TELFERSCOT RESOURCES INC.

Consolidated Financial Statements

Year ended December 31, 2011 and

period from May 31, 2010 (date of incorporation) to December 31, 2010

(Stated in $CAD)

Telferscot Resources Inc.

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Year ended December 31, 2011 and period from May 31, 2010 (date of incorporation) to December 31, 2010

(Stated in $CAD)

Independent Auditors' Report

To the Shareholders of
Telferscot Resources Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Telferscot Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, the consolidated statements of loss and comprehensive loss, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the year ended December 31, 2011 and for the period from May 31, 2010 (date of incorporation) to December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Telferscot Resources Inc. as at December 31, 2011 and 2010, and its financial performance and its cash flows for the year ended December 31, 2011 and for the period from May 31, 2010 (date of incorporation) to December 31, 2010 in accordance with International Financial Reporting Standards.

Signed**:** ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 30, 2012

TELFERSCOT RESOURCES INC.
Consolidated Statements of Financial Position
As at December 31, 2011 and 2010
(Stated in $CAD)

	December 31 2011	December 31 2010 (Note 21)
ASSETS		
Current:		
Cash	$ **751,419**	$ 204,604
Term deposits	**580,855**	-
Accounts receivable (Note 5)	**32,626**	7,429
Prepaid expenses	**6,478**	-
Advances to DRC operations (Note 6)	**249,489**	-
Cash in trust (Note 7)	**-**	637,446
	$ **1,620,867**	$ 849,479
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 9)	$ **94,817**	$ 22,419
Prepaid share subscriptions	**-**	98,466
	94,817	120,885
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**2,943,920**	813,000
Reserve for warrants (Note 10)	**23,500**	16,000
Reserve for share based payments (Note 10)	**119,167**	-
Accumulated deficit	**(1,552,183)**	(100,406)
Accumulated other comprehensive loss	**(8,354)**	-
	1,526,050	728,594
	$ **1,620,867**	$ 849,479

Going concern (Note 1)

Commitments (Note 19)

Subsequent events (Note 20)

See accompanying notes

Approved on behalf of the Board:

"Gerry Gravina", Director

"Stephen Coates", Director

TELFERSCOT RESOURCES INC.

Consolidated Statements of Loss and Comprehensive Loss

Year ended December 31, 2011 and period from May 31, 2010 (date of incorporation) to December 31, 2010

(Stated in $CAD)

	December 31 2011	December 31 2010 (Note 21)
Revenue		
Interest income	$ 10,157	$ -
Expenses		
Exploration expenditures (Note 8(c))	1,095,389	50,496
Share-based compensation	119,167	-
Professional fees	96,933	34,628
Corporate overhead	99,874	13,500
Listing fees, transfer agent and other	31,323	-
Insurance	10,768	-
Office and general	7,952	1,782
Foreign exchange loss	528	-
	1,461,934	100,406
Net loss	$ (1,451,777)	$ (100,406)
Basic and diluted loss per share (Note 14)	$ (0.047)	$ (0.008)
Comprehensive income (loss)		
Net loss	$ (1,451,777)	$ (100,406)
Exchange differences on translation of foreign operations	(8,354)	-
Comprehensive loss	$ (1,460,131)	$ (100,406)

See accompanying notes

TELFERSCOT RESOURCES INC.

Consolidated Statements of Changes in Shareholders' Equity

Period from May 31, 2010 to December 31, 2011

(Stated in CAD)

	Share Capital						
	Number of shares	**Amount**	**Warrants**	**Share based payments**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Total**
Balance at May 31, 2010	-	$ -	$ -	$ -	$ -	$ -	$ -
Private placements for cash	19,390,000	799,000	-	-	-	-	**799,000**
Portion of private placements ascribed to warrants	-	(16,000)	16,000	-	-	-	**-**
Issued in consideration for acquisition of Stephens Lake	2,500,000	30,000	-	-	-	-	**30,000**
Net loss for the year	-	-	-	-	(100,406)	-	**(100,406)**
Currency translation adjustment	-	-	-	-	-	-	**-**
Balance at December 31, 2010	**21,890,000**	**813,000**	**16,000**	**-**	**(100,406)**	**-**	**728,594**
Private placements for cash	6,635,000	663,500	-	-	-	-	**663,500**
Issued in consideration for acquisition of 1830953 Ontario Inc.	4,674,200	467,420	7,500	-	-	-	**474,920**
Private placement for cash	4,000,000	1,000,000	-	-	-	-	**1,000,000**
Share-based compensation	-	-	-	119,167	-	-	**119,167**
Currency translation adjustment	-	-	-	-	-	(8,354)	**(8,354)**
Net loss for the year	-	-	-	-	(1,451,777)	-	**(1,451,777)**
Balance at December 31, 2011	**37,199,200**	**$ 2,943,920**	**$ 23,500**	**$ 119,167**	**$ (1,552,183)**	**$ (8,354)**	**$ 1,526,050**

See accompanying notes

TELFERSCOT RESOURCES INC.

