Telferscot Resources Inc.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Years ended December 31, 2012 and 2011
(Stated in $CAD)

The following MD&A of Telferscot Resources Inc. 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 April 29, 2013. The audited consolidated financial statements for the years ended December 31, 2012 and 2011, 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 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.

OVERALL PERFORMANCE

Telferscot Resources Inc. (the "company") was incorporated on May 31, 2010. The business of the company is 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 CNSX.

The company is focused primarily on its exploration project located in the Democratic Republic of Congo (the "DRC"). The company's mandate since inception has been to pursue exploration opportunities on a global basis. Towards this end, in July, 2011, the company was successful in acquiring the rights and obligations to earn into a copper-cobalt exploration project located in the Kolwezi district of the DRC (the "Kolwezi Project"). The advancement and development of this asset is the primary focus of the company.

As the company is a development stage enterprise, it has not yet determined whether its properties contain reserves that are economically recoverable and the 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 is considered to be a development stage enterprise as it has yet to generate any revenue from operations.

Although the company has taken steps to verify the validity of the exploration licenses related to the mineral properties on which it is conducting exploration and in which it has an interest, these procedures do not guarantee such validity. Although management is not aware of any such agreements, transfers or defects, the exploration licenses may be subject to unregistered prior agreements, claims or transfers and may be affected by undetected defects.

The company's operations in the DRC are exposed to various levels of economic and political risk and uncertainties, including currency exchange fluctuations, 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.

Going Concern

The accompanying audited consolidated financial statements have been prepared using International Financial Reporting Standards accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the ordinary course of business.

As at December 31, 2012, the company has no source of operating cash flow and an accumulated deficit of $3,109,505 (2011 - $1,552,183). Working capital as at December 31, 2012 was $488,669 compared with $1,526,050 as at December 31, 2011. Comprehensive loss for the year ended December 31, 2012 was $1,569,685 (2011 - $1,460,131). Operations since inception have been funded solely from the issue of share capital. The company has spending requirements with respect to its DRC exploration project as described in note 4(a) of the audited consolidated financial statements. Failure to spend the required amounts within the required time frame would preclude the company from earning its possible 60% interest in the Kolwezi Project.

The company's licenses are in the exploration and development stage and, as a result, the company currently has no source of operating cash flow. The company intends to raise such funds as and when required to complete its projects. There is no assurance that the company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the company or the sale by the company of an interest in any of its projects in whole or in part. The ability of the company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the continued support of its shareholder base. Management is currently in active discussions with the company's shareholders, its DRC project partners and other third parties to raise future funding. There are material uncertainties that may cast significant doubt as to whether management will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the company.

The accompanying audited consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary should the going concern assumption become inappropriate. These adjustments could be material to the audited consolidated financial statements.

Capitalization

The following table sets the capitalization of the company as at December 31, 2012:

Description	Number of securities outstanding
Common shares issued and outstanding	40,512,200
Stock options	3,370,000
Warrants	8,000,000
Total number of securities outstanding	**51,882,200**(1)

(1) See notes 8, 9 and 10 for further information on share capital and other equity instruments.

Mineral Kolwezi Project, DRC

On July 18, 2011, the company completed its acquisition of 1830953 Ontario Inc. ("Numco"), a copper cobalt exploration company with rights and obligations to earn into theKolwezi Project located in the Kolwezi district of the 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 value of the shares and warrants issued and net assets and liabilities assumed, totalling $474,920, have been attributed to the underlying initial Kolwezi Project exploration license (the "exploration license") held by Numco. The value attributed to the exploration license was expensed as exploration costs.

With the acquisition of Numco described above, the company acquired an initial 17% interest in the exploration project. A further 13% interest was earned through the post-acquisition expenditure of CAD $515,000 to bring its ownership in the exploration project to 30% as of December 31, 2011. Expenditures to December 31, 2012 have increased the company's interest to approximately 44.9%.

The company has a right to increase its ownership in the exploration project to 60% through the expenditure of a further CAD $4,000,000 prior to September 2013. Once the company reaches 60% ownership, either party has a concurrent right to force the acquisition of the remaining 40% ownership of the exploration project. The consideration for the final 40% interest will be 40% of the company`s issued and outstanding capital at the time the buyout is completed on a partially diluted basis.

