CANNTAB THERAPEUTICS LIMITED

(Formerly Telferscot Resources Inc.)

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Stated in $CAD)

Independent Auditors' Report

To the Shareholders of Canntab Therapeutics Limited (formerly Telferscot Resources Inc.):

We have audited the accompanying consolidated financial statements of Canntab Therapeutics Limited (formerly Telferscot Resources Inc.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canntab Therapeutics Limited (formerly Telferscot Resources Inc.) as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 30, 2018 — Licensed Public Accountants

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016
(Stated in $CAD)

		2017		2016
ASSETS				
Current:				
Cash	$	**749**	$	15,562
Accounts receivable (Note 6)		**5,842**		-
Prepaid expenses		**3,479**		1,500
	$	**10,070**	$	17,062
LIABILITIES				
Current:				
Accounts payable and accrued liabilities (Note 8)	$	**157,675**	$	82,220
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 9)		**3,039,629**		2,939,629
Contributed surplus		**187,804**		187,804
Reserve for share based payments (Note 10)		**50,750**		50,750
Accumulated deficit		**(3,425,788)**		(3,243,341)
		(147,605)		(65,158)
	$	**10,070**	$	17,062

Commitment (Note 18)

Subsequent events (Note 19)

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

Approved on behalf of the Board:

"Richard Goldstein" Director *"Victor Fonseca"* Director

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Years Ended December 31, 2017 and 2016
(Stated in $CAD)

		2017		2016
Revenue				
Gain on sale of KCC shares (Note 7)	$	-	$	907,634
Gain on exercise of option (Note 11)		-		34,721
		-		942,355
Expenses				
Management fees (Note 17(a))		**101,700**		92,925
Consulting fees		**25,000**		14,173
Shareholder communication and reporting issuer costs		**22,803**		24,725
Professional fees		**18,529**		104,301
Office and general		**15,328**		20,655
Insurance		**4,641**		3,995
Foreign exchange loss		-		54,920
Share based payments (Note 10(c))		-		50,750
Write-off (recovery) of HST ITC's in accounts receivable (Note 6)		**(5,554)**		56,134
		182,447		422,578
Net income (loss)	$	**(182,447)**	$	519,777
Basic income (loss) per share (Note 13)	$	**(0.002)**	$	0.006
Diluted income (loss) per share (Note 13)	$	**(0.002)**	$	0.005
Net income (loss)	$	**(182,447)**	$	519,777
Gain on change in fair value of KCC shares (Note 7)		-		(924,887)
Net comprehensive income (loss)	$	**(182,447)**	$	(405,110)

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

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Consolidated Statements of Changes in Shareholders' Deficiency
Years Ended December 31, 2017 and 2016
(Stated in $CAD)

	Share capital		Contributed surplus	Reserve for share based payments	Accumulated deficit	Accumulated other comprehensive income	Total
	Shares	Amount					
As at January 1, 2016	**60,275,000**	**$ 3,590,655**	**$ 39,749**	**$ 148,055**	**$ (3,763,118)**	**$ 924,887**	**$ 940,228**
Reduction in stated capital (Note 9(a))	-	(873,935)	-	-	-	-	(873,935)
Issuance of common shares in satisfaction of elections with respect to reduction in stated capital (Note 9(a))	44,581,961	222,909	-	-	-	-	222,909
Expiry of options (Note 10(a))	-	-	108,166	(108,166)	-	-	-
Surrender of options (Note 10(b))	-	-	39,889	(39,889)	-	-	-
Share based payments (Note 10(c))	-	-	-	50,750	-	-	50,750
Net income for year	-	-	-	-	519,777	-	519,777
Realization of gain of change in fair value of KCC shares (Note 7)	-	-	-	-	-	(924,887)	(924,887)
As at December 31, 2016	104,856,961	2,939,629	187,804	50,750	(3,243,341)	-	(65,158)
Net loss and comprehensive loss for year	-	-	-	-	(182,447)	-	(182,447)
Private placement (Note 9(b))	10,000,000	100,000	-	-	-	-	100,000
As at December 31, 2017	**114,856,961**	**$ 3,039,629**	**$ 187,804**	**$ 50,750**	**$ (3,425,788)**	**$ -**	**$ (147,605)**