Consolidated Statements of Cash Flows

Year ended December 31, 2011 and period from May 31, 2010 (date of incorporation) to December 31, 2010

(Stated in $CAD)

	December 31 2011	December 31 2010 (Note 21)
Operating activities		
Net loss	**$ (1,451,777)**	$ (100,406)
Add (deduct) items not affecting cash:		
Exploration expenditures funded by share issuance	**474,920**	30,000
Share based payments	**119,167**	-
Unrealized foreign exchange loss	**(8,354)**	-
	(866,044)	(70,406)
Change in non-cash working capital items		
Accounts receivable	**(25,197)**	(7,429)
Prepaid expenses	**(6,478)**	-
Advances to DRC operations	**(249,489)**	-
Accounts payable and accrued liabilities	**72,398**	22,419
	(1,074,810)	(55,416)
Investing activities		
Term deposits	**(580,855)**	-
Change in cash in trust	**637,446**	(637,446)
	56,591	(637,446)
Financing activities		
Prepaid share subscriptions	**(98,466)**	98,466
Net proceeds from issuance of share capital and warrants	**1,663,500**	799,000
	1,565,034	897,466
Increase in cash	**546,815**	204,604
Cash, beginning of period	**204,604**	-
Cash, end of period	**$ 751,419**	$ 204,604

See accompanying notes

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

The company was incorporated under the Canada Business Corporations Act on May 31, 2010 and is engaged in the acquisition and exploration of resource properties, currently having interests in mining licences in Manitoba and 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 CNSX exchange.

(b) Development stage enterprise

As the company is a development stage enterprise, it has not yet determined whether its properties contain reserves that are economically recoverable. Its ability to recover amounts from these properties is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying properties, the ability of the company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition of the properties. The company has yet to generate any revenue from operations.

Although the company has taken steps to verify title to the mineral properties on which it is conducting exploration and in which it has an interest, these procedures do not guarantee the company's title. Although management is not aware of any such agreements, transfers or defects, property title may be subject to unregistered prior agreements, claims or transfers and title may be affected by undetected defects. Assets located outside of North America are subject to the risk of foreign investment, including currency exchange fluctuations and restrictions and local political instability and uncertainty.

The company faces risks and uncertainties including: (i) the inability to obtain the financing necessary to complete the development of its properties, (ii) realization of proceeds from the sale of its properties, or (iii) the company's licenses, permits or concessions being revoked as a result of title disputes, a failure to comply with agreements or security issues preventing the safe exploration and development of any properties under license.

1. NATURE OF OPERATIONS AND GOING CONCERN - CONTINUED

(c) Going concern

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards accounting principles 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 and, therefore, 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, 2011, the company has no source of operating cash and has a deficit of $1,552,183 (2010 - $100,406). Operations for the periods presented have been funded solely from the issue of share capital. Comprehensive loss for the year was $1,460,131 (2010 - $100,406).

While management believes that it will be able to secure the necessary financing to continue operations into the future, there is no certainty that these and other strategies will be sufficient to permit the company to continue beyond the foreseeable future as such strategies are dependent upon continued support from its shareholder base.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at January 1, 2010, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in note 21.

(b) Basis of presentation

The consolidated financial statements are 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").

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

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, are fully consolidated.

These consolidated financial statements include the accounts of the company and the consolidated accounts of its wholly-owned subsidiary, 1830953 Ontario Inc. ("Numco"), an Ontario company (see note 4 asset acquisition).

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

(d) Functional currency and foreign currency translation

Functional and presentation currency

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

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.

Financial statements of the DRC operations, for which the functional currency is the US dollar, are translated into Canadian dollars, the presentation currency, as follows: all asset and liability accounts (including non-monetary and capital items) are translated at the year-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income.

