MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three and Nine Month Periods Ended September 30, 2016 and 2015
(Stated in $CAD)

The following MD&A of Telferscot Resources Inc. ("Telferscot" or the "Company") 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 November 29, 2016. The unaudited interim financial statements, 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 the (i) unaudited interim consolidated financial statements and accompanying notes of Telferscot for the three and nine month periods ended September 30, 2016 and 2015, and (ii) both the consolidated financial statements and MD&A for the fiscal years ended December 31, 2015 and 2014. All note references in this MD&A are made in reference to these unaudited interim consolidated financial statements. All financial balances are stated in Canadian dollars, the company's reporting currency. All public filings of the company are available on SEDAR at www.sedar.com.

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

NATURE OF OPERATIONS

Telferscot Resources Inc. 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

From the beginning of the prior fiscal year to the reporting date, the Company has entered into a series of inter-related agreements and resulting transactions as part of a corporate re-organization and re-capitalization, as follows:

(i) As announced on May 13, 2015, a proposed transaction with Resideo Properties Inc. *(see note 5(a))*
(ii) A private equity placement was completed in June, 2015 for $150,000 *(see note 5(b)(i))*
(iii) A second round of financing in October, ultimately cancelled in November, 2015 and the funds were returned to investors in January, 2016 *(see note 5(b)(ii))*
(iv) 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 $1,165,652 (USD $854,700) *(see note 7)*
(v) Cancellation of the Resideo transaction in January, 2016 *(see note 5(c))*
(vi) On March 24, 2016, as approved at the Annual General Meeting held on February 25, 2016, the Company announced a distribution of capital of CAD $0.0145 per share, distributable in cash, common shares or combination thereof *(see note 9(a))*
(vii) On May 17, 2016 and further on September 30, 2016 and October 5, 2016, announcements were made with respect to a proposed transaction with Auxico Resources Canada Inc. ("Auxico") *(see note 4)* that, on completion, would constitute a reverse takeover of the Company by Auxico

Auxico Resources Canada Inc.

(a) On May 17, 2016, the Company announced the signing of a binding Letter of Intent ("LOI") to acquire the issued and outstanding shares of Auxico Resources Canada Inc. ("Auxico"). The LOI calls for the issuance of up to 23,500,000 shares of the Company following a consolidation of Telferscot shares to equal not more than 3,000,000 issued and outstanding immediately prior to completion. As of September 30, 2016 and November 29, 2016, the Company has 104,856,961 shares outstanding following the return of capital *(see note 9)*.

Auxico's principal project is the Zamora Property, located in the State of Sinaloa, Mexico, approximately 85km southeast of the city of Culiacan. Zamora covers 3,376 hectares and hosts 15 silver/gold mines and exploration prospects.

(b) On September 30, 2016, the Company announced that it had entered into an amalgamation agreement (the "Amalgamation Agreement") with Auxico as per the LOI *(see note 4(a))*. Pursuant to the Amalgamation Agreement, and on the effective date of the Amalgamation Agreement, the following shall occur:

(i) Following a 35:1 share consolidation to be approved by shareholders, Telferscot shall issue 23,900,000 fully paid, issued and outstanding common shares from treasury (the "Exchange Shares") to Auxico shareholders, being one (1) Exchange Share for each one (1) Auxico share issued and outstanding as of the execution of the Amalgamation Agreement and all such Auxico shares shall be cancelled;

(ii) Auxico is in the process of completing a financing whereby Auxico shall issue secured convertible debentures (the "Debentures) being convertible into 5,000,000 Auxico shares for gross proceeds of US$2,000,000. Telferscot shall assume the obligations of Auxico pursuant to the Debentures. Further to such assumption, Telferscot shall reserve for issuance 5,000,000 Exchange Shares;

(c) Closing of the Auxico transaction is subject to a number of conditions, including the completion of satisfactory due diligence, receipt of any required shareholder, regulatory and third-party consents, completion of ongoing audits the CSE having conditionally accepted the relisting of Telferscot's common shares and the satisfaction of other customary closing conditions

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.

(b) The proposed Acquisition necessitated Telferscot to complete several corporate actions including a refinancing *(see note 5(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.