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

CANNTAB THERAPEUTICS LIMITED
(Formerly Telferscot Resources Inc.)
Consolidated Statements of Cash Flows
Years Ended December 30, 2017 and 2016
(Stated in $CAD)

		2017		2016
Operating activities				
Net income (loss) for year	$	**(182,447)**	$	519,777
Add (deduct) items not affecting cash:				
Gain on sale of KCC shares		**-**		(907,634)
Write-off (recovery) of HST ITC's in accounts receivable		**(5,554)**		56,134
Share based payments		**-**		50,750
		(188,001)		(280,973)
Change in non-cash working capital items				
Accounts receivable		**(288)**		(8,174)
Prepaid expenses		**(1,979)**		-
Accounts payable and accrued liabilities		**75,455**		(119,782)
		(114,813)		(408,929)
Investing activities				
Proceeds on sale of KCC shares		**-**		1,165,652
Financing activities				
Proceeds from issuance of share capital		**100,000**		-
Cash returned to shareholders as part of reduction in stated capital		**-**		(651,026)
Refundable proceeds on cancellation of private placement		**-**		(200,828)
		100,000		(851,854)
Decrease in cash		**(14,813)**		(95,131)
Cash, beginning of year		**15,562**		110,693
Cash, end of year	$	**749**	$	15,562
Non-cash transaction:				
Shares issued to shareholders as part of shareholder distribution (Note 9(a))	$	**-**	$	222,909

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

1. NATURE OF OPERATIONS

On April 12, 2018, Telferscot Resources Inc. ("Old Telferscot") announced that it had closed a three-cornered amalgamation between 2611780 Ontario Inc. ("Numco"), a wholly owned subsidiary of Old Telferscot, and Canntab Therapeutics Limited ("Old Canntab") to acquire the issued and outstanding shares of Old Canntab, effectively resulting in a reverse takeover of Old Telferscot by Old Canntab *(see note 19(a))*. Under the amalgamation, (a) Old Canntab amalgamated with Numco to become Canntab Therapeutics Subsidiary Limited ("Canntab Private"), (b) Old Telferscot changed its name to Canntab Therapeutics Limited ("New Canntab"), (c) such that this resulted in a corporate structure with Canntab Therapeutics Limited ("New Canntab") as the 100% parent of Canntab Therapeutics Subsidiary Limited ("Canntab Private").

The Company was incorporated under the Canada Business Corporations Act on May 31, 2010 and was previously engaged in the acquisition and exploration of resource properties in the Democratic Republic of Congo ("DRC"). It has registered offices at 223 Riviera Drive, Markham, Ontario, Canada, L3R 5J6, is a reporting issuer in the provinces of Ontario, British Columbia, Alberta and Manitoba, and trades under the symbol "TFS" on the Canadian Securities Exchange ("CSE"). As at December 31, 2017, the Company had no current investments such that it currently effectively functions solely as a public shell.

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 part of an anticipated transaction with Resideo Properties Inc. ("Resideo'), a private placement was entered into in October 2015, was ultimately cancelled in November 2015 and funds of $200,828 were returned to investors in January 2016.

(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 $1,165,652 (USD $854,700) *(see note 7)*, closing in January, 2016.

(iii) On March 24, 2016, as approved at the Annual General Meeting held on February 25, 2016, the Company announced a distribution of capital of $0.0145 per share, distributable in cash, common shares or combination thereof *(see note 9(a))*.

(iv) On May 17, 2016 and further on June 30, 2016 and October 5, 2016, announcements had been made with respect to a proposed transaction with Auxico Resources Canada Inc. ("Auxico") *(see note 5)* that, on completion, would have constituted a reverse takeover of the Company by Auxico.

(v) On January 5, 2017, the Company announced the termination of the proposed transaction with Auxico *(see note 5(d))*.