(e) Cash

Cash consists of deposits held with banks.

(f) Term deposits

Term deposits are highly liquid investments with original terms to maturity greater than three months.

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(g) **Mineral properties**

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred *(see also note 21 re transitional IFRS provisions)* until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

(h) **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 an FVTPL. A financial asset is classified as held-for- trading 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 the consolidated statements of loss and comprehensive loss. Transaction costs are expensed as incurred. The company has classified cash and cash equivalents and marketable securities 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 period end. 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 the consolidated statements of loss and comprehensive loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process. The company has classified accounts receivable and due from related party as loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

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 loss and accumulated in the AFS reserve. Impairment losses are recognized in the consolidated statements of loss and comprehensive 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 is reclassified from accumulated other comprehensive income. The company has not designated any of its financial assets as AFS.

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 accounts receivable, 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 the consolidated statements of loss and comprehensive loss. A provision for impairment is made in relation to accounts receivable, and an impairment loss is recognized in the consolidated statements of loss and comprehensive 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 the consolidated statements of loss and comprehensive 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.

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

<u>Financial liabilities</u>

Financial liabilities are classified as financial liabilities 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 due to related party.

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 the consolidated statement of loss and comprehensive loss. The company's financial liabilities classified as FVTPL include the warrant liability.

Financial instruments recorded at fair value on the 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).

(j) 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.

Environmental rehabilitation provision

The company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site-related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. Provisions for rehabilitation are periodically adjusted by the company, when applicable.

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(k) Deferred taxes

Deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount in the consolidated statements of financial position.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact neither earnings, nor tax income or loss.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

(l) 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. Fair value of each tranche is measured using the Black- Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from share based payment is transferred to capital stock when the options are exercised.

For 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.

(m) Earnings per share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used for the assumed proceeds upon the exercise of options and warrants that are used to purchase common shares at the average market price during the reporting period. As the Company is incurring losses, basic and diluted loss per share are the same since including the exercise of outstanding options and share purchase warrants in the diluted loss per share calculation would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(n) **Measurement uncertainty**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) the recoverability of costs incurred to purchase mineral property interests;

(ii) the inputs used in accounting for share based payment transactions and in valuation of warrants included in marketable securities; and

(iii) management assumption of no material provisions or obligations, based on the facts and circumstances that existed during the period.

3. ADOPTION OF NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS

The company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the company:

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). 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, 2013. The company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidated – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurements ("IFRS 13") defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 7 Financial Instruments: disclosures ("IFRS 7"). The Accounting Standards Board ["AcSB"] approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part I of the Handbook. These amendments were made to Part I in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The company is currently evaluating the impact of IFRS 7 on its consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS - CONTINUED

IFRS Interpretations Committee ("IFRIC") 20 Stripping Costs in the Production Phase of a Surface Mine applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 permits capitalization of stripping costs if all of the three criteria are met: probability of economic benefit, identifiability of ore body and measurability of stripping costs. IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. The company is currently evaluating the impact of IFRIC 20 on its consolidated financial statements.

4. ASSET ACQUISITION

(a) On July 18, 2011, the company completed its acquisition of Numco a copper cobalt exploration company with rights and obligations to earn into an exploration project located in the Kolwezi district ("Kolwezi Project") in the Democratic Republic of Congo ("DRC"). In consideration for the acquisition of Numco, the company issued 4,674,200 common shares valued at $0.10 per share and 375,000 common share purchase warrants valued at $0.02 per share. The warrants are exercisable at $0.25 per share until May 1, 2012.

The value of the shares and warrants issued, and net assets and liabilities assumed, totalling $474,920, has been attributed to the underlying Kolwezi Project license (the "License") held by Numco. The value attributed to the License was expensed as exploration costs.

(b) On July 18, 2011, through the acquisition described in note 4(a), the company acquired a 17% interest in the License. A further 13% interest was earned through the post-acquisition expenditure of CAD $515,000 to bring its ownership in the License to 30% as of December 31, 2011. The company has a right to increase its ownership in the License to 60% through the expenditure of a further CAD $4-million prior to September 2013. Once the company reaches 60% ownership, either party has an option to force the acquisition of the remaining 40% ownership of the License.

The company has not assigned a value to these options as there can be no certainty that the initial 60% ownership will be achieved.

