPL when the financial asset is held for trading or it is designated upon initial recognition as FVTPL. A financial asset is classified as FVTPL if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. Transaction costs are expensed as incurred. The Company has classified cash as FVTPL.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost less losses for impairment. The impairment loss of receivables is based on a review of all outstanding amounts at the end of the reporting period. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process. The Company has classified accounts receivable as loans and receivables.

AFS financial assets

Non derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive income (loss) and accumulated in the AFS reserve. Impairment losses are recognized in profit or loss. Purchases and sales of AFS financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the AFS reserve. On sale, the cumulative gain or loss recognized in other comprehensive income (loss) is reclassified from accumulated other comprehensive income to profit or loss. The Company has designated its investment in a private company as AFS.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(l) **Financial instruments, continued**

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

A provision for impairment is made in relation to accounts receivable, and an impairment loss is recognized in profit or loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms. With the exception of AFS equity instruments, if, in a subsequent period, the amount of impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized.

Financial liabilities

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables and accrued liabilities and refundable proceeds on cancellation of private placement.

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(l) **Financial instruments, continued**

Financial hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

As at the date of authorization of these consolidated financial statements, the IASB has issued the following revised standards which are not yet effective:

(a) **IFRS 9: "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities"** was issued by the IASB in July, 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting.

(b) **IFRS 16 "Leases"** was issued in January 2016 and will ultimately replace IAS 17 "Leases". IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognize assets and liability for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

(c) **IAS 7 "Statement of Cash Flow"** has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE, CONTINUED

The Company has not early adopted these standards, but management is currently assessing the impact of their application in the consolidated financial statements. Management has assessed the other standards not yet effective and determined they are unlikely to have a material impact on the consolidated financial statements.

4. AUXICO RESOURCES CANADA INC.

(a) On May 17, 2016, the Company announced the signing of a binding Letter of Intent ("LOI") to acquire the issued and outstanding shares of Auxico Resources Canada Inc. ("Auxico"). The LOI called for the issuance of up to 23,500,000 shares of the Company following a consolidation of Telferscot shares to equal not more than 3,000,000 issued and outstanding immediately prior to completion. As of November 29, 2016, the Company had 104,856,961 shares outstanding following the return of capital *(see note 9)*.

Auxico's principal project is the Zamora Property, located in the State of Sinaloa, Mexico, approximately 85km southeast of the city of Culiacan. Zamora covers 3,376 hectares and hosts 15 silver/gold mines and exploration prospects.

(b) On June 30, 2016, the Company announced that it had entered into an amalgamation agreement (the "Amalgamation Agreement") with Auxico as per the LOI *(see note 4(a))*. On October 5, 2016, the Company signed an amendment to the Amalgamation Agreement to extend the closing date to December 31, 2016.

Pursuant to the Amalgamation Agreement, and on the effective date of the Amalgamation Agreement, the following was to occur:

(i) Following a 35:1 share consolidation to be approved by shareholders, Telferscot was to issue 23,900,000 fully paid, issued and outstanding common shares from treasury (the "Exchange Shares") to Auxico shareholders, being one (1) Exchange Share for each one (1) Auxico share issued and outstanding as of the execution of the Amalgamation Agreement and all such Auxico shares shall be cancelled;

(ii) Auxico was in the process of completing a financing whereby Auxico was to issue secured convertible debentures (the "Debentures) being convertible into 5,000,000 Auxico shares for gross proceeds of US$2,000,000. Telferscot was to assume the obligations of Auxico pursuant to the Debentures. Further to such assumption, Telferscot was to reserve for issuance 5,000,000 Exchange Shares;

(c) Closing of the Auxico transaction was subject to a number of conditions, including the completion of satisfactory due diligence, receipt of any required shareholder, regulatory and third-party consents, completion of ongoing audits, the CSE having conditionally accepted the re-listing of Telferscot's common shares and the satisfaction of other customary closing conditions.

4. **AUXICO RESOURCES CANADA INC., CONTINUED**

(d) On January 5, 2017, the Company announced that a number of conditions precedent to the closing of the proposed Auxico transaction still remained outstanding. Accordingly, the agreement with Auxico was terminated and pursuant to the terms of the transaction, the Company has initiated legal proceedings against Auxico seeking to claim its break fee of $150,000.

No amount has been recorded in these consolidated financial statements with respect to this break fee as any potential recovery, whether in whole or in part, remains uncertain at this time.

5. **RESIDEO PROPERTIES INC.**

(a) On May 13, 2015, the Company announced that it had entered into a letter of intent with Resideo Properties Inc. ("Resideo") to acquire the business of Resideo following the completion of due diligence and a formal purchase agreement (the "Acquisition"). Resideo is a privately held Canadian company originally set up to acquire a portfolio of single-family and multi-tenant residential properties in the Detroit, Michigan area.

(b) The proposed Acquisition necessitated Telferscot to complete several corporate actions including a refinancing *(see note 5(b)(ii))*, and a consolidation of the Company's shares. The details of the inter-related transactions that were completed were as follows:

(i) On June 22, 2015, the Company closed the first tranche of the previously announced financing through the issuance of 30,000,000 common shares at $0.005 for total proceeds of $150,000.

