THEMAC Resources Group Limited

Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

Suite 700 – 510 West Hastings Street
Vancouver, BC
Canada V6B 1L8
TSXV: MAC

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
THEMAC Resources Group Limited

We have audited the accompanying consolidated financial statements of **THEMAC Resources Group Limited**, which comprise the consolidated statements of financial position as at June 30, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, changes in equity 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 consolidated 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 audit 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 auditors consider 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 **THEMAC Resources Group Limited** as at June 30, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that **THEMAC Resources Group Limited** has incurred a net loss of $6,388,813 for the year ended June 30, 2013 and had a working capital deficiency of $35,282,144 as at June 30, 2013. In addition, note 1 further states that the Company's forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company's loan agreement. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt on **THEMAC Resources Group Limited**'s ability to continue as a going concern.

Ernst & Young LLP

Vancouver, Canada,
September 25, 2013.

Chartered Accountants

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT JUNE 30

		2013		2012
ASSETS				
Current				
Cash	$	462,910	$	544,533
Receivables		52,843		19,538
Prepaid expenses and deposits (Note 4)		238,759		771,755
		754,512		1,335,826
Property and equipment (Note 5)		3,393,738		221,916
Bonds (Note 6)		344,150		246,085
Mineral property (Note 6)		27,126,767		26,271,770
Deferred exploration and evaluation (Note 6)		21,712,810		12,428,203
Total Assets	$	53,331,977	$	40,503,800
LIABILITIES				
Current				
Trade and other payables	$	603,081	$	1,492,078
Due to related parties		343,413		160,000
Loan payable (Note 7)		35,090,162		-
		36,036,656		1,652,078
Loan payable (Note 7)		-		18,966,274
Property obligation (Note 8)		2,193,580		-
Asset retirement obligation (Note 6)		258,128		250,000
Total Liabilities		38,488,364		20,868,352
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		18,906,731		18,788,481
Warrants (Note 9)		10,072,430		10,072,430
Share-based payment reserve (Note 9)		3,235,203		2,764,202
Foreign currency translation reserve		1,733,156		725,429
Deficit		(19,103,907)		(12,715,094)
Total Shareholders' Equity		14,843,613		19,635,448
Total Liabilities and Shareholders' Equity	$	53,331,977	$	40,503,800

Nature of operations and going concern (Note 1)
Subsequent event (Note 15)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"
Director

"Kenneth Pickering"
Director

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30

	2013	2012
General Expenses		
Accounting and audit	$ 61,496	$ 146,378
Consulting	-	68,825
Depreciation (Note 5)	40,330	16,027
Director's fees (Note 10)	336,875	300,000
Filing fees and transfer agent fees	22,906	22,983
Finance expense (Note 7)	4,793,888	1,501,193
Foreign exchange loss	-	2,263
Investor communications	411,286	704,416
Legal fees	72,165	34,831
Loan fee (Note 7)	75,000	-
Loss on disposal of equipment	4,934	-
Management fees	192,971	84,174
Office and sundry	529,245	1,054,031
Other administration expenses	31,932	31,461
Personnel searches	59,129	98,822
Share-based payments (Note 9)	303,178	633,371
Travel	105,111	75,886
Loss before other items	(7,040,446)	(4,774,661)
Other Items		
Deferred tax recovery (Note 12)	651,633	417,755
Loss for the year	(6,388,813)	(4,356,906)
Other comprehensive loss		
Exchange differences on translating foreign operations, net of tax of $651,633 (2012 - $417,755)	1,007,727	1,143,478
Total comprehensive loss	$ (5,381,086)	$ (3,213,428)
Loss per share - basic and diluted	$ (0.09)	$ (0.07)
Weighted average number of outstanding shares - basic and diluted	71,697,874	61,415,902

