TELFERSCOT RESOURCES INC.

Interim Consolidated Financial Statements

Three month periods ended March 31, 2013 and 2012

(Stated in $CAD)

(Unaudited - Prepared by Management)

(These unaudited interim consolidated financial statements, prepared by management, have not been reviewed by the company's external auditors)

TELFERSCOT RESOURCES INC.

Consolidated Statements of Financial Position
As at March 31, 2013 and December 31, 2012
(Stated in $CAD)

(Unaudited - Prepared by Management)

		March 31 2013		December 31 2012
ASSETS				
Current:				
Cash	$	**37,434**	$	315,110
Term deposits		**53,783**		153,250
Accounts receivable (Note 4)		**46,570**		40,169
Prepaid expenses		**18,563**		19,907
Advances to DRC operations (Note 5)		**36,082**		24,815
	$	**192,432**	$	553,251
LIABILITIES				
Current:				
Accounts payable and accrued liabilities (Note 6)	$	**52,993**	$	64,582
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**3,440,870**		3,440,870
Contributed surplus		**18,500**		18,500
Reserve for warrants (Note 8)		**16,000**		16,000
Reserve for share based payments (Note 9)		**144,067**		143,521
Accumulated deficit		**(3,461,437)**		(3,109,505)
Accumulated other comprehensive loss		**(18,561)**		(20,717)
		139,439		488,669
	$	**192,432**	$	553,251

Going concern (Note 1(c))

Commitments (Note 16)

See accompanying notes

Approved on behalf of the Board:

"Gerry Gravina", Director

"Stephen Coates", Director

TELFERSCOT RESOURCES INC.

Interim Consolidated Statements of Loss and Comprehensive Loss
Three month periods ended March 31, 2013 and 2012
(Stated in $CAD)

(Unaudited - Prepared by Management)

		2013		2012
Revenue				
Interest income	**$**	**-**	$	1,510
Expenses				
Exploration expenditures (Note 11(c))		**268,241**		413,877
Office and administration		**58,330**		56,357
Shareholder communications and reporting issuer costs		**16,070**		1,921
Professional fees		**5,000**		12,299
Insurance		**3,745**		3,933
Share based payments		**546**		-
		351,932		488,387
Net loss	**$**	**(351,932)**	$	(486,877)
Basic and diluted loss per share (Note 10)	**$**	**(0.009)**	$	(0.013)
Comprehensive loss				
Net loss	**$**	**(351,932)**	$	(486,877)
Exchange differences on translation of foreign operations		**2,156**		(5,201)
Comprehensive loss	**$**	**(349,776)**	$	(492,078)

See accompanying notes

TELFERSCOT RESOURCES INC.

Interim Consolidated Statements of Changes in Shareholders' Equity
Period from January 1, 2012 to March 31, 2013

(Stated in $CAD)
(Unaudited - Prepared by Management)

	Share Capital							
	Number of shares	**Amount**	**Contributed surplus**	**Reserve for warrants**	**Reserve for share based payments**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Total**
Balance at December 31, 2011	**37,199,200**	**$ 2,943,920**	**$ -**	**$ 23,500**	**$ 119,167**	**$ (1,552,183)**	**$ (8,354)**	**$ 1,526,050**
Expiry of unexercised July, 2011 warrants (Note 9-d)	-	-	7,500	(7,500)	-	-	-	**-**
Forfeiture of stock options (Note 10-a-i)	-	-	11,000	-	(11,000)	-	-	
Private placement for cash (Note 8-b)	3,313,000	496,950	-	-	-	-	-	**496,950**
Share based payments	-	-	-	-	35,354	-	-	**35,354**
Net loss for the year	-	-	-	-	-	(1,557,322)	-	**(1,557,322)**
Currency translation adjustment	-	-	-	-	-	-	(12,363)	**(12,363)**
Balance at December 31, 2012	**40,512,200**	**3,440,870**	**18,500**	**16,000**	**143,521**	**(3,109,505)**	**(20,717)**	**488,669**
Share based payments	-	-	-	-	546	-	-	**546**
Net loss for the period	-	-	-	-	-	(351,932)	-	**(351,932)**
Currency translation adjustment	-	-	-	-	-	-	2,156	**2,156**
Balance at March 31, 2013	**40,512,200**	**$ 3,440,870**	**$ 18,500**	**$ 16,000**	**$ 144,067**	**$ (3,461,437)**	**$ (18,561)**	**$ 139,439**

See accompanying notes

TELFERSCOT RESOURCES INC.