(ii) The Company received an additional $220,000 in subscriptions for a private placement of convertible notes (the "Subscriptions"). However, as a result of the sale of the Company's interest in KCC (the "Sale"), as described in note 7, and the cancellation of the Acquisition with Resideo, the private placement was cancelled and the Company agreed with the holders that the Subscriptions would be returned. Of the $220,000 received, $19,172 was repaid by December 31, 2015 with the remaining $200,828 being recorded as refundable proceeds on cancellation of private placement on the consolidated statement of financial position. The Subscriptions were repaid in full by March 3, 2016.

(c) On January 28, 2016, the Company announced that the proposed Resideo acquisition, as announced on May 13, 2015, had been terminated following notice from Resideo that as a result of USD exchange rate fluctuations and general adverse capital markets conditions, it was unable to complete the transaction as contemplated.

6. ACCOUNTS RECEIVABLE

		2016		2015
Refundable HST ITC's	**$**	**-**	$	47,960

As a result of an audit completed in September, 2016 by Canada Revenue Agency, the Company has written off its cumulative HST ITC's as at September 30, 2016 totalling $981,021. The HST ITC's were disallowed by CRA on the grounds that the Company had not been engaged in any commercial activities (for excise tax purposes only) during the period under audit as it had effectively been functioning as an investment holding company since the April, 2013 refinancing of its investment in Kolwezi Copper Corp. that reduced its interest in that project to 7.4% *(see note 7)*.

7. INVESTMENT IN PRIVATE COMPANY

On November 11, 2015, the Company entered into a Letter of Intent to sell its 2,775 common shares (or 7.4% interest) in Kolwezi Copper Corp. ("KCC") for $1,165,652 (USD $854,700) (the "Sale"). A definitive agreement was entered into on January 11, 2016. The Sale closed in two tranches, as follows: (i) the sale of the first tranche of 575 KCC shares closed coincident with the execution of the definitive agreement, whereupon the Company received sales proceeds in cash of $258,176 (USD $177,100); (ii) the sale of the second tranche of 2,200 KCC shares closed on March 2, 2016, whereupon the Company received sales proceeds in cash of $907,476 (USD $677,600).

The carrying value of the investment was written up by $924,887 to reflect its fair value as at December 31, 2015.

As of the reporting date, the nature of the investment and the related historical accounting are detailed below:

		2016		2015
Balance, beginning of year	**$**	**1,182,905**	$	258,018
Gain on change in fair value of KCC investment		**-**		924,887
Sale of investment		**(1,182,905)**		-
Balance, end of year	**$**	**-**	$	1,182,905

The KCC share sale resulted in recognition of a gain on sale of $907,634 in the year ended December 31, 2016.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2016		2015
Trade accounts payable (Note 17(a)(i))	**$**	**5,975**	$	150,002
Accrued professional fees		**70,245**		13,000
Accrued director fees (Note 17(b))		**6,000**		39,000
	$	**82,220**	$	202,002

9. Share Capital

Continuity schedules for the Company's share capital and other equity instruments are disclosed in the consolidated statements of changes in shareholders' equity (deficiency) for the years ended December 31, 2016 and 2015. The equity transactions in this period are (i) the June, 2015 private placement described in note 5(b)(i) and (ii) the reduction in stated capital as detailed below:

(a) On March 24, 2016, the Company announced a distribution to shareholders of record on March 10, 2016 ("Shareholders") of $0.0145 per share ("Distribution") as and by way of a reduction in the stated capital of the Company. Shareholders had the option, at their election, to receive the Distribution in the form of common shares issued from treasury (default), cash or a combination thereof. On April 29, 2016, the Company returned cash of $651,026 and issued 44,581,961 common shares (valued at $0.005 per share, or $222,909 in total) for combined consideration distributed of $873,935 in satisfaction of elections received from shareholders with respect to the Distribution.

10. Stock Options And Share Based Payments

The Company's shareholders have approved a stock option plan, the purposes of which are to (i) encourage common share ownership in the Company for directors, officers, consultants and employees, (ii) provide additional incentive for superior performance by such individuals, and (iii) enable the Company to attract and retain valued directors, officers and employees.

Stock option activity during the for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of year	**2,383,333**	**$ 0.150**	2,383,333	$ 0.150
Expired unexercised (Note 10(a))	**(1,100,000)**	**0.150**	-	-
Surrender of options (Note 10(b))	**(1,283,333)**	**0.150**	-	-
Grant of options (Note 10(c))	**10,150,000**	**0.007**	-	-
Outstanding, end of year	**10,150,000**	**$ 0.007**	2,383,333	$ 0.150

As at December 31, 2016, the issued and outstanding options to acquire common shares of the Company were as follows:

	Number of options				
Grant date	**Granted**	**Exercisable**	**Exercise price ($)**	**Remaining life**	**Expiry date**
October 5, 2016	10,150,000	10,150,000	0.007	4.76	October 4, 2021

10. **STOCK OPTIONS AND SHARE BASED PAYMENTS, CONTINUED**

(a) The 1,100,000 options issued on July 27, 2011 expired unexercised on July 27, 2016, resulting in the transfer of $108,166 from the reserve for share based payments to contributed surplus.

