

TELFERSCOT RESOURCES INC.

Interim Consolidated Financial Statements

Three and nine month periods ended September 30, 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 September 30, 2013 and December 31, 2012
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>September 30</u> 2013	<u>December 31</u> 2012
ASSETS		
Current:		
Cash	\$ 113,024	\$ 315,110
Term deposits	-	153,250
Accounts receivable (Note 4)	24,964	40,169
Prepaid expenses	6,387	19,907
Advances to DRC operations (Note 5)	-	24,815
	<u>\$ 144,375</u>	<u>\$ 553,251</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 6)	<u>\$ 100,339</u>	<u>\$ 64,582</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	3,544,870	3,440,870
Contributed surplus	22,250	18,500
Reserve for warrants (Note 8)	12,000	16,000
Reserve for share based payments (Note 9)	144,218	143,521
Accumulated deficit	(3,659,952)	(3,109,505)
Accumulated other comprehensive loss	(19,350)	(20,717)
	<u>44,036</u>	<u>488,669</u>
	<u>\$ 144,375</u>	<u>\$ 553,251</u>

Going concern (Note 1(c))

Commitment (Note 16)

Subsequent event (Note 17)

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

Approved on behalf of the Board:

"Gerry Gravina", Director

"Stephen Coates", Director

TELFERSCOT RESOURCES INC.
Interim Consolidated Statements of Loss and Comprehensive Loss
Three and nine month periods ended September 30, 2013 and 2012
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	Three month period ended September 30 2013	Nine month period ended September 30 2013	Three month period ended September 30 2012	Nine month period ended September 30 2012
Revenue				
Foreign exchange gain	\$ -	\$ 3,306	\$ -	\$ -
Interest income	-	387	1,046	3,211
	<u>-</u>	<u>3,693</u>	<u>1,046</u>	<u>3,211</u>
Expenses				
Exploration expenditures (Note 11(c))	-	300,585	202,586	943,417
Office and administration	51,387	169,899	54,091	164,632
Shareholder communications and reporting issuer costs	8,251	35,971	16,274	49,286
Professional fees	10,967	32,003	15,711	63,366
Insurance	2,365	11,235	3,713	11,358
Share based payments	3,667	4,447	11,120	11,120
Foreign exchange loss (gain)	3,525	-	-	-
	<u>80,162</u>	<u>554,140</u>	<u>303,495</u>	<u>1,243,179</u>
Net loss	\$ (80,162)	\$ (550,447)	\$ (302,449)	\$ (1,239,968)
Basic and diluted loss per share (Note 10)	\$ (0.002)	\$ (0.013)	\$ (0.008)	\$ (0.033)
Comprehensive loss				
Net loss	\$ (80,162)	\$ (550,447)	\$ (302,449)	\$ (1,239,968)
Exchange difference on translation of foreign operations	-	1,367	(606)	(7,669)
	<u>-</u>	<u>1,367</u>	<u>(606)</u>	<u>(7,669)</u>
Comprehensive loss	\$ (80,162)	\$ (549,080)	\$ (303,055)	\$ (1,247,637)

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

TELFERSCOT RESOURCES INC.
Interim Consolidated Statement of Changes in Shareholders' Equity
Period from January 1, 2012 to September 30, 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	Share capital		Reserve for warrants		Contributed surplus	Reserve for share based payments	Accumulated deficit	Accumulated other comprehensive loss	Total
	Shares	Amount	Number	Amount					
	(Note 7)		(Note 8)			(Note 9)			
As at January 1, 2012	37,199,200	\$ 2,943,920	8,375,000	\$ 23,500	\$ -	\$ 119,167	\$ (1,552,183)	\$ (8,354)	\$ 9,901,050
Expiry of unexercised July, 2011 warrants	-	-	(375,000)	(7,500)	7,500	-	-	-	-
Share based payments	-	-	-	-	-	11,120	-	-	11,120
Net loss for period	-	-	-	-	-	-	(1,239,968)	-	(1,239,968)
Currency translation adjustment	-	-	-	-	-	-	-	(7,669)	(7,669)
As at September 30, 2012	37,199,200	2,943,920	8,000,000	16,000	7,500	130,287	(2,792,151)	(16,023)	8,664,533
Private placement	3,313,000	496,950	-	-	-	-	-	-	496,950
Forfeiture of stock options	-	-	-	-	11,000	(11,000)	-	-	-
Share based payments	-	-	-	-	-	24,234	-	-	24,234
Net loss for period	-	-	-	-	-	-	(317,354)	-	(317,354)
Currency translation adjustment	-	-	-	-	-	-	-	(4,694)	(4,694)
As at December 31, 2012	40,512,200	3,440,870	8,000,000	16,000	18,500	143,521	(3,109,505)	(20,717)	488,669
Exercise of warrants	2,000,000	104,000	(2,000,000)	(4,000)	-	-	-	-	100,000
Share based payments	-	-	-	-	-	4,447	-	-	4,447
Expiry of stock options	-	-	-	-	3,750	(3,750)	-	-	-
Net loss for period	-	-	-	-	-	-	(550,447)	-	(550,447)
Currency translation adjustment	-	-	-	-	-	-	-	1,367	1,367
As at September 30, 2013	42,512,200	\$ 3,544,870	6,000,000	\$ 12,000	\$ 22,250	\$ 144,218	\$ (3,659,952)	\$ (19,350)	\$ 44,036