Interim Consolidated Statements of Cash Flows
Three month periods ended March 31, 2013 and 2012
(Stated in $CAD)

(Unaudited - Prepared by Management)

	2013	2012
Operating activities		
Net loss	$ **(351,932)**	$ (486,877)
Add (deduct) item not affecting cash:		
Share based payments	**546**	-
Exchange differences on translation of foreign operations	**2,156**	(5,202)
	(349,230)	(492,079)
Change in non-cash working capital items		
Accounts receivable	**(6,401)**	(4,927)
Prepaid expenses	**1,344**	3,932
Advances to DRC operations	**(11,267)**	78,118
Accounts payable and accrued liabilities	**(11,589)**	(1,992)
	(377,144)	(416,948)
Investing activities		
Term deposits	**99,468**	(7,551)
Decrease in cash	**(277,676)**	(424,499)
Cash, beginning of period	**315,110**	751,419
Cash, end of period	$ **37,434**	$ 326,920

See accompanying notes

1. Nature Of Operations and Going Concern

(a) Nature of operations

Telferscot Resources Inc. ("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 in the Democratic Republic of Congo ("DRC"). It has registered offices at 401 Bay Street, Suite 2702, Toronto, Ontario, Canada, M5H 2Y4 and is a reporting issuer in the Provinces of Ontario, British Columbia, Alberta and Manitoba. The company 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 interests in exploration licenses contain reserves that are economically recoverable. Its ability to recover amounts from these properties is largely 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. It 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 title to the exploration licenses 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, title may be subject to unregistered prior agreements, claims or transfers and 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'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.

The company faces risks and uncertainties including: (i) the inability to obtain the financing necessary to complete the development of its license interests, (ii) realization of proceeds from the sale of its exploration license interests, or (iii) the company's exploration licenses 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 unaudited interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the company be unable to continue as a going concern 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 unaudited interim consolidated financial statements. Such adjustments could be material.

As at March 31, 2013, the company has no source of operating cash flow and had an accumulated deficit of $3,461,437 (December 31, 2012 - $3,109,505). Working capital as at March 31, 2013 was $139,439 compared with $488,669 as at December 31, 2012. Comprehensive loss for the three month period ended March 31, 2013 was $349,776 (three month period ended March 31, 2012 - $492,078). 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 . Failure to spend the required amounts within the required time frame would preclude the company from earning its possible 60% interest in the 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, the business performance of the company and 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. However, 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.

2. Significant Accounting Policies

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Statement of compliance

The company is following the same accounting policies and methods of computation in these unaudited interim consolidated financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2012, except as described below. As required by the IASB, effective January 1, 2013, the company adopted the following standards and amendments to IFRS:

IFRS 10 "Consolidated Financial Statements" provides a single model to be applied in the control analysis for all investees stating that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 carries forward the consolidation procedures substantially unmodified from IAS 27. The company's adoption of IFRS 10 had no effect on its financial statements.

IFRS 13 "Fair Value Measurement" defines fair value, required disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. The adoption of IFRS 13 did not require any adjustment to the valuation techniques currently used to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012.

These unaudited interim consolidated financial statements have not been reviewed by the company's external auditors. They were authorized for issuance by the Board of Directors on May 29, 2013.

(b) Basis of presentation

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

The preparation of unaudited interim consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and to exercise judgement in applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these unaudited interim consolidated financial statements, are disclosed in note 2(m).

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

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

(d) Functional currency and foreign currency translation

Functional and presentation currency

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

(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) Exploration expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period 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 ("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) 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.

(i) 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.