5. ACCOUNTS RECEIVABLE

		2011		2010
Accrued interest receivable - term deposits	**$**	**6,041**	$	-
HST recoverable		**26,585**		7,429
	$	**32,626**	$	7,429

6. ADVANCES TO DRC OPERATIONS

During the year, the company made advances to its DRC operations, which at year end remained unexpended in the amount of $249,489. These advances were primarily for future exploration expenditures and deposits on a new mining license (see note 20).

7. CASH IN TRUST

	2011	2010
Cash held in trust	**$ -**	$ 637,446

The cash held in trust as at December 31, 2010 (by the company's lawyer) represents proceeds from the sale of share subscriptions and prepaid share subscriptions. All of the funds were released to the company in February, 2011.

8. MINERAL LICENCES AND EXPENDITURES

As at December 31, 2011, the company has an interest in two mineral licences. The details of each respective licence are as follows:

(a) **Kolwezi Project, Democratic Republic of Congo:**

As detailed in note 4, the company has acquired an interest in a copper-cobalt exploration permit in the DRC. The basic terms of the permit are as follows:

Exploration permit:	PR 9090
Permitted exploration:	Copper, Cobalt and Gold
Permit Holder:	Miniere du Congo SPRL
Effective date:	November 10, 2007
Initial term:	5 years (ending November 9, 2012)
Renewal:	Exploration permits may be renewed twice for 5 additional years provided the holder of the exploration permit relinquishes, on each such renewal, 50% of the perimeter
Area:	95 carres (approximately 80 km sq)
Location:	Less than 10 km east of Kolwezi, Katanga Province, DRC

8. MINERAL LICENCES – CONTINUED

(b) Stephens Lake Project, Province of Manitoba

The Stephens Lake property is located in northern Manitoba, about 750 km north of Winnipeg, 175 km east - northeast of Thompson and centred about 20 km northwest of Gillam. The Stephens Lake mineral exploration license covers an area of approximately 12,000 hectares and is currently valid until February 5, 2013. Stephens Lake is an early stage base metals exploration project. Exploration carried out by previous companies is limited to airborne geophysical surveys and one field program where several lines of soil sampling were performed. The 2010 expenditures of $32,223 have been expensed under IFRS (see note 21).

The company is obligated to an annual work requirement of CAD $1.50 per hectare to be completed by the anniversary date of the license, which is February 5. In lieu of actual work being performed for 2011, the company made a cash payment of CAD $18,511 to the Province of Manitoba.

Subsequent to year-end, with respect to the obligations to annual work requirement for 2012 of CAD $3.00 per hectare to be completed by the anniversary date of the license, which is February 5 arising by the anniversary date of February 5, 2012, the company made a further cash payment of CAD $37,023 to the Province of Manitoba in lieu of actual work being performed (see note 20).

This rate increases to $4.00 from 2013 – 2015.

(c) Mineral Licence Expenditures

	2011	2010
Kolwezi Project:		
Acquisition	**$ 590,228**	$ -
Services	**30,989**	-
Fieldwork	**210,179**	-
Administration	**18,936**	-
Consulting	**93,242**	-
Travel and accommodation	**110,889**	-
General	**22,415**	-
Stephens Lake Project:		
Acquisition	**-**	32,223
Fieldwork	**18,511**	18,273
	$ 1,095,389	$ 50,496

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
Balances made up of:		
Trade accounts payable	**$ 39,817**	$ 22,419
Accrued liabilities	**55,000**	-
	$ 94,817	$ 22,419

10. SHARE CAPITAL

Authorized: unlimited number of common voting shares

	Shares	$
Issued and outstanding:		
Balance - May 31, 2010	-	$ -
Private placements (Note 10(a))	19,390,000	799,000
Portion allocated to warrants	-	(16,000)
Acquisition of Stephens Lake project (Note 10(a))	2,500,000	30,000
Balance - December 31, 2010	**21,890,000**	**813,000**
Private placements (Note 10(c))	10,635,000	1,663,500
Acquisition of 1830953 Ontario Inc.	4,674,200	467,420
Balance - December 31, 2011	**37,199,200**	**$ 2,943,920**

(a) The company completed a share split on December 17, 2010 which resulted in the issuance of two common shares for every previously issued pre-split share. During the period ended December 31, 2010, the following placements occurred (all references to common shares represent the post-share split shares of the company):

(i) The company issued 8,000,000 units at a price of $0.01 per unit. The units were each comprised of one common share of the company and one warrant to purchase a common share of the company, exercisable at $0.05 until January 15, 2015.
(ii) The company issued 6,000,000 common shares at a price of $0.03 per share.
(iii) The company issued 5,390,000 common shares at a price of $0.10 per share. Of these shares, 65,000 ($6,500) were not fully paid at December 31, 2010. In addition, as of period end, the company had received funds totalling $104,966 for shares issued subsequent to December 31, 2010. This amount, less the $6,500, is shown as prepaid share subscriptions on the consolidated statements of financial position.
(iv) The company issued 2,500,000 common shares at a value of $30,000 to acquire the mineral exploration license for Stephens Lake (note 8(b)).