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30

	2013	2012
OPERATING ACTIVITIES		
Net loss for the period	$ (6,388,813)	$ (4,356,906)
Add non-cash items:		
Accrued interest expense	11,793	-
Depreciation	40,330	15,611
Disposal of equipment	4,934	-
Share-based payments	303,178	633,164
Interest expense	4,793,888	1,504,081
Deferred tax recovery	(651,633)	(417,755)
	(1,886,323)	(2,621,805)
Net change in non-cash working capital items:		
Receivables	17,960	(11,730)
Prepaid expenses and deposits	17,716	(32,744)
Trade and other payables	(811,625)	834,408
Amounts due to related parties	183,413	5,620
Payables related to deferred exploration and evaluation	660,839	(765,588)
Cash used in operating activities	(1,818,020)	(2,591,839)
INVESTMENT ACTIVITIES		
Deferred exploration and development expenditures	(8,572,312)	(9,282,799)
Acquisition of property and equipment	(1,031,245)	(215,114)
Refund on equipment	22,640	-
Cash used in investment activities	(9,580,917)	(9,497,913)
FINANCING ACTIVITIES		
Cash received from loan advances	11,330,000	12,500,001
Cash provided by financing activities	11,330,000	12,500,001
Effect of foreign exchange translation on cash	(12,686)	(89,991)
Net changes in cash position	(81,623)	320,258
Cash position, beginning of period	544,533	224,275
Cash position, end of period	$ 462,910	$ 544,533

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Amount	Value	Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance, June 30, 2011	74,117,622	$ 18,788,481	$ 10,072,430	$ 1,884,829	$ (418,049)	$ (8,358,188)	$ 21,969,503
Share-based payments	-	-	-	879,373	-	-	879,373
Comprehensive loss for the period	-	-	-	-	1,143,478	(4,356,906)	(3,213,428)
Balance, June 30, 2012	74,117,622	18,788,481	10,072,430	2,764,202	725,429	(12,715,094)	19,635,448
Shares issued for debt (Note 10)	1,182,500	118,250	-	-	-	-	118,250
Share-based payments	-	-	-	471,001	-	-	471,001
Comprehensive loss for the period	-	-	-	-	1,007,727	(6,388,813)	(5,381,086)
Balance, June 30, 2013	75,300,122	$ 18,906,731	$ 10,072,430	$ 3,235,203	$ 1,733,156	$ (19,103,907)	$ 14,843,613

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

THEMAC Resources Group Limited ("THEMAC" or the "Company") was incorporated on February 24, 1997 under the Business Corporations Act (Yukon) by registration of its Articles of Incorporation. The Company is in the business of acquiring, exploring, and developing natural resource properties. The address of the Company's registered office is #700 – 510 West Hastings Street, Vancouver, BC, V6B 1L8, Canada.

The Company has one operating segment, which is the exploration and development of its mineral property. The Company's assets are distributed in two geographic regions, Canada and the United States of America; however the assets in Canada are not significant.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of $6,388,813 for the year ended June 30, 2013, and had a working capital deficiency of $35,282,144 at June 30, 2013. In addition, the Company's forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company's loan agreement with Tulla Resources Group Pty Ltd. ("Tulla") (see Notes 7 and 15). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to develop the Copper Flat project. Realization values may be substantially different from carrying values, as shown, and these consolidated financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for supplemental cash flow information.

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company.

These consolidated financial statements were authorized for issuance by the Company's board of directors on September 25, 2013.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, income and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates and judgments.

Accounts that require significant estimates as the basis for determining the stated amounts include mineral properties, deferred exploration and evaluation, asset retirement obligation and share-based payments. Depreciation and depletion of mineral properties and deferred exploration and evaluation are dependent upon resource estimates which are determined with the exercise of judgment. Share-based payments expense is calculated using the Black-Scholes valuation model which requires significant judgment as to the consideration, such as stock option lives, forfeiture rates and stock volatility; a detailed disclosure of management's estimates with respect to the pricing model is found in Note 9.

In estimating the asset retirement obligation provision, the Company makes assumptions about the required activities which will occur into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as decommissioning costs and techniques are subject to change, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, assumptions and estimates are made on ultimate settlement amounts in discussion with the Company's management and professional staff.

The most significant judgment relates to determination of the functional currency for both the Company and its wholly owned foreign subsidiary. Management has assessed various factors including the costs of inputs and has determined the functional currency of its subsidiary, New Mexico Copper Corporation ("NMCC"), to be the US Dollar.

An assessment of any impairment of mineral properties deferred exploration and evaluation costs is dependent upon estimates of fair value that take into account factors such as resources, economic, and market conditions. The Company has judged that no such impairment exists.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

The Company's wholly owned subsidiary, NMCC, was incorporated on June 15, 2010 in the State of New Mexico, USA.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction.