1. NATURE OF OPERATIONS, CONTINUED

(vi) On November 27, 2017, the Company announced the signing of a binding Letter of Intent ("LOI") to acquire the issued and outstanding shares of Canntab Therapeutics Limited ("Canntab") *(see note 19(a))*. On April 12, 2018, the Company announced that it had closed a three-cornered amalgamation with Canntab Therapeutics Subsidiary Limited (formerly Canntab Therapeutics Limited) ("Canntab Private") and 2611780 Ontario Inc. ("261 Ontario"), a wholly owned subsidiary of the Company (the "Transaction") to acquire the issued and outstanding shares of Canntab Private, effectively resulting in a reverse takeover of Telferscot by Canntab Private.

(vii) On April 3, 2018, Old Telferscot announced that it had received final approval from the Ontario Superior Court for the Company's Plan of Arrangement relating to the distribution of certain corporate assets to Old Telferscot shareholders *(see note 19(b))*.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIS") and were authorized for issuance by the Board of Directors on April 30, 2018.

(b) Basis of presentation

The 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").

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(c) **Consolidation**

All entities in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, have been fully consolidated.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

(i) 9581189 Canada Inc., a shell company incorporated with respect to the now-cancelled Resideo transaction;
(ii) 2611780 Ontario Inc., a shell company incorporated with respect to the Canntab transaction *(see note 19(a))*; and
(iii) Six of the seven "Spincos" that were incorporated on December 27, 2017 as part of the Plan of Arrangement *(see note 19(b))*, namely 10557404 Canada Corp. ("SpinCo1"), 10557501 Canada Corp. ("SpinCo2"), 10557510 Canada Corp. ("SpinCo3"), 10557536 Canada Corp. ("SpinCo4"), 10557544 Canada Corp. ("SpinCo5") and 10557633 Canada Corp. ("SpinCo6"). The seventh spinco, 10617059 Canada Corp. ("SpinCo7"), was incorporated in February, 2018.

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

(d) **Functional currency and foreign currency translation**

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the corporate offices located in Canada.

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.

(e) **Cash**

Cash consists of deposits held with banks.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Accumulated other comprehensive income

Net comprehensive income (loss) is comprised of net income (loss) 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 ("AOCI") as a separate component of consolidated shareholders' deficiency. Other comprehensive income (loss) includes any unrealized gains and losses on available-for-sale securities.

(g) Provisions

A provision is recognized on the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) 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. The fair value of each tranche is measured using the Black-Scholes option pricing model based upon the number of awards expected to vest. Compensation expense is recognized upon vesting over the tranche's vesting period by increasing the reserve for share based payments. Any consideration paid on exercise of share options is credited to share capital.

For other 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.

(i) Income (loss) per share

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

Diluted income (loss) per share amounts are calculated by dividing the net earnings attributable to common shareholders by the weighted average number of shares outstanding during the reporting 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. Diluted loss per share amounts are not presented if anti-dilutive.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(j) **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 FVTPL. A financial asset is classified as FVTPL 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 profit or loss. Transaction costs are expensed as incurred. The Company has classified cash 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 considering 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 profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process. The Company has classified accounts receivable 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 income (loss) and accumulated in the AFS reserve. Impairment losses are recognized in profit or 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 (loss) is reclassified from accumulated other comprehensive income to profit or loss. The Company has designated its investment in a private company as AFS.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(j) 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 trade receivables, 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 profit or loss.

A provision for impairment is made in relation to accounts receivable, and an impairment loss is recognized in profit or 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 profit or 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.

Financial liabilities

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

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

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 profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(j) Financial instruments, continued

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. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

(a) **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. The new amendments were adopted effective January 1, 2017 and their adoption did not have a significant impact on these consolidated financial statements.

(b) **IAS 12 "Income Taxes"** was amended by the IASB in January 2016 to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective for annual periods beginning on or after January 1, 2017. The new amendments were adopted effective January 1, 2017 and their adoption did not have a significant impact on these consolidated financial statements.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

(a) **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. The Company is currently evaluating the potential impact of this standard; however, it is not expected to have a significant impact on the consolidated financial statements.

(b) **IFRS 16 "Leases"** was issued by the IASB in January 2016 and will ultimately replace IAS 17, "Leases" and related interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. If the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting this standard.

