

TELFERSCOT RESOURCES INC.

Interim Consolidated Financial Statements

Three month periods ended March 31, 2014 and 2013

(Stated in \$CAD)

(Unaudited - Prepared by Management)

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

TELFERSCOT RESOURCES INC.
Consolidated Statements of Financial Position
As at March 31, 2014 and December 31, 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>March 31</u> <u>2014</u>	<u>December 31</u> <u>2013</u>
ASSETS		
Current:		
Cash	\$ 19,759	\$ 47,509
Accounts receivable (Note 4)	33,446	33,148
Prepaid expenses	<u>500</u>	<u>3,252</u>
	53,705	83,909
 Long term:		
Investment in private company (Note 5)	<u>258,018</u>	<u>258,018</u>
	\$ 311,723	\$ 341,927
 LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 6)	<u>\$ 136,346</u>	<u>\$ 126,878</u>
 SHAREHOLDERS' EQUITY		
Share capital (Note 7)	3,440,655	3,440,655
Contributed surplus	27,749	27,749
Reserve for warrants (Note 8)	12,000	12,000
Reserve for share based payments (Note 9)	145,391	145,391
Accumulated deficit	<u>(3,450,418)</u>	<u>(3,410,746)</u>
	<u>175,377</u>	<u>215,049</u>
	\$ 311,723	\$ 341,927

Going concern (Note 1(c))

Commitment (Note 16)

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

Approved on behalf of the Board:

"Gerry Gravina", Director

"Stephen Coates", Director

TELFERSCOT RESOURCES INC.
Interim Consolidated Statements of Loss and Comprehensive Loss
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	<u>2014</u>	<u>2013</u>
Revenue		
Foreign exchange gain	\$ <u>1,431</u>	\$ <u>-</u>
Expenses		
Office and administration	33,325	58,330
Professional fees	2,840	5,000
Insurance	2,750	3,745
Reporting issuer costs	2,188	16,070
Exploration expenditures (Note 11)	-	268,241
Share based payments	-	546
	<u>41,103</u>	<u>351,932</u>
Net loss	<u>\$ (39,672)</u>	<u>\$ (351,932)</u>
Basic and diluted loss per share (Note 10)	<u>\$ (0.001)</u>	<u>\$ (0.009)</u>
Comprehensive loss		
Net loss	\$ (39,672)	\$ (351,932)
Item that may be reclassified subsequently to net loss		
Exchange difference on translation of foreign operations	<u>-</u>	<u>2,156</u>
Comprehensive loss	<u>\$ (39,672)</u>	<u>\$ (349,776)</u>

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

TELFERSCOT RESOURCES INC.
Consolidated Statements of Changes in Shareholders' Equity
Period from January 1, 2013 to March 31, 2014
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	Share capital		Reserve for warrants		Contributed surplus	Reserve for share based payments	Accumulated deficit	Accumulated other comprehensive loss	Total
	Shares	Amount	Number	Amount					
	(Note 7)	(Note 7)	(Note 8)	(Note 8)		(Note 9)			
As at January 1, 2013	40,512,200	\$ 3,440,870	8,000,000	\$ 16,000	\$ 18,500	\$ 143,521	\$ (3,109,505)	\$ (20,717)	\$ 488,669
Share based payments	-	-	-	-	-	546	-	-	546
Net loss for period	-	-	-	-	-	-	(351,932)	-	(351,932)
Currency translation adjustment	-	-	-	-	-	-	-	2,156	2,156
As at March 31, 2013	40,512,200	3,440,870	8,000,000	16,000	18,500	144,067	(3,461,437)	(18,561)	139,439
Exercise of warrants	2,000,000	104,000	(2,000,000)	(4,000)	-	-	-	-	100,000
Share for share exchange	(12,237,200)	(104,215)	-	-	-	-	-	-	(104,215)
Forfeiture of stock options	-	-	-	-	9,249	(9,249)	-	-	-
Share based payments	-	-	-	-	-	10,573	-	-	10,573
Net income for period	-	-	-	-	-	-	50,691	-	50,691
Currency translation adjustment	-	-	-	-	-	-	-	(739)	(739)
Realization of currency translation difference	-	-	-	-	-	-	-	19,300	19,300
As at December 31, 2013	30,275,000	3,440,655	6,000,000	12,000	27,749	145,391	(3,410,746)	-	215,049
Net loss for period	-	-	-	-	-	-	(39,672)	-	(39,672)
As at March 31, 2014	30,275,000	\$ 3,440,655	6,000,000	\$ 12,000	\$ 27,749	\$ 145,391	\$ (3,450,418)	\$ -	\$ 175,377