(b) In 2011, the company issued further common shares as follows:

(i) In January, 2011, the company closed a non-brokered private placement financing of 6,635,000 common shares at $0.10 per share for total cash consideration of $663,500.

(ii) As part of the acquisition of the shares of 1830953 Ontario Inc. in July, 2011 (see note 4), the company issued a further 4,674,200 shares valued at $467,420.

(iii) In October, 2011, the company closed a non-brokered private placement financing of 4,000,000 common shares at $0.25 per share for total cash consideration of $1,000,000.

11. STOCK OPTIONS AND SHARE-BASED COMPENSATION

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

On July 27, 2011, the Board of Directors approved the grant of 1,200,000 options exercisable at $0.15 per option, expiring by July 27, 2011. 900,000 of the options vest immediately, with the remainder of 300,000 vesting as follows: 1/3 immediately, 1/3 after one year and 1/3 after two years. As at December 31, 2011, no options have been exercised and 1,000,000 are exercisable.

The stock option continuity for the year is as follows:

	Options	Exercise price
Section 1		
Balance - January 1, 2011	**-**	$ -
Granted in year	**1,200,000**	0.15
Balance - December 31, 2011	**1,200,000**	$ 0.15

The fair value of the options has been calculated with the Black-Scholes option-pricing model. Using the assumptions of: (1) risk free interest rate of 1.3% (2) expected volatility of 132%, (3) expected life of 2.59 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.11.

The company recognized an expense for share based payments in the year of $119,167.

12. WARRANTS

	Warrants	Exercise price
Balance - May 31, 2010		
Issued in July, 2010	**8,000,000**	$ 0.05
Issued in July, 2011	**375,000**	0.25
Balance - December 31, 2011	**8,375,000**	$ 0.06

(a) Each warrant entitles the holder to purchase one common share. The warrants issued in July, 2010 expire by January 15, 2015, while the warrants issued in July, 2011 expire by May 1, 2012.

(b) The fair value of the warrants issued in July, 2010 has been calculated under the Black-Scholes option-pricing method. Using the assumptions of (1) Risk free interest rate of 3.5% (2) expected volatility of 67%, (3) expected life of 4.5 years, and (4) dividend yield of 0.0%, the fair value attributed to each warrant was $0.002, or $16,000 in aggregate.

(c) The fair value of the warrants issued in July, 2011 (as part of the acquisition of 1830953 Ontario Inc.) has been calculated under the Black-Scholes option-pricing method. Using the assumptions of (1) Risk free interest rate of 1.3% (2) expected volatility of 83%, (3) expected life of 0.77 years, and (4) dividend yield of 0.0%, the fair value attributed to each warrant was $0.002, or $7,500 in aggregate.

(d) The cumulative value attributable to warrants as at December 31, 2011 was $23,500 (2010 - $16,000).

(e) To date, no warrants have expired, been exercised or cancelled.

13. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian federal and provincial statutory rate of 28.25% (2010 - 30%) to the amount recognized in the statement of operations:

		2011		2010
Net loss before recovery of income taxes	$	**1,451,777**	$	**(100,405)**
Expected income tax recovery	$	**(410,127)**	$	**(30,122)**
Increase (decrease) resulting from:				
Change in unrecognized deductible temporary differences		**392,270**		**23,029**
Difference in foreign tax rates and FX (gain) loss on translation of tax basis		**(77,545)**		**-**
Change in future tax rates and other adjustments		**61,272**		**-**
Tax attributes (recognized) reversed in current year		**34,130**		**7,093**
Income tax reflected in consolidated statements of loss and comprehensive loss	$	**-**	$	**-**

The 2011 statutory tax rate of 28.25% differs from the 2010 statutory tax rate of 30% because of the reduction in both federal and Ontario substantively enacted tax rates.