The basic terms of the initial DRC exploration license are as follows:

Exploration license:	PR 9090
Permit holder:	La Miniere du Congo SPRL
Permitted exploration:	Copper, cobalt and gold
Effective date:	November 10, 2007
Initial term:	5 years (initial term ended November 9, 2012, renewed for a further 5 years to November 9, 2017)
Renewal:	Company has renewed the exploration licenses for the 1st of two five year periods. On each renewal, the holder of the exploration license relinquishes 50% of the perimeter.
Area:	47 carres (approximately 40 km sq), after 50% relinquishment after the 1st license renewal

During 2012, the company acquired an interest in 3 further exploration licenses (PR 12717, PR 12718 and PR 12719) adjacent to PR 9090 from the Mining Cadastre of the DRC as part of the Kolwezi Project. The terms of each license are similar to those of PR 9090 described above. Each exploration license carries an initial term of five years (expiring March, 2017) and two renewal options for an additional five years each. Upon each renewal, the company would be required to relinquish 50% of the perimeter of the particular permit. Permitted exploration includes copper, cobalt and gold. In order to maintain the validity of the respective license, the company must begin work within nine month periods and pay annual area taxes, but there are no minimum work requirements. With the acquisition of these three additional exploration licenses, the company's land position has changed from 81 km sq to 148 km sq *(see note 12(a))*.

During the second half of 2012, the company completed a combined airborne magnetic and radiometric survey of exploration licenses PR 12717, PR 12718 and PR 12719. The company also completed a geochemical soil survey of exploration licenses PR 12717 and PR 12718. This work is in addition to the previously reported substantial reconnaissance work completed on PR 9090 in 2011. The aeromagnetic and radiometric data was processed in the fourth quarter of 2012. Interesting anomalies were identified that the company tested through diamond drilling during the first quarter of 2013. However, the company's current financial limitations have resulted in all drilling being halted until future financing is arranged.

Stephens Lake Property, Manitoba

The Stephens Lake property is located in northern Manitoba, about 750 km north of Winnipeg, 175 km east-northeast of Thompson and centered about 20 km northwest of Gillam. Stephens Lake is an early stage base metals exploration project that covers an area of approximately 12,000 hectares. The company was obligated to make its anniversary payment on the Stephens Lake Project to The Province of Manitoba in February, 2013 in lieu of work performed. However, given the current financial position of the company, management elected not to make this payment with the effect that the license has been effectively terminated.

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-2012	Sep-2012	Jun-2012	Mar-2012	Dec-2011	Sep-2011	Jun-2011	Mar-2011
	$	$	$	$	$	$	$	$
Cash and term deposits	468,360	285,680	580,592	915,326	1,332,274	801,750	1,253,639	1,330,331
Exploration expenditures	157,428	202,586	326,954	413,877	196,379	880,498	0	18,512
Total other expenses	157,367	100,469	124,950	78,201	66,981	170,229	50,438	78,897
Comprehensive loss for quarter	(322,648)	(303,055)	(451,904)	(492,078)	(261,557)	(1,050,727)	(50,438)	(97,409)

Results of Operations for the Year Ended December 31, 2012 and 2011

Working Capital

As at December 31, 2012, the company's working capital was $488,669 (2011 - $1,526,050), consisting mostly of cash and term deposits. The company has no cash flow from operations and is therefore dependent upon raising equity to sustain its operations and meet the investment requirements of exploration.

Liquidity and Capital Resources

The company has financed its operations through the sale of its securities. To date, the company has raised aggregate equity (including common shares and warrants) of $3,464,370 through the sale of its securities and the acquisition of the Stephens Lake and Kolwezi properties.

During the first quarter of 2011, 6,635,000 common shares were issued at $0.10 per share for cash consideration of $663,500. On October 28, 2011, a further 4,000,000 common shares were issued at $0.25 per share for cash consideration of $1,000,000. A further 3,313,000 common shares were issued on November 14, 2012 at $0.15 per share for cash consideration of $496,950.

The company has no source of revenue, income or cash flow, so it is wholly dependent upon raising monies through the sale of its shares to finance its business operations and exploration program. The company will require additional funds to support its working capital requirements or for other purposes and will seek to raise additional funds through public or private equity funding, bank debt financing or from other sources. There can be no assurances that this capital will be available in amounts or on terms acceptable to the company, or at all.