(b) In conjunction with the capital restructuring resulting from the Amalgamation Agreement with Auxico *(see note 4(b))*, all options issued and outstanding as at September 30, 2016 were surrendered by the option holders on October 5, 2016, resulting in the transfer of $39,889 from the reserve for share based payments to contributed surplus.

(c) On October 5, 2016, the Board of Directors approved the grant of 10,150,000 stock options at an exercise price of $0.00714 with a 5-year term to the related corporation described in note 17(a)(i)). The options vested immediately upon grant and will survive the Amalgamation Agreement with Auxico *(see note 4(b))*, but will be subject to the same share consolidation as described in note 4(b)(ii)). The fair value of these options has been calculated with the Black-Scholes option pricing model. Using the assumptions of: (1) risk free interest rate of 0.69%, (2) expected volatility of 260%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.005, resulting in the recognition of share based payments expense of $50,750 for the year ended December 31, 2016.

11. **GAIN ON EXERCISE OF OPTION**

On January 12, 2016, the Company entered into a currency hedge to lock in the CAD equivalent of the USD sales proceeds due on the sale of the second tranche of 2,200 KCC shares *(see note 7)*. Under a "Call CAD/Put USD" currency option, the Company, as buyer, had the option to call for the purchase of CAD $958,500 at a price of USD $675,000, an effective strike price of CAD $1.42|USD $1.00. The option premium was $13,452 (USD $9,301) and the option was set to expire on March 1, 2016. The Company exercised on its option prior to expiry, resulting in a gain, net of expenses, of $34,721.

12. **INCOME (LOSS) PER SHARE**

Basic income (loss) per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding in the year ended December 31, 2016 was 90,322,020 (2015 - 46,055,822).

For the year ended December 31, 2015, diluted income (loss) per share and the weighted average number of common shares exclude all potentially dilutive equity instruments since their effect is anti-dilutive. For the purpose of calculating diluted earnings per share for the year ended December 31, 2016, the Company assumed the exercise of dilutive options. The assumed proceeds from these instruments was regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the year. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period was be treated as an issue of ordinary shares for no consideration.

As at December 31, 2016, the following potentially dilutive equity instruments were outstanding: (1) 10,150,000 options (2015 - 2,383,333). The fully diluted number of common shares outstanding in the year ended December 31, 2016 was 115,006,961 (2015 - 62,658,333).

13. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate of Nil includes significant reconciling items of share based payments of $50,570 (2015 - $Nil) and gain on sale of KCC shares of $471,177 (2015 - $Nil).

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016	2016
	$	$
Investment in private company	**-**	648,440
Mineral properties	**106,130**	106,130
Canadian non-capital losses carried forward	**1,593,140**	1,199,420
Capital losses carried forward	**631,120**	-

Canadian non-capital losses expire as noted below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of deductible temporary differences of $2,878,870 that may be used to offset the company's taxable income in each future tax period. The non-capital losses of $1,593,140 (2015 - $1,199,420) may be carried forward 20 years.

The Company's Canadian non-capital losses expire as follows:

2030	$	54,890
2031		283,500
2032		284,830
2033		239,410
2034		163,250
2035		161,850
2035		405,410
	$	1,593,140

14. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and currency risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

14. FINANCIAL RISK FACTORS, continued

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable, which consisted of refundable HST ITC's *(see note 6)*.

As at December 31, 2016, cash of $15,562 (December 31, 2015 - $110,693) was held with reputable financial institutions from which management believes the risk of loss to be minimal.

(b) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost *(see note 1(b))*. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a working capital deficiency of $65,158 (December 31, 2015 - surplus of $940,228). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

(c) Sensitivity analysis

The Company operates in Canada and has a presentation and functional currency of CAD dollars. As at December 31, 2015, the Company had a USD denominated bank account (into which the KCC share sale proceeds were deposited) that was subject to foreign exchange fluctuations against the CAD dollar. As at December 31, 2016, the USD denominated bank account only had nominal funds on deposit such that the Company had virtually no foreign currency risk.

(d) Fair value hierarchy

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments, financial instruments classified as loans and receivables and other financial liabilities approximate their carrying amounts due to their short term maturities. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the consolidated statement of financial position, have been prioritized into three levels as per their fair value hierarchy.

The fair value of the Company's financial instruments where financial measurement is required are as follows:

	2016	2015
	$	$
Level one		
Cash	**15,562**	110,693

15. Capital Management

The Company's objective when managing capital is to maintain adequate levels of funding to maintain head office corporate and administrative functions. The Company considers its capital to be its shareholders' equity. The Company manages its capital structure in an effort to provide sufficient funding for its development projects. Funds are primarily secured through equity capital raised by way of private placements and exercise of warrants.

There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company's Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management since the year-end. The Company is not subject to externally imposed capital requirements.

16. Segmented Information

The Company conducts its business in a single operating segment that, subsequent to the sale of the KCC shares *(see note 7)*, consists of operating solely as a public shell.