5. 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 called for the issuance of up to 23,500,000 shares of the Company following a consolidation of the Company shares to equal not more than 3,000,000 issued and outstanding immediately prior to completion. As of December 31, 2016, the Company had 104,856,961 shares outstanding following the return of capital *(see note 9(a))*.

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.

5. AUXICO RESOURCES CANADA INC., CONTINUED

(b) On June 30, 2016, the Company announced that it had entered into an amalgamation agreement (the "Amalgamation Agreement") with Auxico as per the LOI *(see note 5(a))*. On October 5, 2016, the Company signed an amendment to the Amalgamation Agreement to extend the closing date to December 31, 2016.

Pursuant to the Amalgamation Agreement, and on the effective date of the Amalgamation Agreement, the following was to occur:

(i) Following a 35:1 share consolidation to be approved by shareholders, the Company was to 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 was in the process of completing a financing whereby Auxico was to issue secured convertible debentures (the "Debentures) being convertible into 5,000,000 Auxico shares for gross proceeds of US$2,000,000. The Company was to assume the obligations of Auxico pursuant to the Debentures. Further to such assumption, the Company was to reserve for issuance 5,000,000 Exchange Shares;

(c) Closing of the Auxico transaction was 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 re-listing of the Company's common shares and the satisfaction of other customary closing conditions.

(d) On January 5, 2017, the Company announced that a number of conditions precedent to the closing of the proposed Auxico transaction still remained outstanding. Accordingly, the agreement with Auxico was terminated and pursuant to the terms of the transaction, the Company has initiated legal proceedings against Auxico seeking to claim its break fee of $150,000.

No amount has been recorded in these consolidated financial statements with respect to this break fee as any potential recovery, whether in whole or in part, remains uncertain at this time.

6. ACCOUNTS RECEIVABLE

		2017		2016
Refundable HST ITC's	**$**	**5,842**	$	-

As a result of an audit completed in September, 2016 by Canada Revenue Agency, the Company has written off its cumulative HST ITC's as of September 30, 2016 totalling $56,134. The HST ITC's were disallowed by CRA on the grounds that the Company had not been engaged in any commercial activities (for excise tax purposes only) during the period under audit as it had effectively been functioning as an investment holding company since the April, 2013 refinancing of its investment in Kolwezi Copper Corp. that reduced its interest in that project to 7.4% *(see note 7)*.

HST ITC's of $5,842related only to the now-cancelled Auxico transaction have been set up as recoverable as at December 31, 2017 based on legal judgements rendered in similar prior court cases.

7. INVESTMENT IN PRIVATE COMPANY

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.

As of the reporting date, the nature of the investment and the related historical accounting are detailed below:

		2017		2016
Balance, beginning of year	**$**	**-**	$	1,182,905
Sale of investment		**-**		(1,182,905)
Balance, end of year	**$**	**-**	$	-

The KCC share sale resulted in recognition of a gain on sale of $907,634 in the three month period ended March 31, 2016.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2017		2016
Trade accounts payable (Note 17(a)(i))	$	**119,972**	$	5,975
Accrued professional fees and other		**17,703**		70,245
Accrued director fees (Notes 17(b) and 19(d))		**18,000**		6,000
Loan payable - related party		**2,000**		-
	$	**157,675**	$	82,220

The loan payable is due to the related party described in note 17(a)(i), and was effectively repaid in February, 2018 as part of that entity's exercise of its stock options *(see note 19(c))*.

Included in trade accounts payable are previously incurred professional fees of $38,230 with respect to the Auxico legal action *(see note 5(d))* that will be assumed by SpinCo7 under the Plan of Arrangement *(see note 19(b)(vi))*.

9. SHARE CAPITAL

Continuity schedules for the Company's share capital and other equity instruments are disclosed in the consolidated statements of changes in shareholders' deficiency for the years ended December 31, 2017 and 2016. The equity transactions in this period are detailed below:

(a) 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 $651,026 and issued 44,581,961 common shares (valued at $0.005 per share, or $222,909 in total) for combined consideration distributed of $873,935 in satisfaction of elections received from shareholders with respect to the Distribution.