(j) Deferred taxes

The company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities. The deferred income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to be settled or realized.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the company does not considered it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Potential tax benefits from income tax loss carry forwards are not recognized by the company until realization is more likely than not. These potential tax benefits have not been recognized in the consolidated financial statements to date because management has not determined that it is probable that the company will realize these future tax benefits.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(k) 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 upon vesting over the tranche's vesting period by increasing the reserve for share based payments based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to share capital. The consideration reserve for share based payments resulting from share based amount is transferred to share capital 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.

(l) Earnings (loss) per share

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

Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

(i) **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.

(ii) **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.

(n) **Accumulated other comprehensive income (loss)**

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Certain gains and losses arising from changes in fair value are temporarily recorded outside the consolidated statements of income (loss) in accumulated comprehensive income (loss) as a separate component of shareholders' equity. Other comprehensive income (loss) may include any unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the currency used for presentation and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of taxes.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(o) 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 term deposits as FVTPL.

Loans and receivables

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

AFS financial assets

Non derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive 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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(o) Financial instruments, continued

Impairment of financial assets

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

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

The carrying amount of all financial assets, excluding 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

(o) **Financial instruments, continued**

Financial liabilities

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

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

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.

Financial hierarchy

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

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

3. ADOPTION OF NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS

At the date of authorization of these unaudited interim consolidated financial statements, the IASB has issued the following new and revised standards and interpretations that may be relevant to the company, but are not yet effective for the relevant reporting periods:

(a) **IFRS 7 "Financial Instruments: Disclosures"** provides disclosure guidance on offsetting financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after July 1, 2013 and is applied retrospectively.

(b) **IFRS 9 "Financial Instruments: Classification and Measurement"** effective date extended to January 1, 2015, addresses the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method to be used.

(c) **IAS 32 "Financial Instruments: Presentation"** prescribes the accounting for offsetting financial assets and financial liabilities. The amendment is effective annual periods beginning on

3. Adoption of new and revised IFRS standards and interpretations, continued

or after January 1, 2014 and is applied retrospectively with earlier application permitted. The application of this pronouncement is not expected to have a material impact on the unaudited interim consolidated financial statements.

The company has not early adopted any of these standards, amendments and interpretations. However, management is currently assessing the impact of their application in the consolidated financial statements of the company.

4. Accounts receivable

	March 31 2013	December 31 2012
Refundable HST ITC's	$ **46,570**	$ 39,019
Accrued interest - cashable GIC's	**-**	1,150
	$ **46,570**	$ 40,169

The recoverable HST ITC's were received in full in April, 2013.

5. Advances to DRC operations

As at March 31, 2013, the company had made unexpended mineral advances to its DRC operations totalling $36,082 (December 31, 2012 - $24,815). The advances were to cover ongoing exploration activities.

6. Accounts Payable and Accrued Liabilities

	March 31 2013	December 31 2012
Balances made up of:		
Trade accounts payable	$ **3,994**	$ 25,082
Accrued liabilities	**49,000**	39,500
	$ **52,994**	$ 64,582

7. Share Capital

Authorized : unlimited number of common voting shares

Issued and outstanding:

	Shares	$
Balance - December 31, 2011	**37,199,200**	**2,943,920**
Private placement (Note 7(a))	**3,313,000**	496,950
Balance - December 31, 2012 and March 31, 2013	**40,512,200**	**3,440,870**

(a) In November, 2012, the company closed a non-brokered private placement financing of 3,313,000 common shares at $0.15 per share for total cash consideration of $496,950.

8. WARRANTS

	Warrants	Exercise price	Attributed value
Balance - December 31, 2011	**8,375,000**	$ 0.06	23,500
July, 2011 warrants expired unexercised	**(375,000)**	0.25	(7,500)
Balance - December 31, 2012 and March 31, 2013	**8,000,000**	$ 0.05	$ 16,000

(a) The company issued 8,000,000 warrants in July, 2010 that expire by January 15, 2015, and a further 375,000 warrants in July, 2011 that expired on May 1, 2012. Each warrant entitles the holder to purchase one common share.