17. Related Party Transactions (Including Key Management Compensation)

(a) (i) Telferscot was billed a monthly fee of $10,000 from January, 2015 to September, 2015 by a corporation controlled by one of the directors. The fee was for management and administrative services, including monthly compensation for the CFO of $2,500, corporate secretary, office rent and regular administrative functions. Starting in October, 2015, the fee decreased to $5,000 per month, excluding compensation to the CFO. During the year ended December 31, 2016, the Company incurred total fees of $61,950 (2015 - $105,000). As at December 31, 2016, accounts payable and accrued liabilities include $5,650 (2015 - $120,518) in respect of such fees *(see also note 8*).

On October 5, 2016, the Board of Directors approved the grant of 10,150,000 options to this related corporation *(see note 10(c)).*

(ii) Starting in January, 2016, Telferscot was billed a monthly fee of $2,500 by a company controlled by the CFO for services of the CFO. During the year ended December 31, 2016, the Company incurred total fees of $30,975 (2015 - $Nil). As at December 31, 2016, accounts payable and accrued liabilities include $2,825 (December 31, 2015 - $Nil) in respect of such fees *(see also note 8*).

(b) Each independent director receives a quarterly honorarium of $1,500. Fees recorded for the year ended December 31, 2016 were $12,000 (2015 - $12,000). All such honorariums have been paid in full up to June 30, 2016 such that, as at December 31, 2016, accounts payable and accrued liabilities include $6,000 (2015 - $39,000) in respect of such fees.

18. **COMMITMENT**

The Company has a contract for management and administrative services *(see note 17(a)(i))* that is billed on a monthly basis with a six-month notice period. Effective October 1, 2015, the monthly rate was decreased from $10,000 to $5,000.

19. **SUBSEQUENT EVENTS**

On January 5, 2017, the Company announced the termination of the proposed Auxico transaction *(see note 4(d))*.

APPENDIX B: MANAGEMENT DISCUSSION & ANALYSIS

Telferscot Resources Inc.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Years Ended December 31, 2016 and 2015
(Stated in $CAD)

The following MD&A of Telferscot Resources Inc. ("Telferscot" or the "Company") contains information concerning the company's business strategies, capabilities, financial results and an overview of the outlook for the company and the industry as at May 1, 2017. The audited consolidated financial statements for the years ended December 31, 2016 and 2015, together with the accompanying note disclosure, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with these audited consolidated financial statements. All note references in this MD&A are made in reference to these consolidated financial statements. All financial balances are stated in Canadian dollars, the company's reporting currency. All public filings of the company are available on SEDAR at www.sedar.com.

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in the forward-looking statements. These risks and uncertainties are highlighted under "Risk Factors" and "Forward- Looking Statements" found in this document, further below.

NATURE OF OPERATIONS

Telferscot Resources Inc. was incorporated on May 31, 2010. The business of the Company was mineral resource exploration and development. The Company filed a prospectus with the Ontario Securities Commission, and was approved for trading as a public company under the ticker symbol "TFS" on April 12, 2011. Trading officially commenced on April 21, 2011 on the CNSX exchange (now the CSE).

RECENT DEVELOPMENTS

From the beginning of the prior fiscal year to the reporting date, the Company has entered into a series of inter-related agreements and resulting transactions as part of a corporate re-organization and re-capitalization, as follows:

(i) As announced on May 13, 2015, a proposed transaction with Resideo Properties Inc. *(see note 5(a))*
(ii) A private equity placement was completed in June, 2015 for $150,000 *(see note 5(b)(i))*
(iii) A second round of financing in October, 2015, ultimately cancelled in November, 2015 and the funds were returned to investors in January, 2016 *(see note 5(b)(ii))*
(iv) On November 11, 2015, the Company announced it had entered into a letter of intent to sell its entire 7.4% interest in KCC for gross proceeds of $1,165,652 (USD $854,700) *(see note 7)*
(v) Cancellation of the Resideo transaction in January, 2016 *(see note 5(c))*
(vi) On March 24, 2016, as approved at the Annual General Meeting held on February 25, 2016, the Company announced a distribution of capital of $0.0145 per share, distributable in cash, common shares or combination thereof *(see note 9(a))*
(vii) On May 17, 2016 and further on December 31, 2016 and October 5, 2016, announcements were made with respect to a proposed transaction with Auxico Resources Canada Inc. ("Auxico") *(see note 4)* that, on completion, would constitute a reverse takeover of the Company by Auxico
(viii) On January 5, 2017, the Company announced the termination of the proposed transaction with Auxico *(see note 4(d))*

Auxico Resources Canada Inc.

(a) On May 17, 2016, the Company announced the signing of a binding Letter of Intent ("LOI") to acquire the issued and outstanding shares of Auxico Resources Canada Inc. ("Auxico"). The LOI called for the issuance of up to 23,500,000 shares of the Company following a consolidation of Telferscot shares to equal not more than 3,000,000 issued and outstanding immediately prior to completion. As of December 31, 2016, the Company had 104,856,961 shares outstanding following the return of capital *(see note 9)*.

Auxico's principal project is the Zamora Property, located in the State of Sinaloa, Mexico, approximately 85km southeast of the city of Culiacan. Zamora covers 3,376 hectares and hosts 15 silver/gold mines and exploration prospects.