Unrecognized deferred tax assets

Deferred income 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 income tax assets have not been recognized in respect of the following items:

		2011		2010
Canadian non-capital losses carried forward	$	332,888	$	49,910
Foreign non-capital losses carried forward	$	533,279	$	-
Deductible temporary differences	$	565,201	$	18,273

Foreign non-capital losses expire in 2016, Canadian non-capital losses expire as noted below. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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

2030	**$**	**49,910**
2031		**282,978**
	$	**332,888**

14. LOSS PER SHARE

The weighted average number of shares outstanding for the 2011 year is 30,945,000 (2010 - 12,139,000). Diluted loss per share is the same as basic loss per share as all options and warrants are anti-dilutive.

15. FINANCIAL INSTRUMENTS

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, currency and fair value). 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.

(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. Financial instruments included in accounts receivable consist of HST and accrued interest on the company's term deposits.

As at December 31, 2011, cash of $751,419 (2010 - $204,604) is held with reputable financial institutions from which management believes the risk of loss to be minimal. As the majority of the accounts receivable consists of refundable HST, management believes that the credit risk concentration with respect to accounts receivable is negligible.

(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(c)). 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, 2011, the company has working capital of $1,526,050 (December 31, 2010 - $728,594). All of the company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

(c) **Mineral property risk**

The company's operations in the DRC are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the company's activities or may result in impairment in or loss of part or all of the company's assets.

(d) **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at December 31, 2011, the company has certain cash balances that earn no interest, $580,855 of term deposits at December 31, 2011 that earn interest of 1.3% and no interest-bearing debt, its interest rate risk is considered nominal.

15. FINANCIAL INSTRUMENTS – CONTINUED

(e) **Sensitivity analysis**

The company operates in Canada and has a presentation and functional currency of CAD dollars. The company also operates in the DRC where the functional currency is the US dollar. It is therefore subject to foreign exchange fluctuations against the CAD dollar on the USD denominated cash and accounts payable and accrued liabilities in the DRC. The company funds exploration and administrative expenses in the DRC on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Sensitivity to a plus or minus 10% change in the foreign exchange rate on the advances to the DRC operations would affect net comprehensive income by approximately $25,280.

(f) **Fair value hierarchy**

All of the company's existing financial instruments are classified as either loans and receivables or other financial liabilities, both of which are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The carrying amount of loans and receivables and other financial liabilities approximate their fair values due to their short-term nature

16. CAPITAL MANAGEMENT

The company's objective when managing capital is to maintain adequate levels of funding to support development of its exploration projects, to expand regional exploration activities within DRC and to maintain corporate and administrative functions. The company considers its capital to be its shareholders' equity (currently a deficiency). 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.

There can be no assurances that the company will be able to continue raising equity capital in this manner. The 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.

17. SEGMENTED INFORMATION

The company conducts its business in a single operating segment consisting of the exploration activities in DRC and the Stephens Lake Project. All expenditures for the year ended December 31, 2011, related to the DRC operations with the exception of $18,511 as described in note 8(b). There are no assets recognized for the Stephens Lake Project.

18. RELATED PARTY TRANSACTIONS

The company paid total fees of $68,500 (2010 - $3,500) to a company controlled by a shareholder and director for management and administrative services, including compensation for the CFO and corporate secretary, office rent and regular administrative functions.

19. COMMITMENTS

(a) The company is obligated to pay annual land taxes with respect to its mining license in the DRC of USD $0.04 per hectare (approximately USD $2,500).

(b) The company is committed to a minimum annual work requirement on its Stephens Lake property as described in note 8(b).

(c) The company's management contract is on a monthly basis with a six-month notice period. Subsequent to year-end, the monthly fee approved by the Board of Directors was increased to $17,500.

(d) An officer and director of the company has a consulting agreement that pays USD $10,000 per month with an initial two-year term that expires in July, 2013.

20. SUBSEQUENT EVENTS

License acquisitions - DRC

During the first quarter of 2012, the company closed on the purchase of new licenses in the DRC, consisting of two licences for total consideration of USD $200,000 and a third license for total cash consideration of USD $150,000.

The respective licenses are still in the process of being formally registered with the government authorities in the DRC.

Stephens Lake property, Manitoba

Subsequent to year-end, with respect to the obligations arising by the anniversary date of February 5, 2012, the company made a further cash payment of CAD $37,023 to the Province of Manitoba in lieu of actual work being performed.