On consolidation, the assets and liabilities of the Company's foreign subsidiary, NMCC, are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and its revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation of NMCC into Canadian dollars are recognized in other comprehensive income.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income (loss) is defined as revenue, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale and the foreign exchange amounts arising from the translation of the Company's net investment in NMCC.

Cash

Cash consists of cash held in banks.

Exploration and evaluation assets

Exploration and evaluation assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) to acquire mineral and exploration properties is capitalized. The amounts shown for deferred exploration and evaluation assets represent all direct costs relating to the exploration and development of exploration properties, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the exploration and evaluation assets are abandoned or sold.

The Company has classified exploration and evaluation assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimates proven and probable reserves.

Ownership of exploration and evaluation assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, the renewal of exploration licenses, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate the mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its Copper Flat exploration and evaluation assets have been on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write-downs of exploration and evaluation assets' carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, initial estimates of the costs of dismantling and removing an item and restoring the site on which it is located, and, where applicable, borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing or overhauling a component of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the Company and its cost can be measured reliably.

The carrying amount of the replaced component is written off. Costs associated with routine repairs and maintenance of property and equipment are expensed as incurred.

Furniture and equipment are depreciated using a straight-line basis over their estimated useful lives of 5 – 22 years, and vehicles are depreciated over 5 years.

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate.

Asset retirement obligation

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the decommissioning and reclamation of mine properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for asset retirement obligations is estimated using expected cash flows and is discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as an expense in the Consolidated statements of loss and comprehensive loss.

Financial assets

Financial assets, other than derivatives, are designated as available-for-sale, loans and receivables or as at fair-value-through-profit-or-loss ("FVTPL"). The Company determines the classification of its financial assets at initial recognition.

Financial assets classified as available-for-sale are measured on initial recognition at fair value plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for financial assets that are considered to be impaired in which case the loss is recognized in net income or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial assets (cont'd…)

Financial assets classified as loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method. The Company's receivables and bonds are classified as loans and receivables.

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in income or loss. Transaction costs are expensed for assets classified as FVTPL. The Company's cash is classified as FVTPL.

Financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Trade and other payables, due to related parties, property obligation and loan payable are classified as other liabilities, which are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in net income or loss.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of stock options is determined by the *Black-Scholes* option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options (including any estimated forfeitures). The fair value of direct awards of shares is determined by the quoted market price of the Company's stock.

Volatility is determined based on the historic closing market price of the Company's stock for a period equal to the life of the grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share amounts are calculated in accordance with the treasury stock method which assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the prevailing market rate. Under the treasury stock method, the basic and diluted loss per share is the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

Income taxes

Any tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized using the balance sheet method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below:

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. To the extent that an asset not previously recognised fulfils the criteria for recognition, a deferred income tax asset is recorded.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax assets and liabilities 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.

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended June 30, 2013:

- IFRS 7 (Amendment) — Amendment to disclosure requirements to require information about all recognized financial instruments that are offset and enforceable master netting arrangements[(i)]
- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[(iii)]
- IFRS 10 — New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities[(i)]
- IFRS 11 — New standard to account for the rights and obligations in accordance with a joint agreement[(i)]
- IFRS 12 — New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39[(i)]
- IFRS 13 — New standard on the measurement and disclosure of fair value[(i)]
- IAS 28 (Amendment) — New standard issued that supercedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures[(i)]
- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities. [(ii)]

(i) Effective for annual periods beginning on or after January 1, 2013
(ii) Effective for annual periods beginning on or after January 1, 2014
(iii) Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are integrated as follows:

		2013		2012
Advances to vendors and contractors related to the mineral property	$	195,202	$	710,379
Advances to other vendors and contractors		-		3,417
Prepaid insurance		18,587		21,691
Lease and rent deposits		24,970		36,268
	$	238,759	$	771,755