(b) On June 30, 2016, the Company announced that it had entered into an amalgamation agreement (the "Amalgamation Agreement") with Auxico as per the LOI *(see note 4(a))*. Pursuant to the Amalgamation Agreement, and on the effective date of the Amalgamation Agreement, the following was to occur:

(i) Following a 35:1 share consolidation to be approved by shareholders, Telferscot was to issue 23,900,000 fully paid, issued and outstanding common shares from treasury (the "Exchange Shares") to Auxico shareholders, being one (1) Exchange Share for each one (1) Auxico share issued and outstanding as of the execution of the Amalgamation Agreement and all such Auxico shares shall be cancelled;

(ii) Auxico was in the process of completing a financing whereby Auxico was to issue secured convertible debentures (the "Debentures) being convertible into 5,000,000 Auxico shares for gross proceeds of US$2,000,000. Telferscot was to assume the obligations of Auxico pursuant to the Debentures. Further to such assumption, Telferscot was to reserve for issuance 5,000,000 Exchange Shares;

(c) Closing of the Auxico transaction was subject to a number of conditions, including the completion of satisfactory due diligence, receipt of any required shareholder, regulatory and third-party consents, completion of ongoing audits the CSE having conditionally accepted the relisting of Telferscot's common shares and the satisfaction of other customary closing conditions.

(d) On January 5, 2017, the Company announced that a number of conditions precedent to the closing of the proposed Auxico transaction still remained outstanding. Accordingly, the agreement with Auxico was terminated and pursuant to the terms of the transaction, the Company has initiated legal proceedings against Auxico seeking to claim its break fee of $150,000.

No amount has been recorded in these consolidated financial statements with respect to this break fee as any potential recovery, whether in whole or in part, remains uncertain at this time.

Resideo Properties Inc.

(a) On May 13, 2015, the Company announced that it had entered into a letter of intent with Resideo Properties Inc. ("Resideo") to acquire the business of Resideo following the completion of due diligence and a formal purchase agreement (the "Acquisition"). Resideo is a privately held Canadian company originally set up to acquire a portfolio of single-family and multi-tenant residential properties in the Detroit, Michigan area.

(b) The proposed Acquisition necessitated Telferscot to complete several corporate actions including a refinancing *(see note 5(b)(ii))*, and a consolidation of the Company's shares. The details of the inter-related transactions that were completed are as follows:

(i) On June 22, 2015, the Company closed the first tranche of the previously announced financing through the issuance of 30,000,000 common shares at $0.005 for total proceeds of $150,000.

(ii) The Company received an additional $220,000 in subscriptions for a private placement of convertible notes (the "Subscriptions"). However, because of the sale of the Company's interest in KCC (the "Sale"), as described in note 7, and the cancellation of the Acquisition with Resideo, the private placement was cancelled and the Company agreed with the holders that the Subscriptions would be returned. Of the $220,000 received, $19,172 was repaid by December 31, 2015 with the remaining $200,828 being recorded as refundable proceeds on cancellation of private placement on the consolidated statement of financial position. The Subscriptions were repaid in full by March 3, 2016.

c) On January 28, 2016, the Company announced that the proposed Resideo acquisition, as announced on May 13, 2015, had been terminated following notice from Resideo that because of USD exchange rate fluctuations and general adverse capital markets conditions it was unable to complete the transaction as contemplated.

Kolwezi Copper Corp. Sale

On November 11, 2015, the Company entered into a Letter of Intent to sell its 2,775 common shares (or 7.4% interest) in Kolwezi Copper Corp. ("KCC") for $1,165,652 (USD $854,700) (the "Sale") *(see note 7)*. A definitive agreement was entered into on January 11, 2016. The Sale closed in two tranches, as follows: (i) the sale of the first tranche of 575 KCC shares closed coincident with the execution of the definitive agreement, whereupon the Company received sales proceeds in cash of $258,176 (USD $177,100); (ii) the sale of the second tranche of 2,200 KCC shares closed on March 2, 2016, whereupon the Company received sales proceeds in cash of $907,476 (USD $677,600).

The carrying value of the investment was written up by $924,887 to reflect its fair value as at December 31, 2015. The KCC share sale resulted in recognition of a loss on sale of $17,253 in the three month period ended March 31, 2016.

Return of Capital

On March 24, 2016, the Company announced a distribution to shareholders of record on March 10, 2016 ("Shareholders") of $0.0145 per share ("Distribution") as and by way of a reduction in the stated capital of the Company *(see note 9(a))*. Shareholders had the option, at their election, to receive the Distribution in the form of common shares issued from treasury (default), cash or a combination thereof. On April 29, 2016, the Company returned cash of $651,077 and issued 44,581,961 common shares (valued at $0.005 per share, or $222,009 in total) for combined consideration distributed of $873,987 in satisfaction of elections received from shareholders with respect to the Distribution.

GOING CONCERN

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. It would, in this situation, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

As at December 31, 2016, the Company has no source of operating cash flow and had an accumulated deficit of $3,243,341 (December 31, 2015 - $3,763,118). Working capital as at December 31, 2016 was a deficit of $65,158 compared to a surplus of $940,228 as at December 31, 2015. Net income for the year ended December 31, 2016 was $519,777 (2015 – loss of $173,840). Operations since inception have been funded solely from the issuance of share capital, exercise of warrants and the sale of assets.