(b) On May 11, 2017, the Company closed a non-brokered private placement in which a total of 10,000,000 common shares were issued at a price of $0.01 per share for gross proceeds of $100,000.

10. STOCK OPTIONS AND SHARE BASED PAYMENTS

The Company's shareholders have approved a stock option plan, the purposes of which are to (i) encourage common share ownership in the Company for directors, officers, consultants and employees, (ii) provide additional incentive for superior performance by such individuals, and (iii) enable the Company to attract and retain valued directors, officers and employees.

Stock option activity during the years ended December 31, 2017 and 2016 was as follows:

	Year ended December 31, 2017			Year ended December 31, 2016		
	Options		**Weighted average exercise price**	Options		Weighted average exercise price
Outstanding, beginning of year	**10,150,000**	**$**	**0.007**	2,383,333	$	0.150
Expired unexercised (Note 10(a))	**-**		**-**	(1,100,000)		0.150
Surrender of options (Note 10(b))	**-**		**-**	(1,283,333)		0.150
Grant of options (Note 10(c))	**-**		**-**	10,150,000		0.007
Outstanding, end of year	**10,150,000**	**$**	**0.007**	10,150,000	$	0.007

As at December 31, 2017, the issued and outstanding options to acquire common shares of the Company were as follows:

	Number of options				
Grant date	**Granted**	**Exercisable**	**Exercise price ($)**	**Remaining life**	**Expiry date**
October 5, 2016	10,150,000	10,150,000	0.007	3.76	October 4, 2021

(a) The 1,100,000 options issued on July 27, 2011 expired unexercised on July 27, 2016, resulting in the transfer of $108,166 from the reserve for share based payments to contributed surplus.

(b) In conjunction with the capital restructuring resulting from the Amalgamation Agreement with Auxico *(see note 5(b))*, all options issued and outstanding as at September 30, 2016 were surrendered by the option holders on October 5, 2016, resulting in the transfer of $39,889 from the reserve for share based payments to contributed surplus.

10. STOCK OPTIONS AND SHARE BASED PAYMENTS, CONTINUED

(c) 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 corporation described in note 17(a)(i)). The options vested immediately upon grant and will survive the Amalgamation Agreement with Auxico *(see note 5(b))*, but will be subject to the same share consolidation as described in note 5(b)(ii)). The fair value of these options was calculated with the Black-Scholes option pricing model. Using the assumptions of: (1) risk free interest rate of 0.69%, (2) expected volatility of 260%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.005, resulting in the recognition of share based payments expense of $50,750 for the year ended December 31, 2016.

(d) In February, 2018, 10,143,039 options were exercised for gross cash proceeds of $72,421. The funds were used to pay down existing accounts payable and accrued liabilities and regular working capital requirements. The remaining 6,961 unexercised options were subsequently cancelled.

11. GAIN ON EXERCISE OF OPTION

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, an effective strike price of CAD $1.42|USD $1.00. The option premium was $13,452 (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 gain, net of expenses, of $34,721.

12. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate of Nil includes significant reconciling items of share based payments of $Nil (2016 - $50,750) and gain on sale of KCC shares of $Nil (2016 - $471,177).

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	2016
	$	$
Mineral properties	**106,130**	106,130
Canadian non-capital losses carried forward	**1,775,300**	1,593,137
Capital losses carried forward	**631,120**	631,120

12. INCOME TAXES, continued

Resource pools may be carried forward indefinitely. Canadian non-capital losses expire as noted below. The net capital loss carryforward may be carried forward indefinitely, but can only be used to reduce capital gains. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2028	$	54,890
2029	$	79,130
2030		204,380
2031		284,830
2032		183,830
2033		55,580
2034		163,250
2035		161,840
2036		405,410
2037		182,160
	$	1,775,300

13. INCOME (LOSS) PER SHARE

Basic income (loss) per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding in the year ended December 31, 2017 was 111,267,920 (2016 - 90,322,020).

As at December 31, 2017, the following potentially dilutive equity instruments were outstanding: (1) 10,150,000 options (2016 - 10,150,000). The fully diluted number of common shares outstanding in the year ended December 31, 2017 was 125,006,961 (2016 - 115,006,961).