(b) The warrants issued in July, 2011 expired unexercised on May 1, 2012. The value attributed to them of $7,500 was transferred to contributed surplus upon expiry.

9. STOCK OPTIONS AND SHARE BASED PAYMENTS

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.

Stock option activity for the period from January 1, 2011 to December 31, 2012 was as follows:

	Options	**Weighted average exercise price**	**Exercisable**	**Share based payments recognized**
Balance - December 31, 2011	**1,200,000**	$ 0.15	1,000,000	$ 119,167
July, 2011 grants exercisable in 2012 (Note 9(a))	**-**	-	100,000	9,167
Granted in year (Note 9(a)(ii))	**185,000**	0.25	92,500	1,485
Granted in year (Note 9(a)(ii))	**185,000**	-	92,500	1,485
Granted in year (Note 9(b))	**1,900,000**	0.15	633,332	23,217
Forfeiture	**(100,000)**	0.15	(100,000)	(11,000)
Balance - December 31, 2012	**3,370,000**	0.17	1,818,332	143,521
April, 2012 grants exercisable in 2013	**-**	-	92,500	546
Balance - March 31, 2013	**3,370,000**	$ 0.17	1,910,832	$ 144,067

(a) July 27, 2011 grant:

(i) The Board of Directors approved the grant of 1,200,000 options exercisable at $0.15 per option with a term of five years (expiring July 27, 2016). Of these options, 900,000 vested immediately and the remaining 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.

(ii) The fair value of these options issued to officers, directors and consultants has been calculated with the Black-Scholes option pricing model. Using the assumptions of: (1) risk

9. STOCK OPTIONS AND SHARE BASED PAYMENTS, CONTINUED

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.

(b) April 8, 2012 grant:

(i) As part of the agreement with CHF Investor Relations ("CHF") for the provision of investor relations and market-making services, the Board of Directors approved the grant of 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.

(ii) The fair value of the $0.25 options has been calculated with the Black-Scholes option pricing model. Using the assumptions of: (1) risk free interest rate of 1.0% (2) expected volatility of 112.2%, (3) expected life of 2.77 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.01.

(iii) Using the same assumptions as above, the fair value attributed to the $0.35 options was $0.01.

(c) November 27, 2012 grant:

(i) 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.

(ii) The fair value of these options issued to officers, directors and consultants has been calculated with the Black-Scholes option pricing model. Using the assumptions of: (1) risk free interest rate of 1.0% (2) expected volatility of 104%, (3) expected life of 3.00 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.02.

(d) Share based payments

For options that have vested during the three month period ended March 31, 2013, share based payments of $546 were recorded (March 31, 2012 - $NIL).

10. LOSS PER SHARE

The weighted average number of shares outstanding for the three month period ended March 31, 2013 was 40,512,200 (March 31, 2012 - 37,199,200). Diluted loss per share is the same as basic loss per share as all options and warrants are anti-dilutive.

11. EXPLORATION EXPENDITURES

As at March 31, 2013, the company had interests in four exploration licenses, the details of which are as follows:

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

(i) 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 ("the Kolwezi Project") located in the Kolwezi district of the Democratic Republic of Congo ("DRC"). The company has a right to increase its ownership in the exploration project 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 exploration 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.

Expenditures to March 31, 2013 have increased the company's ownership interest in the Kolwezi Project to approximately 45.8% *(see also note 11(c))*.

(ii) The basic terms of the initial exploration license for the Kolwezi project are as follows:

Exploration license:	PR 9090
Permitted exploration:	Copper, cobalt and gold
Permit holder:	La Miniere du Congo SPRL
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 1st license renewal
Location:	Less than 10 km east of Kolwezi, Katanga Province, DRC

(iii) During 2012, the company acquired an interest in 3 further exploration licenses (PR 12717, PR 12718 and PR 12719) adjacent to PR 9090 (as part of the Kolwezi Project) from the Mining Cadastre of the DRC. 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, which occured with the first renewal of PR 9090. Permitted exploration includes copper, cobalt and gold. In order to maintain the validity of the license, the company must begin work within a year and pay annual area taxes, but there are no minimum work requirements. With the acquisition of these three additional exploration licenses and the 50% relinquishment, the company's land position has changed from 81 km sq to 148 km sq.