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2011	$ -	$ -	$ 10,659	$ 10,659
Additions	-	82,207	146,205	228,412
Balance, June 30, 2012	-	82,207	156,864	239,071
Additions	2,463,360	-	709,457	3,172,817
Disposals and refunds	-	-	(29,617)	(29,617)
Net exchange differences	59,520	2,673	46,730	108,923
Balance, June 30, 2013	$ 2,522,880	$ 84,880	$ 883,434	$ 3,491,194
Accumulated Depreciation				
Balance, June 30, 2011	$ -	$ -	$ 886	$ 886
Depreciation	-	9,751	6,518	16,269
Balance, June 30, 2012	-	9,751	7,404	17,155
Depreciation	-	16,223	62,010	78,233
Disposals	-	-	(2,042)	(2,042)
Net exchange differences	-	1,070	3,040	4,110
Balance, June 30, 2013	$ -	$ 27,044	$ 70,412	$ 97,456
Net Book Value				
As at June 30, 2012	$ -	$ 72,456	$ 149,460	$ 221,916
As at June 30, 2013	$ 2,522,880	$ 57,836	$ 813,022	$ 3,393,738

Depreciation of $37,903 (2012 - $Nil) has been capitalized to deferred exploration and evaluation expenditures.

6. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred exploration and evaluation	Total
Balance, June 30, 2011	$ 24,882,303	$ 2,180,415	$ 27,062,718
Additions	-	9,983,576	9,983,576
Net exchange differences	1,389,467	264,212	1,653,679
Balance, June 30, 2012	26,271,770	12,428,203	38,699,973
Additions	-	8,495,946	8,495,946
Net exchange differences	854,997	788,661	1,643,658
Balance, June 30, 2013	$ 27,126,767	$ 21,712,810	$ 48,839,577

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY (cont'd…)

Copper Flat Project (cont'd…)

Pursuant to the completion of its obligations under an acquisition agreement, the Company controls 100% of the mineral rights of the Copper Flat Project in New Mexico, USA.

The property is subject to a 3.25% net smelter return royalty, and quarterly advance royalty payments of US$50,000 (for copper prices under US$2.00/lb) or US$112,500 (for copper prices greater than $2.00/lb).

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat. The Company has paid US$1,500,000 in connection with the agreement and is required to pay US$700,000 within 60 days after the Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department issues a permit for the commercial operation of the mine, or on August 1, 2018, whichever occurs first.

Bonds

As at June 30, 2013, the Company has posted bonds of $395,415 (2012 – $246,085) in connection with the drilling permits for Copper Flat.

Asset Retirement Obligation

The Company has set up an asset retirement obligation in connection with certain possible environmental liabilities resulting from work done at the Copper Flat project.

	2013	2012
Balance, beginning of year	$ 250,000	$ -
Additions	-	246,464
Net exchange differences	8,128	3,536
Balance, end of year	$ 258,128	$ 250,000

7. LOAN PAYABLE

	Principal	Accrued Interest	Total
Balance, June 30, 2011	$ 4,900,000	$ 62,192	$ 4,962,192
Additions to March 29, 2012	10,100,000	845,490	10,945,490
Interest converted to principal	907,682	(907,682)	-
Additions to June 30, 2012	2,400,001	658,591	3,058,592
Balance, June 30, 2012	18,307,683	658,591	18,966,274
Additions	11,330,000	4,793,888	16,123,888
Balance, June 30, 2013	$ 29,637,683	$ 5,452,479	$ 35,090,162

(Expressed in Canadian Dollars)

7. LOAN PAYABLE (cont'd…)

The Company has a loan agreement with a company controlled by director Kevin Maloney, through an affiliated company (Tulla) (the "Loan"). The Loan bears interest at 20% per annum. The loan can be repaid by the Company at any time without penalty, and is payable on demand provided that such a demand is not made before July 5, 2013.

During the year ended June 30, 2013, an amendment to the Loan was executed to increase the principal facility from $25,000,000 to $30,000,000 to provide working capital to the Company. The facility was extended to July 31, 2013. A $75,000 fee has been accrued as consideration paid to Tulla for the amendment. Tulla has not made demand for payment on the outstanding Loan.

The Company has provided a fixed and floating charge over the assets of the Company as security for the Loan. The formalisation of this security is subject to shareholder and TSXV approval. The Company and Tulla have agreed to extend the facility amount to allow for withdrawals on principal of $32,400,000 and the facility term to January 31, 2014. These amendments are in the process of being finalized.