The following table presents (loss) earnings per share after giving effect to the 200:1 share consolidation described in note 19(a):

	2017	2016
Net (loss) income	**$(182,447)**	$519,777
Weighted average number of common shares	**556,339**	451,610
Basic income (loss) per share	**$(0.33)**	$1.51
Net (loss) income	**$(182,447)**	$519,777
Fully diluted number of common shares	**556,339**	471,403
Diluted income (loss) per share	**$(0.33)**	$1.10

14. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and currency risk. 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 a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable, which consists of refundable HST ITC's.

As at December 31, 2017, cash of $749 (December 31, 2016 - $15,562) was held with reputable financial institutions from which management believes the risk of loss to be minimal.

(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(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 December 31, 2017, the Company had a working capital deficiency of $147,605 (December 31, 2016 - $65,158). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

(c) Sensitivity analysis

The Company operates in Canada and has a presentation and functional currency of CAD dollars. As at March 31, 2016, the Company had a USD denominated bank account (into which the KCC share sale proceeds were deposited) that was subject to foreign exchange fluctuations against the CAD dollar. As at December 31, 2017, the USD denominated bank account only had nominal funds on deposit such that the Company had virtually no foreign currency risk.

14. FINANCIAL RISK FACTORS, continued

(d) Fair value hierarchy

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments, financial instruments classified as loans and receivables and other financial liabilities approximate their carrying amounts due to their short term maturities. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the consolidated statement of financial position, have been prioritized into three levels as per their fair value hierarchy.

The fair value of the Company's financial instruments where financial measurement is required are as follows:

	2017	2016
	$	$
Level one		
Cash	**749**	15,562

15. 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.

16. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment that, subsequent to the sale of the KCC shares *(see note 7)*, consists of operating solely as a public shell.

17. RELATED PARTY TRANSACTIONS (INCLUDING KEY MANAGEMENT COMPENSATION)

(a) (i) The Company is billed a monthly fee of $5,650 (including applicable HST) by a company controlled by the now-former CEO and director for management and administrative services, including the corporate secretary, office rent and regular administrative functions. During the year ended December 31, 2017, the Company incurred total fees of $67,800 (2016 - $61,950). As at December 31, 2017, accounts payable and accrued liabilities include $39,550 (December 31, 2016 - $5,650) in respect of such fees.

On October 5, 2016, the Board of Directors approved the grant of 10,150,000 options to this related corporation *(see note 10(c))*.

(ii) The Company is billed a monthly fee of $2,825 (including applicable HST) by a company controlled by the CFO for services of the CFO. During the year ended December 31, 2017, the Company incurred total fees of $33,900 (2016 - $30,975 respectively). As at December 31, 2017, accounts payable and accrued liabilities include $19,775 (December 31, 2016 - $Nil) in respect of such fees.

(b) Each independent director receives a quarterly honorarium of $1,500. Fees recorded for the year ended December 31, 2017 were $12,000 (2016 - $12,000). As at December 31, 2017, accounts payable and accrued liabilities include $18,000 (December 31, 2016 - $6,000) in respect of such fees.

18. COMMITMENT

The Company has a contract for management and administrative services *(see note 17(a)(i))* with a six-month notice period that is billed on a monthly basis at a rate of $5,000 plus applicable HST. This contract was cancelled without penalty to the Company after the completion of the reverse takeover transaction with Canntab *(see note 19(a)*).

19. **SUBSEQUENT EVENTS**

(a) **Canntab Therapeutics Limited**

(i) On April 12, 2018, Telferscot Resources Inc. ("Old Telferscot") announced that it had closed a three-cornered amalgamation between 2611780 Ontario Inc. ("Numco"), a wholly owned subsidiary of Old Telferscot, and Canntab Therapeutics Limited ("Old Private") to acquire the issued and outstanding shares of Old Canntab, effectively resulting in a reverse takeover of Old Telferscot by Old Canntab. Under the amalgamation, (a) Old Canntab amalgamated with Numco to become Canntab Therapeutics Subsidiary Limited ("Canntab Private"), (b) Old Telferscot changed its name to Canntab Therapeutics Limited ("New Canntab"), (c) such that this resulted in a corporate structure with Canntab Therapeutics Limited ("New Canntab") as the 100% parent of Canntab Therapeutics Subsidiary Limited ("Canntab Private").