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

TELFERSCOT RESOURCES INC.
Interim Consolidated Statements of Cash Flows
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

	2014	2013
Operating activities		
Net loss for period	\$ (39,672)	\$ (351,932)
Add (deduct) items not affecting cash:		
Share based payments	-	546
Unrealized foreign exchange loss	-	2,156
	(39,672)	(349,230)
Change in non-cash working capital items		
Accounts receivable	(298)	(6,401)
Prepaid expenses	2,752	1,344
Advances to DRC operations	-	(11,267)
Accounts payable and accrued liabilities	9,468	(11,589)
	(27,750)	(377,144)
Investing activities		
Term deposits	-	99,468
	(27,750)	(277,676)
Decrease in cash	(27,750)	(277,676)
Cash, beginning of period	47,509	315,110
Cash, end of period	\$ 19,759	\$ 37,434

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

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

Telferscot Resources Inc. ("the company" or "Telferscot") was incorporated under the Canada Business Corporations Act on May 31, 2010 and is engaged in the acquisition and exploration of resource properties in the Democratic Republic of Congo ("DRC"). It has registered offices at 401 Bay Street, Suite 2702, Toronto, Ontario, Canada, M5H 2Y4, is a reporting issuer in the provinces of Ontario, British Columbia, Alberta and Manitoba, and trades under the symbol "TFS" on the CSE.

As a result of the transactions detailed in note 5, the company no longer actively operates in the DRC, but now holds its exploration interests through a passive 7.4% interest in Kolwezi Copper Corp. ("KCC").

The unaudited interim consolidated financial statements have not been reviewed by the company's external auditors and were authorized for issuance by the Board of Directors on May 29, 2014.

(b) Development stage enterprise

KCC is considered a development stage enterprise, so Telferscot's 7.4% interest is subject to the risks that come with such an entity, as detailed below:

KCC has not yet determined whether its interests in exploration licenses contain reserves that are economically recoverable. KCC's ability to recover amounts from these properties is largely dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of KCC's interest in the underlying properties, the ability of KCC to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition of the properties. It is considered to be a development stage enterprise as it has yet to generate any revenue from operations.

Although KCC has taken steps to verify title to the exploration licenses on which it is conducting exploration and in which it has an interest, these procedures do not guarantee its title. Although management is not aware of any such agreements, transfers or defects, title may be subject to unregistered prior agreements, claims or transfers and may be affected by undetected defects. Assets located outside of North America are subject to the risk of foreign investment, including currency exchange fluctuations and restrictions and local political instability and uncertainty.

KCC's operations in the DRC are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on KCC's activities or may result in impairment in or loss of part or all of KCC's assets.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN, CONTINUED

KCC faces risks and uncertainties including: (i) the inability to obtain the financing necessary to complete the development of its license interests, (ii) realization of proceeds from the sale of its exploration license interests, or (iii) its exploration licenses being revoked as a result of title disputes, a failure to comply with agreements or security issues preventing the safe exploration and development of any properties under license.

(c) Going concern

The accompanying unaudited interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the company be unable to continue as a going concern. It would, 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 consolidated financial statements. Such adjustments could be material.