With the closing of the sale of the Company's 7.4% interest in KCC on March 3, 2016 *(see note 7)* and the completion of the cash distributions to shareholders on April 29, 2016 *(see note 9(a))*, the Company still anticipates it will have sufficient cash on hand to service its liabilities and fund public company operating costs for the immediate future. However, under current market conditions, there is uncertainty as to how long these funds will last, and whether they will be sufficient to execute on a new transaction for the public shell. In order to continue active operations, the Company will need to (i) arrange any future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base, and (ii) be successful in its action to realize upon the $150,000 break fee arising from the termination of the Auxico transaction *(see note 4(d))*. These factors create material uncertainties that cast significant doubt as to the propriety of the use of the going concern assumption upon which these consolidated financial statements have been prepared.

Capitalization

The following table sets the capitalization of the Company as at May 1, 2017 and December 31, 2016:

Description	May 1, 2017	December 31, 2016
Common shares issued and outstanding	104,856,961	104,856,961
Stock options	10,150,000	10,150,000
Total number of securities outstanding	115,006,961	115,006,961

On June 22, 2015, 30,000,000 common shares were issued as $0.005 per share for gross proceeds of $150,000 *(see note 4(b)(i))* in conjunction with the Resideo Properties Inc. transaction described above. A further 44,581,961 common shares were issued on April 29, 2016 as part of the return of capital described above. 10,150,000 options were issued on October 5, 2016 *(see note 10)*.

FINANCIAL RESULTS

Summary of Quarterly Results

The table below reflects a summary of certain key financial results for each of the eight previous quarters:

Description/quarter	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-2015
	$	$	$	$	$	$	$	$
Cash	15,562	35,075	87,584	899,744	110,693	52.863	46,914	1,202
Gain on change in fair value of KCC investment	0	0	0	0	924,887	0	0	0
Total expenses	123,373	96,898	120,286	82,022	48,537	39,171	46,614	39,518
Comprehensive income (loss) for quarter	(140,625)	(96,898)	(120,286)	(47,301)	876,350	(39,171)	(46,614)	(39,518)

Results of Operations for the Years Ended December 31, 2016 and 2015

Working Capital

As at December 31, 2016, the Company had a working capital deficiency of $65,158 (December 31, 2015 – surplus of $940,228). The Company has no cash flow from operations and is therefore dependent upon raising equity or selling assets to sustain its operations. The proceeds of $1,165,652 from the KCC share sale *(see note 7)* were used to pay down trade payables and accrued liabilities and repay the return of the cancelled private placement *(see note 5(b)(ii))*, as well as the April, 2016 funding of the cash component of the return of capital totalling $651,077 *(see note 9(a))*. The Company has total current liabilities as at December 31, 2016 of $82,220 (December 31, 2015 - $402,830) *(see notes 5(b)(ii), 8, and 17(a)(i))*.

Liquidity and Capital Resources

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost *(see note 1(b))*. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a working capital deficiency of $65,158 (December 31, 2015 – surplus of $940,228). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

The Company completed two significant capital transactions during the year ended December 31, 2016 as discussed above under "Working Capital". All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

Outstanding Share/Equity Data

The Company's authorized share capital consists of an unlimited number of common shares. At December 31, 2016, there were 104,856,961 common shares issued and outstanding. On June 22, 2015, 30,000,000 common shares were issued as $0.005 per share for gross proceeds of $150,000 *(see note 5(b)(i))* in conjunction with the Resideo Properties Inc. transaction described above. As part of the return of capital *(see note 9(a))*, a further 44,581,961 common shares were issued in April, 2016.

At December 31, 2016, there were 10,150,000 stock options outstanding to acquire shares of the Company at an exercise price of $0.00714 per option expiring on October 5, 2021, all of which were exercisable as at December 31, 2016 *(see note 10)*. 1,100,000 options that were issued in July, 2011 expired unexercised in July, 2016. In conjunction with the capital restructuring resulting from the Amalgamation Agreement with Auxico *(see note 4(b))*, all options issued and outstanding as at December 31, 2015 *(see note 10)* were surrendered by the option holders on October 5, 2016. On October 5, 2016, the Board of Directors approved the grant of 10,150,000 stock options at an exercise price of $0.00714 with a 5-year term to the related company described in note 17(a)(i)).

Sale of KCC Shares

The Company recognized a loss on sale of the KCC shares in the year ended December 31, 2016 of $17,253 (2015 - $Nil). This was after the Company recognized a gain of $924,887 to recognize the change in fair value of the Company's KCC investment as at December 31, 2015 *(see note 7)*.

On January 12, 2016, the Company entered into a currency hedge to lock in the CAD equivalent of the USD sales proceeds due on the sale of the second tranche of 2,200 KCC shares *(see note 7)*. Under a "Call CAD/Put USD" currency option, the Company, as buyer, had the option to call for the purchase of CAD $958,500 at a price of USD $675,000. The Company exercised on its option prior to expiry, resulting in a gain, net of expenses, during the year ended December 31, 2016 of $34,721 (2015 - $Nil).