Investor Relations Contract

On April 9, 2012, the Company entered into an agreement with CHF Investor Relations (“CHF”) for the provision of investor relations and market-making services. The agreement with CHF is for a period of twelve months and may be renewed quarterly thereafter. CHF will receive a monthly fee of $4,600. In addition, CHF has been granted 370,000 stock options. 185,000 of these options may be exercised at $0.25 per Common Share and 185,000 at $0.35 per Common Share. The options expire on April 8, 2017 and will vest quarterly over a period of one year from the date of grant.

21. FIRST TIME ADOPTION OF IFRS

Under IFRS 1 'First time Adoption of International Financial Reporting Standards', IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as previously reported under Canadian GAAP taken to retained earnings unless certain exemptions are applied. The company has followed the recommendations in IFRS-1 'First-time adoption of IFRS', in preparing its transitional statements. IFRS 1 provides specific one-time choices and mandates specific one-time exceptions with respect to first-time adoption of IFRS.

The company has not prepared an opening statement of financial position as at May 31, 2010, its date of incorporation, as the only balance outstanding at that date was $1 in cash received from the subscription on incorporation of $1 of common shares.

Explanatory notes to the following IFRS reconciliations are as follows:

(a) Under Canadian GAAP – Prior to 2011, the company applied a policy of deferring the cost of mineral properties and their related exploration and development costs until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS – Acquisition, exploration and evaluation expenditures for each property can be expensed as incurred, until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

(b) Under Canadian GAAP – Prior to 2011, the company recorded the value of share based payments and warrants issued to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants," "Reserves for share based payments" and any other component of equity.

21. First Time adoption of IFRS – continued

(c) Reconciliation of the consolidated Statement of Financial Position, as at December 31, 2010

	Canadian GAAP $	Effect of transition to IFRS $	IFRS $	
ASSETS				
Current:				
Cash	204,604	-	204,604	
Cash in trust	637,446	-	637,446	
Accounts receivable	7,429	-	7,429	
	849,479		849,479	
Long term:				
Mineral property	32,223	(32,223)	-	**Note 21(a)**
	881,702	(32,223)	849,479	
LIABILITIES				
Current:				
Accounts payable and accrued liabilities	22,419	-	22,419	
Prepaid share subscriptions	98,466	-	98,466	
	120,885	-	120,885	
SHAREHOLDERS' EQUITY				
Share capital	813,000	-	813,000	
Contributed surplus	16,000	(16,000)	-	**Note 21(b)**
Reserve for warrants	-	16,000	16,000	**Note 21(b)**
Accumulated deficit	(68,183)	(32,223)	(100,406)	**Note 21(a)**
	760,817	(32,223)	728,594	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	881,702	(32,223)	849,479	

21. First Time adoption of IFRS – continued

(d) Reconciliation of the consolidated Statement of Loss and Comprehensive Loss for the seven months from May 31, 2010 (the date of incorporation) to December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS	
	$	$	$	
Revenues	-	-	-	
Expenses				
Exploration expenditures	18,273	32,223	50,496	**Note 21(a)**
Consulting	10,000	-	10,000	
Administrative services	3,500	-	3,500	
Professional fees	34,629	-	34,629	
Office and general	1,781	-	1,781	
	68,183	32,223	100,406	
Loss and comprehensive loss for the period	(68,183)	(32,223)	(100,406)	

21. First Time adoption of IFRS – continued

(e) Reconciliation of the consolidated Statement of Cash Flows for the seven months from May 31, 2010 (the date of incorporation) to December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS	
	$	$	$	
Operating activities				
Net loss for the period	(68,183)	(32,223)	(100,406)	
Change in non-cash working capital balances				
Accounts receivable	(7,429)	-	(7,429)	
Cash in trust	(637,446)	-	(637,446)	
Accounts payable and accrued liabilities	22,419	-	22,419	
Prepaid share subscriptions	98,466	-	98,466	
	(523,990)	-	(523,990)	
	(592,173)	(32,223)	(624,396)	
Financing activities				
Proceeds from issuance of share capital and warrants	799,000	30,000	829,000	**Note 21(a)**
Investing activities				
Mineral properties expenditures	(2,223)	2,223	-	**Note 21(a)**
Increase in cash	204,604	-	204,604	
Cash, beginning of period	-	-	-	
Cash, end of period	204,604	-	204,604	