Outstanding Share/Equity Data

The company's authorized share capital consists of an unlimited number of common shares. At December 31, 2012, there were 40,512,200 common shares issued and outstanding *(see note 8).*

At December 31, 2012, there were common share purchase warrants outstanding to purchase an aggregate of 8,000,000 common shares. Each warrant entitles the holder to purchase one common share at $0.05 per share expiring in January, 2015. In May, 2012, the 375,000 warrants issued in July, 2011 in connection with the acquisition of Numco expired unexercised *(see note 9).*

In July, 2011, the Board of Directors approved the grant of 1,200,000 options exercisable at $0.15 per option, expiring by July 27, 2016. Of these options, 900,000 vested immediately and 300,000 vest as follows: 1/3 immediately, 1/3 after one year and 1/3 after two years. 100,000 of these options were forfeited during the year upon the expiration of the option holder's employment.

In April, 2012, the company entered into an agreement with a firm for the provision of investor relations and market-making services. In addition to their monthly fee, the firm was granted 370,000 stock options, of which 185,000 may be exercised at $0.25 per common share and the remaining 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.

In November, 2012, the Board of Directors approved the grant of 1,900,000 options exercisable at $0.15 per option with a term of five years (expiring November 27, 2017). Of these options, 1/3 vest immediately, 1/3 after one year and 1/3 after two years.

Share based payments of $35,354 were recorded, using graduated vesting, for the year ended December 31, 2012 (2011 - $119,167) for those options that have vested based on the valuation of the granted options using the Black-Scholes option pricing model *(see note 10).*

Exploration Expenditures

The company has elected to expense all its acquisition and exploration expenditures under accounting under IFRS *(see note 2(g)).* Exploration expenditures for the years ended December 31, 2012 and 2011, including the acquisition of the new exploration licenses in the DRC, were $1,100,845 and $1,095,389 respectively *(see note 12).* Given the company's current finances, further exploration has been halted for the time being until further funds are raised.

Professional Fees

Professional fees for the year ended December 31, 2012 were $72,620, down from $96,933 for the previous year. The current year costs include regular ongoing legal services, accrual for 2012 audit costs and additional 2011 audit costs. The prior year costs were related primarily to the legal costs associated with obtaining a public listing and audit fees.

Office and Administration Expenses

Office and administration expense for the year ended December 31, 2012 were $223,779 (2011 - $107,826). These totals include fees paid to Grove Capital Group Ltd.("Grove") of $210,000 (2011 – $68,500) for management and administrative services, including compensation for the CFO and corporate secretary as well as office rent and ongoing administrative functions. In early 2012, the Board of Directors approved the increase of the monthly fee from $10,000 to $17,500.

Impairment of Loan Receivable

In the fourth quarter of 2012, the company started the process of applying for a new license in the Kolwezi region of Katanga Province, DRC. Due to time restrictions and the fact that the DRC Corporate Registry was not in a position to register new corporations on a timely basis, the company obtained the agreement of its DRC project partners, one of whom is an officer and director of the company, to make the application on the company's behalf through a nominee corporation of their own. An amount of USD $50,000 was advanced by Telferscot to this nominee corporation in December, 2012.

Management is working towards a corporate re-organization in order to bring ownership of the nominee corporation within the Telferscot group. The company's current financial position has meant that the funds needed to close the on purchase of the new license are not currently available. Given the lack of assets in the nominee corporation and the non-closure of the license acquisition, the loan to the nominee corporation of USD $50,000 has been deemed impaired for accounting purposes *(see note 17(c))*. Company management is attempting to obtain the necessary funds to complete the acquisition through ongoing discussions with current shareholders and outside parties.

Transactions with Related Parties

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

In April, 2012, a company owned by the CFO billed fees of $8,000 for incremental services relating to the 2011 audit. The amount was approved by the Board of Directors.

2012 Q4 activity only

As discussed in many of the preceding sections, the company continued to be very active in the fourth quarter of 2012. Reconnaissance work on the company's various exploration licenses was finalized in this quarter in the form of airborne magnetic and radiometric surveys and geochemical soil surveys. A private placement was completed in November, 2012 in which 3,313,000 common shares were issued for proceeds of $496,950, a significant portion of which was applied to a drilling program in the first quarter of 2013. The company also started the process of applying for a new license in the Kolwezi region of the DRC. That process is currently still ongoing, as more completely described in the section "Impairment of Loan Receivable". Other than noted above, the company's cost structure, made up of head office costs in Canada and fixed costs in the DRC, remained largely unchanged from prior quarters in 2012.

