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**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Years ended December 31, 2015 and 2014**  
**(Stated in \$CAD)**

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*The following MD&A of Telferscot Resources Inc. contains information concerning the company's business strategies, capabilities, financial results and an overview of the outlook for the company and the industry as at April 29, 2016. The audited financial statements for the years ended December 31, 2015 and 2014, together with the accompanying note disclosure, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with these audited financial statements. All note references in this MD&A are made in reference to these financial statements. All financial balances are stated in Canadian dollars, the company's reporting currency. All public filings of the company are available on SEDAR at [www.sedar.com](http://www.sedar.com).*

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

**NATURE OF OPERATIONS**

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

**RECENT DEVELOPMENTS**

Over the course of the year, as part of a corporate re-organization and re-capitalization, the Company entered into a series of inter-related agreements and resulting transactions, as follows:

- As announced on May 13, 2015, a proposed transaction with Resideo Properties Inc. (*see note 4(a)*)
- A private equity placement was completed in June, 2015 for \$150,000 (*see note 4(b)(i)*)
- A second round of financing in October, ultimately cancelled in November, 2015 and the funds were returned to investors in January, 2016 (*see note 4(b)(ii)*)
- On November 11, 2015, the Company announced it had entered into a letter of intent to sell its entire 7.4% interest in KCC for gross proceeds of \$1,182,905 (USD \$854,700) (*see notes 6 and 18(a)*).
- Cancellation of the Resideo transaction in January, 2016 (*see notes 4(a) and 18(c)*)
- On March 24, 2016, as approved at the Annual General Meeting held on February 25, 2016, the Company announced a return of capital of \$0.0145 per share, distributable in cash, common shares or combination thereof (*see note 18(d)*)

### **Resideo Properties Inc.**

- (a) On May 13, 2015, the Company announced that it had entered into a letter of intent with Resideo Properties Inc. (“Resideo”) to acquire the business of Resideo following the completion of due diligence and a formal purchase agreement (the “Acquisition”). Resideo is a privately held Canadian company originally set up to acquire a portfolio of single-family and multi-tenant residential properties in the Detroit, Michigan area. Due to changing market conditions, the proposed transaction with Resideo was cancelled on January 11, 2016 (*see note 18(c)*).
- (b) The proposed Acquisition necessitated Telferscot to complete several corporate actions including a refinancing (*see note 4(b)(ii)*), and a consolidation of the Company's shares. The details of the inter-related transactions that were completed are as follows:
  - (i) On June 22, 2015, the Company closed the first tranche of the previously announced financing through the issuance of 30,000,000 common shares at \$0.005 for total proceeds of \$150,000.

The Company received an additional \$220,000 in subscriptions for a private placement of convertible notes (the “Subscriptions”). However, as a result of the sale of the Company's interest in KCC (the “Sale”), as described in note 18(a), and the cancellation of the Acquisition with Resideo, the private placement was cancelled and the Company agreed with the holders that the Subscriptions would be returned. Of the \$220,000 received, \$19,172 was repaid by December 31, 2015 with the remaining \$200,828 being recorded as refundable proceeds on cancellation of private placement on the statement of financial position. The Subscriptions were repaid in full after yearend (*see note 18(e)*).

### **Kolwezi Copper Corp. Sale**

On November 11, 2015, the Company announced that it had entered into a Letter of Intent (the “LOI”) to sell its 2,775 common shares (or 7.4% interest) in Kolwezi Copper Corp. (“KCC”) for \$1,182,905 (USD \$854,700) (the “Sale”) (*see note 18(c)*). A definitive agreement was entered into on January 11, 2016. The Sale closed in two tranches, as follows: (i) the sale of the first tranche of 575 KCC shares closed coincident with the execution of the definitive agreement, whereupon the company received sales proceeds in cash of \$245,106 (USD \$177,100); (ii) the sale of the second tranche of 2,200 KCC shares closed on March 2, 2016, whereupon the company received sales proceeds in cash of USD \$937,798 (USD \$677,600).

During the year, the carrying value of the KCC investment had been written up by \$924,887 to \$1,182,905 to reflect its fair value as at December 31, 2015.

### **Return of Capital**

On March 24, 2016, the Company announced a distribution to shareholders of record on March 10, 2016 (“Shareholders”) of \$0.0145 per share (“Distribution”) as and by way of a reduction in the stated capital of the Company. Shareholders had the option, at their election, to receive the Distribution in the form of common shares issued from treasury (default), cash or a combination thereof. The Company will be returning cash of \$651,077 and issuing 44,581,961 common shares (valued at \$0.005 per share) in satisfaction of elections received from shareholders with respect to the Distribution

## GOING CONCERN

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

As at December 31, 2015, the Company has no source of operating cash flow and had an accumulated deficit of \$3,763,118 (December 31, 2014 - \$3,589,278). Working capital as at December 31, 2015 was \$940,228 compared with a deficiency of \$218,837 as at December 31, 2014. Net loss for the year ended December 31, 2015 was \$173,840 (2014 - \$178,532). Operations since inception have been funded solely from the issuance of share capital and exercise of warrants and the Company has ongoing operating requirements as a public company.