Professional Fees

Professional fees for the year ended December 31, 2016 were $118,474 (2015 - $35354), consisting of (i) professional fees and transaction costs incurred on the cancelled Resideo transaction, the proposed Auxico transaction (subsequently cancelled) and the return of stated capital, and (ii) accruals for respective year-end audit fees.

Office and Administration Expenses

Office and administration expenses for the year ended December 31, 2016 were $113,580 (2015 - $119,694). Telferscot was billed a monthly fee of $10,000 from January, 2015 to September, 2015 by Grove Capital Group Inc. ("Grove"), a Company controlled by one of the directors. The fee was for management and administrative services, including monthly compensation for the CFO of $2,500, corporate secretary, office rent and regular administrative functions. Starting in October, 2015, the fee decreased to $5,000 per month, as compensation for the CFO was now excluded. During the year ended December 31, 2016, the Company incurred total fees of $61,950 (2015 - $105,000). As at December 31, 2016, accounts payable and accrued liabilities include $5,650 (2015 - $120,518) in respect of such fees (*see also note 8*).

Starting in January, 2016, Telferscot was billed a monthly fee of $2,500 by a company controlled by the CFO for services of the CFO (previously billed through Grove). During the year ended December 31, 2016, the Company incurred total fees of $30,975 (2015 - $Nil). As at December 31, 2016, accounts payable and accrued liabilities include $2,825 (2015 - $Nil) in respect of such fees (*see also note 8*).

Write-off of HST ITC's

As a result of an audit completed in September, 2016 by Canada Revenue Agency, the Company has written off its cumulative HST ITC's as at September 30, 2016 totalling $56,134. The HST ITC's were disallowed by CRA because the Company had not been engaged in any commercial activities (for excise tax purposes only) during the period under audit as it had effectively been functioning as an investment holding company since the April, 2013 refinancing of its investment in Kolwezi Copper Corp. that reduced its interest in that project to 7.4% (*see note 7*).

Transactions with Related Parties

A management contract with Grove is referenced below under the heading "Commitments". Grove is controlled by one of the directors of the Company, and was paid fees as detailed above under the heading "Office and Administrative Expenses".

Each independent director receives a quarterly honorarium of $1,500. Fees recorded for the year ended December 31, 2016 were $12,000 (2015 - $12,000). All such honorariums were paid in full up to June 30, 2016 such that, as at December 31, 2016, accounts payable and accrued liabilities include $6,000 (2015 - $39,000) in respect of such fees.

Commitments

The Company's management contract with Grove for corporate and administrative support and office space is on a monthly basis with a six-month notice period.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Financial Instruments

The Company's significant accounting policies regarding its financial instruments are set out in note 2(k) of the consolidated financial statements. The Company's financial instruments consist of cash, accounts receivable, investment in private company, accounts payable and accrued liabilities and refundable proceeds on cancellation of private placement. Management is of the opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from any of these financial instruments.

Critical Accounting Estimates

The Company's critical accounting estimates are presented in note 2(k). The preparation of these consolidated financial statements requires management to make estimates and judgements about the future that affect the amounts recorded in the consolidated financial statements. These estimates and judgements are based on the Company's experience and management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and judgements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at the date of authorization of these consolidated financial statements, the IASB has issued the following revised standards which are not yet effective:

IFRS 9: "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities" was issued by the IASB in July, 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. was issued in its final form in July 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 "Leases" was issued in January 2016 and will ultimately replace IAS 17, "Leases". IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognize assets and liability for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

IAS 7 "Statement of Cash Flow" has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The Company has not early adopted these standards, but management is currently assessing the impact of their application in the consolidated financial statements. Management has assessed the other standards not yet effective and determined they are unlikely to have a material impact on the consolidated financial statements.

RISK FACTORS

An investment in the Company's securities is considered extremely speculative. Prospective investors should consider the specific risks that are associated with the business of the Company. In order to develop any future properties it may acquire, the Company may require additional financing which may not be possible to obtain.

The business of mineral exploration is generally subject to a number of risks and hazards, insurance for which is generally not always available. The Company has, or is seeking to acquire, interests in some volatile regions of the world which have experienced or continue to experience periods of political and/or economic instability including war, terrorism and public disorder. The Company's activities may be subject to extensive foreign laws and regulations and the Company may become subject to significant liabilities for environmental damage resulting from its exploration activities or for any subsequent development. In addition, changes in mining or investment policies and regulations which cannot be accurately predicted may adversely affect the Company's business. There is no guarantee that the Company will obtain all required exploration licenses to develop its property interests.

The Company has certain spending commitments on its properties and it is possible that these commitments may not be met in a timely manner for operational, security or other reasons. In normal circumstances, the Company could negotiate an extension for its contract obligations, but there is no guarantee that it will succeed in obtaining such an extension or relief. In such cases, the Company would risk losing its contractual rights on these properties.

The Company is a relatively young organization. Its success will largely depend on the efforts and abilities of certain senior officers and key employees. Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists a possibility for such directors and officers to be in a position of conflict. See "Conflicts of Interests" below.