As at March 31, 2014, the company has no source of operating cash flow and had an accumulated deficit of \$3,450,418 (December 31, 2013 - \$3,410,746). Working capital deficiency as at March 31, 2014 was \$82,641 compared with \$42,969 as at December 31, 2013. Comprehensive loss for the three month period ended March 31, 2013 was \$39,672 (March 31, 2013 - \$349,776). Operations since inception have been funded solely from the issuance of share capital and exercise of warrants. The company has ongoing operating requirements as a public company and possible future spending requirements with respect to its DRC exploration project, subject to the new financing of the Kolwezi Project obtained in June, 2013 (*see note 5(b)*).

The company now holds a passive investment in a private company and, as a result, has no source of operating cash flow. The company intends to raise funds as and when required to fund its public company operating costs. There is no assurance that the company will be able to raise additional such funds on reasonable terms. The only sources of future funds presently available to the company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the company or the sale by the company of its interest in KCC. The ability of the company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions, the business performance of the company and the continued support of its shareholder base. However, there are material uncertainties that may cast significant doubt as to the propriety of the use of the going concern assumption upon which these consolidated financial statements have been prepared.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These unaudited interim consolidated financial statements should be read in conjunction with the company's audited consolidated financial statements for the year ended December 31, 2013 and reflect the same accounting policies and methods of computation applied therein, except as described below. As required by the IASB, effective January 1, 2014, the company adopted the following amendment to IFRS:

IAS 32: "Financial Instruments - Offsetting Financial Assets and Financial Liabilities" provides further clarification on the application of certain aspects of offsetting and net and gross settlement. The adoption of this standard had no effect on the unaudited interim consolidated financial statements.

(b) Basis of presentation

The unaudited interim financial statements reflect the consolidation of the accounts of the company and its wholly-owned subsidiary, 1830953 Ontario Inc. ("Numco"), an Ontario company (*see note 5(a) re initial asset acquisition*), up to September 25, 2013, the date at which Numco and the company amalgamated as one of the steps required to complete the October, 2013 share exchange transaction described in note 5(d).

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

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

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

Functional and presentation currency

The unaudited interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the corporate offices located in Canada. The functional currency of the DRC operations is the US dollar, although the company is no longer active there (*see note 5*).

Foreign currency translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate at the end of the reporting period with all foreign currency adjustments being expensed.

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

(d) **Cash**

Cash consists of deposits held with banks.

(e) **Investment in private company**

The investment in a private company (*see note 5*) has initially been measured at fair value, with subsequent measurement done at cost under the exceptions permitted under IAS 39.46 in that this equity investment (1) does not have a quoted market price in an active market and (2) its fair value cannot be reliably measured by any other means.

(f) **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.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probably that the taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither that taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probably that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its tax assets and liabilities on a net basis.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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) Loss per share

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

Diluted earnings 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.

(j) Exploration expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

(k) Critical accounting estimates and judgements

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

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(k) Critical accounting estimates and judgements, continued

- (i) **Investment in private company** - The determination of any possible impairment of an investment in a private company is difficult given the lack of any quoted market price, the absence of other transactional activity in the company's shares (other than that used to determine the initial fair value as detailed in note 5(c)) or any other means to reliably determine fair value. Any such determination of possible impairment will be based upon management's best estimates, which in turn are based upon available internal financial and operational information of the investee.
- (ii) **DRC liabilities** - There are difficulties and uncertainties that often arise when conducting business as a development stage enterprise in the DRC, as outlined in note 1(b). These uncertainties require significant judgements to ensure that liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations, are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date.

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

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

Upon disposal or partial disposal of a foreign subsidiary (or loss of control) (*see note 5(b)*), any AOCI is reclassified out of equity to profit or loss.

(m) **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.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) **Financial instruments, continued**

Financial assets at FVTPL

A financial asset is classified as FVTPL when the financial asset is held for trading or it is designated upon initial recognition as an FVTPL. A financial asset is classified as HTM 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 and term deposits as FVTPL.

Loans and receivables

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

AFS financial assets

Non derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive loss and accumulated in the AFS reserve. Impairment losses are recognized in 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 is reclassified from accumulated other comprehensive income to profit or loss. The company has designated its investment in a private company as AFS.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) **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.