Subsequent to the closing of the sale of the Company's 7.4% interest in KCC on March 3, 2016 and the completion of the cash distributions to shareholders on April 8, 2016 (*see note 18(d)*), the Company anticipates it will have sufficient cash on hand to service its liabilities and fund public company operating costs for the foreseeable future. However, under current market conditions, there is uncertainty as to how long these funds will last, and whether they will be sufficient to execute on a new transaction for the public shell. The ability of the Company to arrange any future financing will largely depend upon prevailing capital market conditions and the continued support of its shareholder base. These factors create material uncertainties that cast significant doubt as to the propriety of the use of the going concern assumption upon which these financial statements have been prepared.

## Capitalization

The following table sets the capitalization of the Company as at December 31, 2015:

Description	Number of securities outstanding
Common shares issued and outstanding	60,275,000
Stock options	2,383,333
<b>Total number of securities outstanding</b>	<b>62,658,333</b>

On June 22, 2015, 30,000,000 common shares were issued as \$0.005 per share for gross proceeds of \$150,000 (*see note 4(b)(i)*) in conjunction with the Resideo Properties Inc. transaction described above.

## FINANCIAL RESULTS

### Summary of Quarterly Results

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

Description/quarter	Dec-15	Sep-15	Jun-15	Mar-2015	Dec-2014	Sep-2014	Jun-2014	Mar-2014
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	110,693	52,863	46,914	1,202	17,368	38,024	7,144	19,759
Gain on change in fair value of KCC investment	924,887	0	0	0	0	0	0	0
Total expenses	48,537	39,171	46,614	39,518	45,047	40,902	51,480	41,103
Comprehensive income (loss) for quarter	876,350	(39,171)	(46,614)	(39,518)	(46,478)	(40,902)	(51,480)	(39,672)

### Results of Operations for Years Ended December 31, 2015 and 2014

#### Working Capital

As at December 31, 2015, the Company had working capital of \$940,228 (December 31, 2014 – deficiency of \$218,837). The Company has no cash flow from operations and is therefore dependent upon raising equity to sustain its operations. Proceeds of the \$150,000 private placement described above were used to pay accrued liabilities, including liabilities to a related party (*see notes 17(a) and 18(c)*), near-term working capital requirements and costs associated with completion of the Resideo Properties Inc. transaction (*see note 4*). The Company has no indebtedness other than ordinary trade payables and accrued liabilities at December 31, 2015 that total \$402,830 (December 31, 2014 - \$242,961) (*see notes 7, 17(a) and 17(b)*).

#### Liquidity and Capital Resources

The Company has financed its operations through the sale of its securities. To December 31, 2015, the Company has raised aggregate equity of \$3,710,870 through the sale of its securities (including common shares and warrants) and the acquisition of the Stephens Lake and Kolwezi properties.

Any liquidity risk has been effectively eliminated with completion of the sale of the KCC shares in March, 2016 for total proceeds of \$1,182,905 (USD \$854,700) (*see note 18(a)*). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

#### Outstanding Share/Equity Data

The Company's authorized share capital consists of an unlimited number of common shares. At December 31, 2015, there were 60,275,000 common shares issued and outstanding. On June 22, 2015, 30,000,000 common shares were issued as \$0.005 per share for gross proceeds of \$150,000 (*see note 4(b)(i)*) in conjunction with the Resideo Properties Inc. transaction described above.

At December 31, 2015, there were no remaining common share purchase warrants as the 6,000,000 warrants outstanding as at December 31, 2014 expired unexercised on January 15, 2015 (*see note 9*).

At December 31, 2015, there were 2,383,333 stock options outstanding to acquire shares of the Company at \$0.15 per option expiring at dates ranging from July, 2016 to November, 2017. All of these options were exercisable as at December 31, 2015 (*see note 10*).

### **Gain on Change in Fair Value of KCC Investment**

As discussed above under “Kolwezi Copper Corp. sale”, the Company recognized a gain of \$924,887 to recognize the **change in fair value of the Company’s KCC investment as at December 31, 2015**.

### **Professional Fees**

Professional fees for the year ended December 31, 2015 were \$35,354 (2014 - \$22,868), consisting of accruals for respective year-end audit fees and legal fees relating to the proposed Resideo transaction.

### **Office and Administration Expenses**

Office and administration expenses for the year ended December 31, 2015 were \$119,864 (2014 - \$132,539). These totals include fees billed by Grove Capital Group Ltd. (“Grove”) for the year ended December 31, 2015 of \$105,000 (2014 - \$120,000) (*see note 17(a)*). Effective October 1, 2015, the monthly fee decreased to \$5,000 from \$10,000. The fees are for management and administrative services, including monthly compensation for the CFO, corporate secretary, office rent and regular administrative functions.