(ii) 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 7, 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 by March 3, 2016.

(c) 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 was unable to complete the transaction as contemplated.

Kolwezi Copper Corp. Sale

On November 11, 2015, the Company entered into a Letter of Intent to sell its 2,775 common shares (or 7.4% interest) in Kolwezi Copper Corp. ("KCC") for $1,165,652 (USD $854,700) (the "Sale"). 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 $258,176 (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 $907,476 (USD $677,600).

The carrying value of the investment was written up by $924,887 to reflect its fair value as at December 31, 2015. The KCC share sale resulted in recognition of a loss on sale of $17,253 in the three month period ended March 31, 2016.

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. On April 29, 2016, the Company returned cash of $651,077 and issued 44,581,961 common shares (valued at $0.005 per share, or $222,009 in total) for combined consideration distributed of $873,987 in satisfaction of elections received from shareholders with respect to the Distribution.

GOING CONCERN

The accompanying unaudited interim 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 unaudited interim financial statements. Such adjustments could be material.

As at September 30, 2016, the Company has no source of operating cash flow and had an accumulated deficit of $3,102,696 (December 31, 2015 - $3,763,118). Working capital as at September 30, 2016 was $24,685 compared to $940,228 as at December 31, 2015 (after completion of the cash portion of the reduction in stated capital *(see note 9(a))*. Net loss for the nine month period ended September 30, 2016 was $264,465 (nine month period ended September 30, 2015 - $86,132). Operations since inception have been funded solely from the issuance of share capital, exercise of warrants and the sale of assets.

With the closing of the sale of the Company's 7.4% interest in KCC on March 3, 2016 *(see note 7)* and the completion of the cash distributions to shareholders on April 29, 2016 *(see note 9(a))*, the Company still 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 *(see note 4)*. 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 unaudited interim financial statements have been prepared.

Capitalization

The following table sets the capitalization of the Company as at September 30, 2016 and November 29, 2016:

Description	November 29, 2016	September 30, 2016
Common shares issued and outstanding	104,856,961	104,856,961
Stock options	11,433,333	1,283,333
Total number of securities outstanding	116,290,294	**107,240,294**

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. A further 44,581,961 common shares were issued on April 29, 2016 as part of the return of capital described above. 10,150,000 options were issued on October 5, 2016 *(see note 10)*.

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	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-2015	Dec-2014
	$	$	$	$	$	$	$	$
Cash	35,075	87,584	899,744	110,693	52.863	46,914	1,202	17,368
Gain on change in fair value of KCC investment	0	0	0	924,887	0	0	0	0
Total expenses	96,898	120,286	82,022	48,537	39,171	46,614	39,518	45,047
Comprehensive income (loss) for quarter	(96,898)	(120,286)	(47,281)	876,350	(39,171)	(46,614)	(39,518	(46,478)

Results of Operations for the Three and Nine Month Periods Ended September 30, 2016 and 2015

Working Capital

As at September 30, 2016, the Company had working capital of $24,685 (December 31, 2015 – $940,228). The Company has no cash flow from operations and is therefore dependent upon raising equity or selling assets to sustain its operations. The proceeds of $1,165,652 from the KCC share sale *(see note 7)* have been used to pay down trade payables and accrued liabilities and repay the return of the cancelled private placement *(see note 5(b)(ii))*, as well as the April, 2016 funding of the cash component of the return of capital totalling $651,077 *(see note 9(a))*. The Company has total current liabilities as at September 30, 2016 of $12,890 (December 31, 2015 - $402,830) *(see notes 5(b)(ii), 8, and 16(a)(i))*.

Liquidity and Capital Resources

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(b))*. 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, 2016, the Company had working capital of $24,685 (December 31, 2015 - $940,228). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

The Company completed two significant capital transactions during the nine month period ended September 30, 2016 as discussed above under "Working Capital". 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 September 30, 2016, there were 104,856,961 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 5(b)(i))* in conjunction with the Resideo Properties Inc. transaction described above. As part of the return of capital *(see note 9(a))*, a further 44,581,961 common shares were issued in April, 2016.