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial liabilities

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

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.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) **Financial instruments, continued**

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

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. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

- (a) **IFRS 9: "Financial Instruments"** was issued by the IASB on November 12, 2009 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The company has not early adopted this standard, but management is currently assessing the impact of its application in the unaudited interim consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	March 31 2014	December 31 2013
Refundable HST ITC's	\$ 33,446	\$ 33,148

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

5. INVESTMENT IN PRIVATE COMPANY

As at March 31, 2014, the company holds a 7.4% interest in Kolwezi Copper Corp., a private company registered in the British Virgin Islands ("BVI"). The nature of the investment and the related accounting are detailed below:

	March 31	December 31
	2014	2013
Fair value of investment on loss of control (Note 5(c))	\$ 362,233	\$ 362,233
Share for share exchange (Note 5(d))	(104,215)	(104,215)
Balance, end of year	\$ 258,018	\$ 258,018

(a) Initial interest in Kolwezi Project

In July, 2011, the company acquired an initial interest of 17% in the Kolwezi Project, a copper cobalt exploration project located in the Kolwezi district of the Democratic Republic of Congo, held through Kolwezi Copper Corp. ("KCC"), a BVI company, through its acquisition of 1830953 Ontario Inc. ("Numco"). Telferscot had a right to increase its ownership in the exploration project to 60% through the expenditure of a further CAD \$4 million prior to September 2013. Exploration expenditures increased the company's ownership position in KCC to approximately 44.9% by December 31, 2012 and 47.4% by April 30, 2013, the date of cessation of funding.

(b) Investment in KCC by Ivory Mines Investments Limited

- (i) On June 4, 2013, the company announced it had entered into a binding agreement with a new investor, Ivory Mines Investments Limited ("Ivory"), to provide USD \$20,000,000 of funding to KCC to advance the Kolwezi Project.
- (ii) Under the terms of the agreement, Ivory is to provide a USD \$20,000,000 equity facility ("the facility") to fund future exploration. Monies are to be advanced from the facility quarterly (in advance) to fund the exploration budget. Ivory may withdraw the facility if exploration results do not meet expectations, subject to a requirement to fund a minimum of 4,000 meters of drilling.
- (iii) In return for provision of the facility, Ivory immediately received a 70% interest in KCC. In the event the facility is withdrawn prior to full funding of the USD \$20,000,000 facility, Ivory's interest will be reduced on a pro-rata basis.
- (iv) As part of the agreement, Telferscot waived its rights to increase its ownership interest in the Kolwezi Project under the terms of its original agreement. Accordingly, the company is no longer be required to provide any funding for the project.
- (v) As a result of the Ivory agreement and related finders' fees, Telferscot's interest in KCC was diluted to 10.4%.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

5. INVESTMENT IN PRIVATE COMPANY, CONTINUED

(c) Accounting for Ivory transaction

The reduction in ownership of KCC resulted in effective loss of control of KCC, and was been accounted for under the loss of control provisions of IFRS 10.25. Accordingly, the company has:

- (i) derecognized the assets previously accounted for under "Advances to DRC operations",
- (ii) recognized the 10.4% of KCC retained by the company at the fair value implicit in the minimum drilling budget of \$2,440,450 underlying Ivory's investment into KCC, or \$362,233, and
- (iii) the gain of \$362,233 associated with the loss of control, net of remaining amounts under "Advances to DRC operations" of \$362,233, was recognized as income in the prior fiscal year.

Subsequent measurement of this financial asset will be at cost under the exceptions permitted under IAS 39.46 in that this investment (1) does not have a quoted market price in an active market, and (2) its fair value cannot be reliably measured by any other means. This valuation will be reassessed as circumstances change or relevant information becomes available.