11. EXPLORATION EXPENDITURES, 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, has an initial term of five years (expiring February 5, 2013) and one renewal term for an additional five years. 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.

For the anniversary period ended February 5, 2012, the company was obligated to an annual work requirement of CAD $3.00 per hectare to be completed by the anniversary date. In lieu of actual work being performed, the company made a cash payment of CAD $37,123 (February, 2011 - $18,512) to the Province of Manitoba.

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 such that the license has been effectively terminated.

(c) **Exploration expenditures (stated in $CAD)**

		March 31 2013		March 31 2012
Kolwezi project				
Acquisition	$	-	$	203,512
Travel and accommodation		**37,795**		59,634
Consulting		**49,906**		48,303
Fieldwork		**41,643**		6,217
Services: drilling and surveying		**114,403**		51,693
Administration		**7,947**		4,604
License and other fees		**16,320**		-
General		**227**		2,891
		268,241		376,854
Stephens Lake project				
Exploration		**-**		37,023
	$	**268,241**	$	413,877

12. FINANCIAL INSTRUMENTS

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk, mineral property 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 counterparty's inability to fulfill its payment obligations. The company's credit risk is primarily attributable to cash, term deposits and accounts receivable. Financial instruments included in accounts receivable consist of HST and accrued interest on the company's cashable term deposits.

As at March 31, 2013, cash and term deposits of $91,216 (December 31, 2012 - $468,360) are held with reputable financial institutions from which management believes the risk of loss to be minimal. As accounts receivable consists of refundable HST ITC's and accrued interest on cashable GIC's, management believes that its credit risk 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 March 31, 2013, the company had working capital of $139,439 (December 31, 2012 - $488,669). 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 March 31, 2013, the company has certain cash balances that earn no interest, $53,783 of term deposits (in the form of cashable GIC's) that earn interest of 1.0% and no interest-bearing debt. Accordingly, its interest rate risk is considered nominal.

12. 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 would affect net comprehensive income by approximately $3,600.

(f) Fair value hierarchy

Except for cash and term deposits classified as FVTPL and as Level 1, 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.

13. 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 the DRC and to maintain corporate and administrative functions. The company considers its capital to be its shareholders' equity. The company manages its capital structure in an effort to provide sufficient funding for its development projects. Funds are primarily secured through equity capital raised by way of private placements.

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

14. SEGMENTED INFORMATION

The company conducts its business in a single operating segment consisting of the exploration activities in the DRC and the Stephens Lake Project. All of the expenditures to March 31, 2013 related to the DRC operations as the Stephens Lake license has effectively been terminated *(see note 11(b))*.

15. RELATED PARTY TRANSACTIONS

(a) During the three month period ended March 31, 2013, the company paid total fees of $52,500 (March 31, 2012 - $52,500) to a company controlled by a shareholder and director for management and administrative services, including compensation for the CFO, corporate secretary, office rent and ongoing administrative functions *(see also note 16(c))*.

(b) Starting in the fourth quarter of fiscal 2012, the Board of Directors approved quarterly fees to each independent director of $1,500, or $4,500 in total. The expense recognized in the three month period ended March 31, 2013 was $4,500 (March 31, 2012 - $NIL). As at March 31, 2013, accounts payable and accrued liabilities includes a provision of $9,000 (December 31, 2012 - $4,500) for such fees.

16. COMMITMENTS

(a) The company's management contract is on a monthly basis with a six-month notice period *(see also note 15(a))*.

(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 to USD $12,500 per month in July, 2012 for the balance of the contract that expires in July, 2013.

(c) In April, 2012, the company entered into an agreement with CHF for the provision of investor relations and market-making services. The agreement with CHF was for a period of twelve months and may be renewed quarterly thereafter. CHF will receive a monthly fee of $4,600. In addition, CHF was granted 370,000 options as described in note 9(b).

The contract was not renewed after the end of the reporting period, whih will result in the options noted above expiring in July 2013.