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

TELFERSCOT RESOURCES INC.
Interim Consolidated Statements of Cash Flows
Nine month periods ended September 30, 2013 and 2012
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>2013</u>	<u>2012</u>
Operating activities		
Net loss	\$ (550,447)	\$ (1,239,968)
Add (deduct) item not affecting cash:		
Share based payments	4,447	11,120
Unrealized foreign exchange gain (loss)	1,367	(7,669)
	<u>(544,633)</u>	<u>(1,236,517)</u>
Change in non-cash working capital items		
Accounts receivable	15,205	1,982
Prepaid expenses	13,520	(17,043)
Advances to DRC operations	24,815	235,081
Accounts payable and accrued liabilities	35,757	(30,817)
	<u>(455,336)</u>	<u>(1,046,594)</u>
Investing activities		
Term deposits	<u>153,250</u>	<u>377,605</u>
Financing activities		
Proceeds on exercise of warrants	<u>100,000</u>	<u>-</u>
Decrease in cash	(202,086)	(668,989)
Cash, beginning of period	<u>315,110</u>	<u>751,419</u>
Cash, end of period	\$ <u>113,024</u>	\$ <u>82,430</u>

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

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three and nine month periods ended September 30, 2013 and 2012
(Stated in \$CAD)
(Unaudited - Prepared by Management)

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") (*see note 11(a)(i)*). 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.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
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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. It would, 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 September 30, 2013, the company has no source of operating cash flow and had an accumulated deficit of \$3,659,952 (December 31, 2012 - \$3,109,505). Working capital as at September 30, 2013 was \$44,036 compared with \$488,669 as at December 31, 2012. Comprehensive loss for the nine month period ended September 30, 2013 was \$549,080 (nine month period ended September 30, 2012 - \$1,247,637). Operations since inception have been funded solely from the issuance of share capital and exercise of warrants. The company has ongoing operating requirements as a public company and possible future spending requirements with respect to its DRC exploration project, subject to the new financing just obtained in June, 2013 for the Kolwezi Project (*see note 11(a)(i)*).

The company's mining interests 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 funds as and when required to fund operations. There is no assurance that the company will be able to raise additional such 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. 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

(a) Statement of compliance

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.

These unaudited interim consolidated financial statements should be read in conjunction with the company's audited consolidated financial statements for the year ended December 31, 2012. They have not been reviewed by the company's external auditors and were authorized for issuance by the Board of Directors on November 26, 2013.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Except as described below, these unaudited interim consolidated financial statements reflect the accounting policies applied by the company in its audited consolidated financial statements for the year ended December 31, 2012.

As required by the IASB, effective January 1, 2013 the company adopted the following standards and amendments to IFRS:

IFRS 7: "Financial Instruments: Amendment Regarding Offsetting Financial Assets and Financial Liabilities" enables users of the financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles. The company's adoption of IFRS 10 had no effect on its financial statements.

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.

IAS 1: "Presentation of Financial Statements" was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. The company's adoption of IAS 1 had no effect on its financial statements.

IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" provides guidance on the accounting for waste removal costs that are incurred in surface mining activity during the production phase of a mine. The company's adoption of this standard had no effect on its financial statements as it does not have any surface mines in the production phase.

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2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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).