(d) Share for share exchange

With a new direction to be undertaken by the company as a result of the Ivory transaction, management approached the company's largest shareholder with a proposal whereby this shareholder would exchange its shares of the company for an equivalent percentage of the company's investment in KCC. This share exchange transaction, approved by shareholders at the company's Annual General Meeting in August, 2013 and completed on October 23, 2013, was as follows:

- (i) This shareholder held 12,237,200 common shares of the company, representing 28.8% of the 42,512,200 then-outstanding common shares.
- (ii) Prior to the share exchange transaction, the company held a 10.4% interest in KCC. The company transferred 28.8% of its 10.4% interest, or 3.00%, to this shareholder.
- (iii) In consideration for the transfer of this interest, the shareholder surrendered its entire shareholding position in Telferscot for cancellation, reducing the number of issued and outstanding common shares in Telferscot to 30,275,000.
- (iv) The carrying value of the company's investment in KCC was reduced by 28.8%, or \$104,215, with a corresponding reduction in share capital.
- (v) Subsequent to the share exchange transaction, the company now holds a passive 7.4% interest in KCC.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 2014	December 31 2013
Trade accounts payable	\$ 12,720	\$ 39,378
Accrued liabilities	123,626	87,500
	\$ 136,346	\$ 126,878

7. SHARE CAPITAL

Continuity schedules for the company's share capital and other equity instruments are disclosed in the unaudited interim consolidated statements of changes in shareholders' equity for the period from January 1, 2013 to March 31, 2014. Details of changes to share capital during that period are as follows:

- (a) In June, 2013, 2,000,000 shares were issued for proceeds of \$100,000 upon the exercise of 2,000,000 warrants at \$0.05 each (*see note 8(b)*).
- (b) In October, 2013, 12,237,200 shares were cancelled as part of the share for exchange described in note 5(d).

8. WARRANTS

	Warrants	Exercise price	Attributed value
Balance - December 31, 2012	8,000,000	\$ 0.05	\$ 16,000
Exercised (Note 7(a))	(2,000,000)	(0.05)	(4,000)
Balance - December 31, 2013	6,000,000	0.05	12,000
Change in period	-	-	-
Balance - March 31, 2014	6,000,000	\$ 0.05	\$ 12,000

- (a) The company issued 8,000,000 warrants in July, 2010 that expire by January 15, 2015, and entitle the holder to purchase one common share at an exercise price of \$0.05.
- (b) In June, 2013, 2,000,000 warrants were exercised at \$0.05 each for proceeds of \$100,000, resulting in the issuance of 2,000,000 common shares (*see note 7(a)*). \$4,000 of the value originally attributed to the warrants was transferred to share capital upon exercise.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

9. 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 for the period from January 1, 2013 to March 31, 2014 was as follows:

	Three month period ended March 31, 2014		Year ended December 31, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	2,383,333	\$ 0.20	3,370,000	\$ 0.20
Expired unexercised	-	-	(370,000)	0.30
Cancelled upon cessation of position with company	-	-	(616,667)	0.15
Outstanding, end of period	2,383,333	\$ 0.15	2,383,333	\$ 0.15

As at March 31, 2014, the issued and outstanding options to acquire common shares of the company were as follows:

<u>Grant date</u>	Number of options		Exercise price (\$)	<u>Expiry date</u>
	Granted	Exercisable		
July 27, 2011	1,100,000	1,100,000	0.15	July 27, 2016
November 27, 2012	1,283,333	883,331	0.15	November 27, 2017
	2,383,333	1,983,331	0.15	

10. LOSS PER SHARE

Basic and diluted loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three month period ended March 31, 2014 was 30,275,000 (2012 - 40,512,200).

Diluted loss per share and the weighted average number of common shares exclude all potentially dilutive equity instruments since their effect is anti-dilutive. As at March 31, 2014, the following potentially dilutive equity instruments were outstanding: (1) 6,000,000 warrants (December 31, 2013 - 6,000,000), and (2) 2,383,333 options (December 31, 2013 - 2,383,333).

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

11. EXPLORATION EXPENDITURES

The table below reflects the company's mineral expenditures for the three month periods ended March 31, 2014 and 2013. There have been no expenditures for the Kolwezi Project since April 30, 2013 as, further to the Ivory transaction (*see note 5(b)*), the company is no longer providing any funding.