Commitments

(a) 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.

(b) The president and COO of the company, who is also a director, has a consulting agreement that paid USD $10,000 per month up to June 30, 2012. That amount was increased in July, 2012 to USD $12,500 per month for the balance of the contract that expires in July, 2013.

(c) The agreement with the investor relations firm for a monthly fee of $4,600 is for a period of twelve months from April, 2012 and may be renewed quarterly thereafter.

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(o) of the audited consolidated financial statements. The company's financial instruments consist of cash, term deposits, accounts receivable, advances to DRC operations and accounts payable and accrued liabilities. 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 for the period ended December 31, 2012 are presented in note 2(m) of the audited consolidated financial statements. The preparation of financial statements in accordance with IFRS requires management to make certain estimates and assumptions. Such estimates may have a significant impact on the financial statements. The company regularly reviews these estimates; however, actual amounts could differ from the estimates used and may accordingly affect the results of operations.

These estimates include:

DRC liabilities - There are difficulties and uncertainties that often arise when conducting business as a development stage enterprise in the DRC, as outlined in note 1(b). These uncertainties require significant judgements to ensure that liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations, are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date.

Functional currency - The functional currency for the company and subsidiaries is the currency of the primary economic environment in which each operates: Canadian dollar and US dollar; determination of functional currency may require certain judgements to determine the primary economic environment; the company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

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. None of the company's mineral properties are in production or contain a known body of commercial ore. In order to develop its properties, 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.

Exploration, Development and Operating Risks

Mining and exploration operations generally involve a high degree of risk. The operations are subject to all the hazards and risks normally encountered in the exploration, development and production of precious and base metals and other minerals, including, but not limited to, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks which may not be eliminated even with a combination of careful evaluation, experience and knowledge. While the discovery of copper, cobalt and other minerals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted but the combination of these factors may result in the company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the company towards the search and evaluation of copper, cobalt and other minerals will result in discoveries of commercial quantities of ore or other minerals.

Foreign Exchange Rates

The company is exploring copper/cobalt properties in the DRC, where the majority of operating expenses are incurred in US dollars. However, the company maintains its accounting records, reports its financial position and results, pays certain operating expenses and the common shares trade, in Canadian currency. Therefore, because exchange rate fluctuations are beyond the company’s control, there can be no assurance that such fluctuations will not have an adverse effect on the company’s operations or on the trading value of the common shares.

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.

Risks Related to Title to Properties

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the company believes that it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of the properties will not be challenged or impaired. Third parties may have known or unknown valid claims underlying portions of the company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the company may be unable to operate its properties as permitted or may be unable to enforce its rights with respect to its exploration licenses. The company may seek to increase the concentration of its mining activities in areas where it already operates mines, or has exploration licenses that it expects will result in operating mines. If the company seeks to amend its current exploration licenses to include additional resources in the area, there can be no assurance that it will be able to obtain the necessary authorizations and regulatory approvals.

No Mineral Resources or Mineral Reserves

The exploration of the area encompassed within the company's properties must be considered to be in an early stage. There is no assurance that any mineralization will be discovered in economic quantities, if at all.

The long-term viability of the company depends upon its ability to find or acquire, develop and commercially produce base metals and other minerals.

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 maybe, 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.

Foreign Operations

The majority of the operations of the company are currently conducted outside of Canada in the DRC and as such, the operations of the company are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates, high rates of inflation; labor unrest; renegotiation or nullification of existing concessions, exploration licenses, exploration licenses and contracts; changes in taxation policies, restrictions on foreign exchange, and changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining, exploration or investment policies or shifts in political attitude in the DRC may adversely affect the operations or profitability of the company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The company's operations in the DRC are also exposed to various levels of economic and political risk and uncertainties, including currency exchange fluctuations, 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.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

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 CNSX. 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.

No Dividends

No dividends on the common shares have been paid by the company to date. The company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the company's board of directors after taking into account many factors, including the company's operating results, financial condition, and current and anticipated cash needs.

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, labour 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.