At September 30, 2016, there were 1,283,333 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 these options were exercisable as at September 30, 2016 *(see note 9)*. 1,100,000 options that were issued in July, 2011 expired unexercised in July, 2016. In conjunction with the capital restructuring resulting from the Amalgamation Agreement with Auxico *(see note 4(b))*, all options issued and outstanding as at September 30, 2016 *(see note 10)* were surrendered by the option holders on October 5, 2016. On October 5, 2016, the Board of Directors approved the grant of 10,150,000 stock options at an exercise price of $0.00714 with a 5-year term to the related company described in note 16(a)(i)). The options vested immediately upon grant and will survive the Auxico Amalgamation Agreement, but will be subject to the same share consolidation as described in note 4(b)(ii)).

Sale of KCC Shares

The Company recognized a loss on sale of the KCC shares of $Nil and $17,253 respectively during the three and nine month periods ended September 30, 2016. This was after 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 *(see note 7)*.

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 7)*. Under a "Call CAD/Put USD" currency option, the Company, as buyer, had the option to call for the purchase of CAD $958,500 at a

price of USD $675,000. The Company exercised on its option prior to expiry, resulting in a gain, net of expenses, of $34,721 during the three month period ended March 31, 2016 *(see note 11).*

Professional Fees

Professional fees for the three and nine month periods ended September 30, 2016 were $10,047 and $65,475 respectively (three and nine month periods ended September 30, 2015 - $3,000 and $10,840 respectively), consisting of (i) professional fees and due diligence costs incurred on the cancelled Resideo transaction, the proposed Auxico transaction and the return of stated capital, and (ii) accruals for respective year-end audit fees.

Office and Administration Expenses

Office and administration expenses for the three and nine month periods ended September 30, 2016 were $25,627 and $79,533 respectively (three and nine month periods ended September 30, 2015 - $33,383 and $99,815 respectively).

Telferscot was billed a monthly fee of $10,000 from January, 2015 to September, 2015 by Grove Capital Group Inc. ("Grove"), a Company controlled by one of the directors. The fee was for management and administrative services, including monthly compensation for the CFO of $2,500, corporate secretary, office rent and regular administrative functions. Starting in October, 2015, the fee decreased to $5,000 per month, as compensation for the CFO was now excluded. During the three and nine month periods ended September 30, 2016, the Company incurred total fees of $15,000 and $45,000 respectively (three and nine month periods ended September 30, 2015 - $30,000 and $90,000 respectively). As at September 30, 2016, accounts payable and accrued liabilities include $Nil (December 31, 2015 - $120,518) in respect of such fees *(see also note 8)*.

Starting in January, 2016, Telferscot was billed a monthly fee of $2,500 by a company controlled by the CFO for services of the CFO (previously billed through Grove). During the three and nine month periods ended September 30, 2016, the Company incurred total fees of $7,500 and $22,500 respectively (three and nine month periods ended September 30, 2015 - $Nil and $Nil respectively). As at September 30, 2016, accounts payable and accrued liabilities include $15,000 (December 31, 2015 - $Nil) in respect of such fees *(see also note 8)*.

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 three and nine month periods ended September 30, 2016 were $3,000 and $9,000 respectively (three and nine month periods ended September 30, 2015 - $3,000 and $9,000 respectively). All such honorariums have been paid in full up to June 30, 2016 such that, as at September 30, 2016, accounts payable and accrued liabilities include $3,000 (December 31, 2015 - $39,000) 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.

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, accounts receivable, investment in private company, 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.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at the date of authorization of these unaudited interim financial statements, the IASB has issued the following revised standards which are not yet effective:

IFRS 9: "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities" was issued by the IASB in July, 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (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. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. was issued in its final form in July 2014 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, 2018.

IFRS 16 "Leases" was issued in January 2016 and will ultimately replace IAS 17, "Leases". IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognize assets and liability for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

IAS 7 "Statement of Cash Flow" has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial

statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The Company has not early adopted these standards, but management is currently assessing the impact of their application in the unaudited interim financial statements. Management has assessed the other standards not yet effective and determined they are unlikely to have a material impact on the financial statements.

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. In order to develop any future properties it may acquire, 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.