(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 (see note 11(a)(iii)) re initial asset acquisition*). Numco and the company amalgamated on September 25, 2013 as one of the steps required to complete the October, 2013 share exchange transaction described in note 17(a).

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.

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2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Provisions

A provision is recognized on the consolidated statement 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 consider 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.

(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.

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.

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Notes to Interim Consolidated Financial Statements
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(Stated in \$CAD)
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2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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.

(m) Critical accounting estimates and judgements

The preparation of these unaudited interim 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.

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Notes to Interim Consolidated Financial Statements
Three and nine month periods ended September 30, 2013 and 2012
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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.

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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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(o) Financial instruments, continued

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

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

- (a) **IFRS 9: "Financial Instruments"** was issued by the IASB on November 12, 2009 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.
- (b) **IFRS 12: "Disclosure of Interests in Other Entities"** provides disclosure guidance on interests in subsidiaries, joint arrangements, associates and unstructured entities. This standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

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

- (c) **IAS 32: "Financial Instruments - Offsetting Financial Assets and Financial Liabilities"**
The amendment provides further clarification on the application of the offsetting requirements. The company will start the application of IAS 32 in the financial statements effective from January 1, 2014.

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 unaudited interim consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	September 30 2013	December 31 2012
Refundable HST ITC's	\$ 24,964	\$ 39,019
Accrued interest - cashable GIC's	-	1,150
	\$ 24,964	\$ 40,169

5. ADVANCES TO DRC OPERATIONS

As at September 30, 2013, the company had made unexpended mineral advances to its DRC operations totalling \$Nil (December 31, 2012 - \$24,815). The advances were to cover ongoing exploration activities.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30 2013	December 31 2012
Trade accounts payable	\$ 43,339	\$ 25,082
Accrued liabilities	57,000	39,500
	\$ 100,339	\$ 64,582

7. SHARE CAPITAL

Continuity schedules for the company's share capital and other equity instruments are disclosed in the unaudited interim consolidated statement of changes in shareholders' equity for the period from January 1, 2012 to September 30, 2013. Details of changes to share capital during that period are as follows:

- (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.
- (b) In June, 2013, 2,000,000 shares were issued for proceeds of \$100,000 upon the exercise of 2,000,000 warrants at \$0.05 each (see note 8(c)).

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8. WARRANTS

	<u>Warrants</u>	<u>Exercise price</u>	<u>Attributed value</u>
Balance - December 31, 2011	8,375,000	\$ 0.06	23,500
July, 2011 warrants expired unexercised	<u>(375,000)</u>	<u>(0.25)</u>	<u>(7,500)</u>
Balance - December 31, 2012	8,000,000	0.05	16,000
Exercised (Note 7(b))	<u>(2,000,000)</u>	<u>0.05</u>	<u>(4,000)</u>
Balance - September 30, 2013	<u>6,000,000</u>	<u>\$ 0.05</u>	<u>\$ 12,000</u>

- (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.
- (c) In June, 2013, 2,000,000 warrants exercised at \$0.05 each for proceeds of \$100,000, resulting in the issuance of 2,000,000 common shares (*see note 7(b)*). \$4,000 of the value originally attributed to the warrants was transferred to share capital upon exercise.

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, 2012 to September 30, 2013 was as follows:

	Nine months ended September 30 2013		Year ended December 31 2012	
	<u>Options</u>	<u>Weighted- average exercise price</u>	<u>Options</u>	<u>Weighted- average exercise price</u>
Outstanding, beginning of period	3,370,000	\$ 0.17	1,200,000	\$ 0.15
Granted (Note 9(b))	-	-	185,000	0.25
Granted (Note 9(b))	-	-	185,000	0.35
Granted (Note 9(c))	-	-	1,900,000	0.15
Forfeited upon cessation of employment	-	-	(100,000)	0.15
Expired unexercised	<u>(370,000)</u>	<u>0.30</u>	<u>-</u>	<u>-</u>
Outstanding, end of period	<u>3,000,000</u>	<u>\$ 0.15</u>	<u>3,370,000</u>	<u>\$ 0.17</u>

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9. STOCK OPTIONS AND SHARE BASED PAYMENTS, CONTINUED

As at September 30, 2013, the issued and outstanding options to acquire common shares of the company are as follows:

<u>Grant date</u>	<u>Number of options</u>		<u>Exercise price (\$)</u>	<u>Expiry date</u>
	<u>Granted</u>	<u>Exercisable</u>		
July 27, 2011	1,100,000	1,100,000	0.15	July 27, 2016
November 27, 2012	1,900,000	633,332	0.15	November 27, 2017
	<u>3,000,000</u>	<u>1,733,332</u>	<u>0.15</u>	

The details of each specific option grant are as follows:

(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 fiscal 2012 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 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:

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 were exercisable at \$0.25 per common share and 185,000 at \$0.35 per common share. These options expired unexercised in July, 2013.