Fees totalling \$172,500 (before applicable HST) were paid out of the proceeds of the various financings described in note 4(b). Accordingly, as at December 31, 2015, accounts payable and accrued liabilities includes \$120,518 (December 31, 2014 - \$172,500) in respect of such fees (*see also note 7*), all of which was paid after year-end.

### **Transactions with Related Parties**

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

Each independent director receives a quarterly honorarium of \$1,500. Fees recorded for the year ended December 31, 2015 were \$12,000 (2014 - \$12,000). To date, no payments have been made against these honorariums such that, as at December 31, 2015, accounts payable and accrued liabilities includes \$39,000 (December 31, 2014 - \$27,000) in respect of such fees.

### **Commitments**

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

### **Subsequent Events**

As discussed above under “Kolwezi Copper Corp. Sale”, on November 11, 2015, the Company announced that it had entered into a Letter of Intent (the “LOI”) to sell its 2,775 common shares (or 7.4% interest) in KCC for \$1,182,905 (USD \$854,700) (the “Sale”) (*see note 4(a)*).

On January 12, 2016, the Company entered into a currency hedge to lock in the CAD equivalent of the USD sales proceeds due on the sale of the second tranche of 2,200 KCC shares (*see note 18(a)*). Under a "Call CAD/Put USD" currency option, the Company, as buyer, has the option to call for the purchase of CAD \$958,500 for a price of USD \$675,000, an effective strike price of CAD \$1.42|USD \$1.00. The option premium was USD \$9,301 and the option was set to expire on March 1, 2016. The Company exercised on its option prior to expiry, resulting in a net gain of \$48,262.

As discussed above under “Resideo Properties Inc.”, on January 28, 2016, the Company announced that the



proposed Resideo acquisition, as announced on May 13, 2015, had been terminated following notice from Resideo that as a result of USD exchange rate fluctuations and general adverse capital markets conditions it is unable to complete the transaction as contemplated.

### **Off-Balance Sheet Arrangements**

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

### **Financial Instruments**

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

### **Critical Accounting Estimates**

The Company's critical accounting estimates are presented in note 2(j). The preparation of these financial statements requires management to make estimates and judgements about the future that affect the amounts recorded in the 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.

### **RISK FACTORS**

An investment in the Company's securities is considered extremely speculative. Prospective investors should consider the specific risks that are associated with the business of the Company. None of the Company's mineral properties are in production or contain a known body of commercial ore. In order to develop its properties, the Company may require additional financing which may not be possible to obtain.

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

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

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





“Conflicts of Interests” below.

### **Lack of Operational Liquidity**

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

### **Exploration, Development and Operating Risks**

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

### **Foreign Exchange Rates**

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

### **Competition**

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



or exploration properties on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be adversely affected.

### **Insurance and Uninsured Risks**

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

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

### **Resignation of Key Personnel**

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

### **Conflicts of Interest**

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

### **Lack of Infrastructure**

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

### **Regulatory Change**

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





### **Risks Related to Title to Properties**

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

### **No Mineral Resources or Mineral Reserves**

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

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

### **Environmental Risks**

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

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

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



posting of a bond in accordance with regulatory determinations is a condition to the right to operate under any material operating authorizations, increases in bonding requirements could prevent the Company from operating even if it and its subsidiaries were otherwise in full compliance with all substantive environmental laws.

### **Need For, and Availability of, Future Additional Equity Capital**

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

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

### **Foreign Operations**

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

Changes, if any, in mining, exploration or investment policies or shifts in political attitude in the DRC may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The Company's operations in the DRC are also exposed to various levels of economic and political risk and uncertainties, including currency exchange fluctuations, political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment in or loss of part or all of the Company's assets.

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

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

### **Government Regulation**

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, taxes, labor standards and occupational health, toxic substances, land use, water use, land claims



of local people, and other matters. Although the exploration and development activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

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

### **Market Price of Common Shares**

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

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

### **No Dividends**

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

### **FORWARD-LOOKING STATEMENTS**

This discussion contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries and its projects, timing and likelihood of obtaining government approval for exploration and other operations, the future price of copper, exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital and availability of future financing, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of legislative and regulatory matters. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might"



or “will” be taken, occur or be achieved. Accordingly, readers should not place undue reliance on forward-looking statements. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others, lack of access to historic drill core, delays in obtaining governmental and regulatory approvals, uncertainty of acquiring necessary drilling exploration licenses, general business, economic, competitive, political, social and security uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper; possible variations of geological parameters; failure of equipment to operate as anticipated; accidents, labor disputes and other risks of the mining industry; political instability, insurrection, terrorism or war; delays in obtaining financing or in the completion of exploration, development or construction activities, as well as those factors discussed in the section entitled “Risk Factors” in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.