	2014		2013
Kolwezi project			
Drilling and surveying	\$ -	\$	114,403
Consulting	-		49,906
Fieldwork	-		41,643
Travel and accommodation	-		37,795
License and other fees	-		16,320
Acquisition	-		7,947
General	-		227
	-		227
	\$ -	\$	268,241

12. FINANCIAL RISK FACTORS

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk, mineral property 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, term deposits and accounts receivable. Financial instruments included in accounts receivable consist of HST and accrued interest on the company's cashable term deposits.

As at March 31, 2014, cash of \$19,759 (December 31, 2013 - \$47,509) is held with reputable financial institutions from which management believes the risk of loss to be minimal. As accounts receivable consists of refundable HST ITC's, management believes that its credit risk is negligible.

(b) Liquidity risk

Liquidity risk refers to the risk that the company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost (*see note 1(c)*). The company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2014, the company had a working capital deficiency of \$82,641 (December 31, 2013 - \$42,969). All of the company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

12. FINANCIAL RISK FACTORS, CONTINUED

(c) Mineral property risk

The company's operations in the DRC, held through its passive 7.4% interest in KCC (*see note 5*), are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the company's activities or may result in impairment in, or loss of, part or all of the company's assets.

(d) Sensitivity analysis

The company operates in Canada and has a presentation and functional currency of CAD dollars. The company maintains USD denominated bank accounts in Canada, but no longer actively operates in the DRC where the functional currency was the US dollar. It is therefore only subject to foreign exchange fluctuations against the CAD dollar on its USD denominated cash in Canada. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net comprehensive income by approximately \$1,800.

(e) 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 statement of financial position, have been prioritized into three levels as per their fair value hierarchy.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The fair value of the company's financial instruments where financial measurement is required are as follows:

	March 31	December 31
	<u>2014</u>	<u>2013</u>
	\$	\$
Level one		
Cash	19,759	47,509

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

13. CAPITAL MANAGEMENT

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

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

14. SEGMENTED INFORMATION

The company conducts its business in a single operating segment consisting of the exploration activities in the DRC.

15. RELATED PARTY TRANSACTIONS (INCLUDING KEY MANAGEMENT COMPENSATION)

- (a) Telferscot is billed a monthly fee of \$10,000 (reduced from \$17,500 starting January 1, 2014) by a company controlled by two of the directors, one of whom is also an officer. The monthly fee is for management and administrative services, including monthly compensation for the CFO of \$3,500, corporate secretary, office rent and regular administrative functions. During the three month period ended March 31, 2014, the company incurred total fees of \$30,000 (March 31, 2013 - \$52,500).

From June, 2013 to December, 2013, Telferscot only paid \$10,000 per month against the prior monthly fee of \$17,500. From January, 2014 to March, 2014, the company has not paid anything against the revised fee. Accordingly, as at March 31, 2014, accounts payable and accrued liabilities includes \$82,500 (December 31, 2013 - \$52,500) in respect of such fees (*see also note 16*).

- (b) The company's former president and COO, who was also a director, had a consulting agreement that paid USD \$12,500 per month from July, 2012 onward. Fees paid under the terms of this agreement for the three month period ended March 31, 2014 were \$Nil (March 31, 2013 - \$37,808). Payments under the agreement ceased after April, 2013 upon Ivory's financing agreement (*see note 5(b)*).
- (c) Each independent director receives a quarterly honorarium of \$1,500. Fees recorded for the three month period ended March 31, 2014 were \$3,000 (March 31, 2013 - \$4,500). As at March 31, 2014, accounts payable and accrued liabilities includes \$18,000 (December 31, 2013 - \$15,000) in respect of such fees.

TELFERSCOT RESOURCES INC.
Notes to Interim Consolidated Financial Statements
Three month periods ended March 31, 2014 and 2013
(Stated in \$CAD)
(Unaudited - Prepared by Management)

16. COMMITMENT

The company has a contract for management and administrative services (*see note 15(a)*). It is billed on a monthly basis with a six-month notice period. Effective January 1, 2014, the monthly rate was decreased from \$17,500 to \$10,000.