(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.

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9. STOCK OPTIONS AND SHARE BASED PAYMENTS, CONTINUED

(d) Share based payments:

For options that have vested during the three and nine month periods ended September 30, 2013, share based payments of \$3,667 and \$4,447 respectively were recorded (three and nine month periods ended September 30, 2012 - \$11,120 and \$11,120 respectively).

10. LOSS PER SHARE

Basic and diluted loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and nine month periods ended September 30, 2013 was 42,512,200 and 41,310,735 respectively (three and nine month periods ended September 30, 2012 - 37,199,200 and 37,199,200 respectively).

Diluted loss per share and the weighted average number of common shares exclude all potentially dilutive equity instruments since their effect is anti-dilutive. As at September 30, 2013, the following potentially dilutive equity instruments were outstanding: (1) 6,000,000 warrants (December 31, 2012 - 8,000,000), and (2) 3,000,000 options (December 31, 2012 - 3,370,000).

11. EXPLORATION EXPENDITURES

The following provides details on the company's various exploration licenses as at September 30, 2013:

(a) Kolwezi Project, Democratic Republic of Congo:

- (i) On June 4, 2013, the company announced it had entered into a binding agreement with a new investor, Ivory Mines Investments Limited ("Ivory"), to provide USD \$20,000,000 of funding to advance the Kolwezi Project, an exploration project located in the Kolwezi district of the Democratic Republic of Congo ("DRC"). Telferscot had originally acquired an interest in the project as described in note 11(a)(iii) below.

Under the terms of the agreement, Ivory will provide a USD \$20,000,000 equity facility ("the facility") to fund future exploration. Monies will be advanced from the facility quarterly (in advance) to fund the exploration budget. Ivory may withdraw the facility if exploration results do not meet expectations, subject to a requirement to fund a minimum of 4,000 meters of drilling.

In return for provision of the facility, Ivory will receive a 70% interest in the Kolwezi Project. In the event that the facility is withdrawn prior to full funding of the USD \$20,000,000, Ivory's interest will be reduced on a pro-rata basis.

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11. EXPLORATION EXPENDITURES, CONTINUED

- (ii) As part of the agreement, Telferscot has waived its rights to increase its ownership interest in the Kolwezi Project under the terms of its original agreement. Accordingly, the company will no longer be required to provide any funding for the project.

As a result of the Ivory agreement and related finders' fees, Telferscot's interest in the project has been diluted to 10.39% (*see also note 17*). It will effectively be treated as a carried interest until such time as the entire USD \$20,000,000 has been expended or until the Ivory facility is terminated in accordance with its terms. As the company had previously elected to expense all exploration costs (*see note 2(f)*), there are no capitalized costs with respect to the carried interest of this project on the balance sheet.

- (iii) In July, 2011, the company acquired its initial interest in the Kolwezi Project through its acquisition of Numco. Telferscot had 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 reached 60% ownership, either party had an option to force the acquisition of the remaining 40% ownership of the exploration license.

At the date of the Ivory agreement, the company's interest in the Kolwezi Project was approximately 47.4% (*see also note 11(c)*).

- (iv) 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 license 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 on 1st license renewal
Location:	Less than 10 km east of Kolwezi, Katanga Province, DRC

- (v) 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 occurred 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.

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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. The license has been effectively terminated.

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

The table below reflects the company's mineral expenditures for the nine month periods ended September 30, 2013 and 2012 respectively. There were no further expenditures in the three month period ended September 30, 2013 as the company is no longer providing any funding for the project after April 30, 2013 (*see note 11(a)(ii)*).