(ii) Canntab is a Canadian cannabis oral dosage formulation company based in Markham Ontario, engaged in the research and development of advanced pharmaceutical grade formulations of cannabinoids. Canntab has developed in-house technology to deliver standardized medical cannabis extract from selective strains in a variety of extended/sustained release pharmaceutical dosages for therapeutic use.

(iii) As a part of the Transaction, the Company consolidated its outstanding common shares on the basis of one post-consolidation common share for every 200 pre-consolidation common shares (each post-consolidation common share, a "Post- Consolidation Share"). In accordance with the terms of the Amalgamation, the Company purchased all of the issued and outstanding common shares of Canntab Private (each, a "Canntab Private Share") on the basis of four Post-Consolidation Shares for each one Canntab Private Share outstanding immediately prior to the Amalgamation.

(iv) The Canntab private placement that closed by December 29, 2017 of 1,251,914 subscription receipts at a price of $4.00 per subscription receipt for gross proceeds of $5,007,656.

(v) On April 18, 2018, Canntab was approved for listing on the Canadian Stock Exchange (the "CSE") and will commence trading under the ticker symbol "PILL".

19. **SUBSEQUENT EVENTS, CONTINUED**

(b) **Plan of Arrangement**

(i) On April 3, 2018, Old Telferscot announced that it had received final approval from the Ontario Superior Court for its Plan of Arrangement. Old Telferscot has set a Record Date for the resulting distribution of shares of April 4, 2018.

(ii) Over the course of 2017, Old Telferscot was presented with several potentially accretive transactions which it was actively considering. When presented with the opportunity to change its business and acquire Old Canntab, management of Old Telferscot determined that it would be in the best interests of Old Telferscot to proceed with the Plan of Arrangement so that Old Telferscot shareholders would still have the opportunity to benefit from the other opportunities that had been presented to and were being developed by management. Old Telferscot formed seven new subsidiaries (the "SpinCo" or "SpinCos") and assigned its rights and interests in (1) six potential transactions, including all letters of intent associated with such transactions and (2) in the Auxico Litigation *(see notes 5(d)* and *8)* to these Spincos.

(iii) Under the Plan of Arrangement, in exchange for transfer of the above-noted assets to each respective Spinco, Old Telferscot shareholders will receive distributions in the form of shares of each of the seven Spincos, as follows:

For every 1,000 shares of Old Telferscot owned, Old Telferscot shareholders will receive:

- 100 shares of SpinCo1
- 20 shares of SpinCo2
- 20 shares of SpinCo3
- 20 shares of SpinCo4
- 100 shares of SpinCo5
- 20 shares of SpinCo6
- 200 shares of SpinCo7

(iv) None of these companies are currently listed for trading on any exchange and as such, the shares are not currently readily saleable. It is the intention of six of the seven companies to complete the planned acquisitions of business as outlined in the Management Information Circular dated March 1, 2018. The seventh company, SpinCo7, will continue to pursue the Company's legal action against Auxico Resources Canada Inc. and will assume previously incurred professional fees of $38,230 included in accounts payable and accrued liabilities as at December 31, 2017 with respect such legal action *(see notes 5(d)* and *8)*.

(c) **Exercise of options**

In February, 2018, 10,143,039 pre-consolidation options were exercised as described in note 10(d).

19. **SUBSEQUENT EVENTS, CONTINUED**

(d) **Forgiveness of directors' fees**

Under the terms of the Canntab transaction, all accrued directors' fees totalling $18,000 have been forgiven.

20. **COMPARATIVES FIGURES**

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year, as detailed below:

	As originally reported		Impact of reclassification	As reclassified
	$		$	$
Professional fees	**118,474**		(14,173)	104,301
Office and administration	**113,580**	$	(92,925)	20,655
Management fees (Note 7)	**-**		92,925	92,925
Consulting fees	**-**	$	14,173	14,173