Lack of Operational Liquidity

The expenses of the Company will be funded from cash on hand from the remaining proceeds of the previous offerings. Once such cash has been expended, the Company will be required to seek additional financing. There is no guarantee that any debt or additional equity or equity related offering of securities will be available on terms acceptable to the Company or available at all or that it will be able to locate or sell copper or cobalt in a timely or profitable manner.

Competition

The mining and mineral exploration industry and in particular, the international copper industry, is competitive in all of its phases. The Company faces strong competition from other mining and exploration companies in connection with the acquisition of properties producing, or capable of producing, copper. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. Because of this competition, the Company may be unable to maintain or acquire attractive mining or exploration properties on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be adversely affected.

Insurance and Uninsured Risks

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the properties of the Company or the properties of others, delays in mining, monetary losses and possible legal liability.

The Company currently maintains no insurance other than director and officer liability insurance. The Company may, however, acquire insurance in the future to protect against certain risks in such amounts as management considers reasonable. While we may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. Even after acquiring insurance, such insurance will not cover all the potential risks associated with a mining and/or exploration Company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards because of exploration and production is not generally available to the Company or to other companies in the mining and exploration industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Resignation of Key Personnel

The success of the Company is highly dependent on the services of certain management personnel. The loss of the services of such personnel if not replaced, could have a material adverse effect on the business operations. The Company does not currently have key-person insurance on these individuals.

Conflicts of Interest

Directors and officers of the Company may provide investment, administrative and other services to other entities and parties. The directors and officers of the Company have undertaken to devote such reasonable time as is required to properly fulfill their responsibilities in respect to the business and affairs of the Company, as they arise from time to time.

Lack of Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

Regulatory Change

The Company may be affected by changes in regulatory requirements, customs, duties or other taxes. Such changes could, depending on their nature, benefit or adversely affect the Company.

Environmental Risks

All of the Company's planned operations are subject to environmental regulations, some of which are also subject to environmental licensing. This can make the Company's business expensive to operate or prevent certain operations altogether. The Company is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products that could occur because of its mineral exploration, development and production. Such liabilities include not only the obligation to remediate environmental damages and indemnify affected third parties, but also the imposition of administrative and criminal sanctions against the Company and its employees and executive officers.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that may be incurred to remedy environmental pollution would reduce funds otherwise available to the Company and could have a material adverse effect on it. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company. The Company has not purchased (and does not intend to purchase) insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) because it is not generally available at a reasonable price.

All of the Company's planned exploration and possible development and production activities are, or may be, subject to regulation under one or more of local and/or federal environmental laws and regulations. Many of the regulations require the Company to obtain authorizations for its activities. The Company must update and review its authorizations from time to time and are subject to environmental impact analyses and public review processes prior to approval of new activities. It is possible that future changes in applicable laws, regulations and authorizations or changes in their enforcement or regulatory interpretation could have a significant impact on some portion of the Company's business, causing those activities to be economically re-evaluated at that time. Those risks include, but are not limited to, the risk that regulatory authorities may increase bonding requirements beyond the Company's financial capability or that of its subsidiaries. Where posting of a bond in accordance with regulatory determinations is a condition to the right to operate under any material operating authorizations, increases in bonding requirements could prevent the Company from operating even if it and its subsidiaries were otherwise in full compliance with all substantive environmental laws.

Need For, and Availability of, Future Additional Equity Capital

The Company's business strategy will require additional substantial capital investment. To the extent that cash generated internally and cash available under any credit facility that may be entered into are not sufficient to fund capital requirements, the Company will require additional debt and/or equity financing. However, this type of financing may not be available or, if available, may not be available on satisfactory terms. If the Company fails to generate or obtain sufficient additional capital in the future, it could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance indebtedness, if any.

The Company will need to obtain additional resources in the future in order to execute the Company's growth strategy, including the possible acquisition of new businesses and assets. The Company may not be able to obtain debt financing on terms attractive to it, or at all. If the Company cannot obtain adequate funds to satisfy its capital requirements internally or through other methods of financing, the Company may need to increase its capital through an additional equity offering. Sales by the Company of a substantial number of common shares after the completion of the offering could negatively affect the market price of the common shares and dilute existing shareholdings.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Government Regulation

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, taxes, labor standards and occupational health, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

Market Price of Common Shares

The common shares of the Company currently trade on CSE. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the common shares is also likely to be significantly affected by short-term changes in commodity prices, or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of its common shares include the following: (1) the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities, (2) lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares, (3) the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities, and (4) a substantial decline in the price of the common shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long-term value. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

FORWARD-LOOKING STATEMENTS

This discussion contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries and its projects, timing and likelihood of obtaining government approval for exploration and other operations, the future price of copper, exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital and availability of future financing, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of legislative and regulatory matters. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Accordingly, readers should not place undue reliance on forward-looking statements. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others, lack of access to historic drill core, delays in obtaining governmental and regulatory approvals, uncertainty of acquiring necessary drilling exploration licenses, general business, economic, competitive, political, social and security uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper; possible variations of geological parameters; failure of equipment to operate as anticipated; accidents, labor disputes and other risks of the mining industry; political instability, insurrection, terrorism or war; delays in obtaining financing or in the completion of exploration, development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.