	Three month period ended September 30 2013	Nine month periods ended September 30 2013	2012
Kolwezi project			
Drilling and surveying	\$ -	\$ 111,861	\$ 84,932
Consulting	-	67,043	95,692
Fieldwork	-	41,957	11,923
Travel and accommodation	-	38,627	114,988
License and other fees	-	33,364	19,216
Administration	-	7,733	11,479
Acquisition	-	-	363,622
General	-	-	1,956
	-	300,585	703,808
Stephens Lake project			
Exploration	-	-	37,023
	\$ -	\$ 300,585	\$ 740,831

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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 September 30, 2013, cash and term deposits of \$113,024 (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 September 30, 2013, the company had working capital of \$44,036 (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) Sensitivity analysis

The company operates in Canada and has a presentation and functional currency of CAD dollars. The company maintains USD denominated bank accounts in Canada, but no longer actively operates in the DRC where the functional currency was the US dollar. It is therefore subject to foreign exchange fluctuations against the CAD dollar on its USD denominated cash in Canada. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net comprehensive income by approximately \$7,700.

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12. FINANCIAL INSTRUMENTS, CONTINUED

(e) 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 maintain head office corporate and administrative functions. The company considers its capital to be its shareholders' equity. The company manages its capital structure in an effort to provide sufficient funding for its development projects. Funds are primarily secured through equity capital raised by way of private placements and exercise of warrants.

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

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 for the three and nine month periods ended September 30, 2013 related to the DRC operations as the Stephens Lake license has effectively been terminated (*see note 11(b)*).

15. RELATED PARTY TRANSACTIONS (INCLUDING KEY MANAGEMENT COMPENSATION)

- (a) Telferscot is billed a monthly fee of \$17,500 by a company controlled by a shareholder and director for management and administrative services, including monthly compensation for the CFO of \$3,500, corporate secretary, office rent and regular administrative functions. During the three month and nine month periods ended September 30, 2013, the company incurred total fees of \$52,500 and \$157,500 respectively (three month and nine month periods ended September 30, 2012 - \$52,500 and \$157,500 respectively). Since June, 2013, Telferscot has only been paying \$10,000 per month against that fee, such that as at September 30, 2013, accounts payable and accrued liabilities includes \$30,000 (December 31, 2012 - \$Nil) in respect of such fees (*see also note 16*).

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15. RELATED PARTY TRANSACTIONS (INCLUDING KEY MANAGEMENT COMPENSATION), CONTINUED

- (b) In April, 2012, a company owned by the CFO was paid fees of \$8,000 for services incremental to the 2011 audit. This amount was approved by the Board of Directors.
- (c) The company's former president and COO, who was also a director, had a consulting agreement that paid USD \$12,500 per month from July, 2012 onward (USD \$10,000 per month prior to that). Fees paid under the terms of this agreement in the three and nine month periods ended September 30, 2013 (all in USD) totalled \$12,500 and \$50,000 respectively (three and nine month periods ended September 30, 2012 - \$37,500 and \$97,500 respectively). Payments under the agreement ceased after April, 2013 upon Ivory's financing agreement (*see note 11(a)(i)*).
- (d) 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. Fees recorded in the three and nine month periods ended September 30, 2013 totalled \$3,000 and \$7,500 respectively (three and nine month periods ended September 30, 2012 - \$Nil and \$Nil respectively), after reversal of a provision of \$4,500 for a departed director. As at September 30, 2013, accounts payable and accrued liabilities includes of \$12,000 (December 31, 2012 - \$4,500) in respect of such fees.

16. COMMITMENT

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

17. SUBSEQUENT EVENTS

(a) Share exchange transaction

With a new direction to be undertaken by the company as a result of the Ivory transaction (*see note 11(a)(i)*), management approached the company's largest shareholder with a proposal whereby this shareholder would exchange its shares of the company for an equivalent percentage of the company's stake in the Kolwezi Project. This share exchange transaction, approved by shareholders at the company's Annual General Meeting in August, 2013 and completed on October 23, 2013, had the following terms:

This shareholder held 12,237,200 common shares of Telferscot, representing 28.79% of the 42,512,200 then-outstanding common shares. Prior to the share exchange transaction, the company held a 10.39% interest in the Kolwezi Project. The company transferred 28.79% of its 10.39% interest, or 2.99%, to this shareholder. In consideration for the transfer of this interest, the shareholder surrendered its entire shareholding position in Telferscot for cancellation, reducing the number of issued and outstanding common shares in Telferscot to 30,275,000.

(b) Options cancellation

A total of 616,667 options were cancelled in November, 2013 for individuals who ceased being officers, directors or consultants to the company.