8. PROPERTY OBLIGATION

During the year ended June 30, 2013, the Company entered into an agreement ("Fancher Agreement") with a local rancher to purchase 1,220 acres of land within the Copper Flat Project area. The land is subject to a grazing lease which expires in 2015 and may be terminated with 30 days' written notice.

The total purchase price of the land is US$2,400,000 ("Purchase Price") of which US$325,000 (the "Initial Payment") was paid during the year ended June 30, 2013. The Company will pay installments of US$125,000 on the second, third and fourth anniversaries of the Initial Payment and the balance of US$1,700,000 ("Final Payment") on or before the fifth anniversary of the Initial Payment.

Interest accrues at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date.

If the Company has not, before the fifth anniversary of the Initial Payment, obtained all permits and approvals it deems necessary for the commercial operation of the Copper Flat Project, the Final Payment may be deferred for not more than five additional years if the Company makes ongoing annual installments of US$125,000 until the Final Payment (which will be reduced by the additional installments) and is making satisfactory progress toward obtaining such permits.

		Total
Balance, June 30, 2012	$	-
Initial recognition of property obligation		2,463,360
Initial Payment		(333,580)
Accrued interest		11,793
Net exchange differences		52,007
Balance, June 30, 2013	$	2,193,580

If the Company fails to make any payment under the terms of the Fancher Agreement, the vendors may issue notice of default which allows for a 30 day remedy period. If the period lapses without remedy, the vendors may elect to terminate the agreement, retain all payments made to date under the agreement and retain the land.

(Expressed in Canadian Dollars)

9. EQUITY

a) Authorized share capital

Unlimited common shares without par value.

b) Issued and fully paid

The Company did not complete any private placements during the period ended June 30, 2013 or the year ended June 30, 2012.

c) Shares and warrants in escrow:

	Shares	Warrants
Balance, June 30, 2011	38,105,159	30,000,000
Released from escrow	(25,403,439)	(20,000,000)
Balance, June 30, 2012	12,701,720	10,000,000
Released from escrow	(12,701,720)	(10,000,000)
Balance, June 30, 2013	-	-

d) Warrants:

The continuity of warrants is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2011 and 2012	56,082,556	$0.32
Expired	(5,582,556)	0.28
Balance, June 30, 2013	50,500,000	$0.32

Warrants outstanding and exercisable as at June 30, 2013 are as follows:

Grant date	Warrants outstanding	Weighted average exercise price	Expiry date
March 4, 2011	10,500,000	$0.28	March 4, 2016
March 4, 2011	40,000,000	0.34	March 4, 2016
	50,500,000	$0.32	

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

e) Stock options

The continuity of stock options is as follows:

	Options outstanding	Weighted average exercise price
Balance, June 30, 2011	4,323,063	$0.57
Granted	1,900,000	0.74
Forfeited	(300,000)	0.67
Balance on June 30, 2012	5,923,063	0.62
Granted	3,393,896	0.28
Forfeited and expired	(1,786,947)	0.64
Balance, June 30, 2013	7,530,012	$0.47

Stock options outstanding and exercisable as at June 30, 2013 are as follows:

Granted	Options Outstanding	Options Exercisable	Weighted average exercise price	Expiry date
March 4, 2011	1,428,105	1,428,105	$0.51	March 4, 2016
March 4, 2011	1,223,845	1,223,845	0.60	March 4, 2016
March 27, 2011	200,000	200,000	0.65	March 27, 2016
April 7, 2011	175,000	175,000	0.70	April 7, 2016
May 6, 2011	200,000	200,000	0.56	May 6, 2016
August 26, 2011	666,666	666,666	0.80	August 26, 2016
December 21, 2011	175,000	175,000	0.68	December 21, 2016
January 11, 2012	300,000	300,000	0.65	January 11, 2017
August 24, 2012	467,500	315,000	0.58	August 24, 2017
January 10, 2013	200,000	100,000	0.37	January 10, 2018
February 14, 2013	500,000	500,000	0.38	February 14, 2018
February 18, 2013	340,642	340,642	0.38	February 18, 2018
June 30, 2013	1,653,254	-	0.10	June 30, 2018
	7,530,012	5,624,258	$0.57	

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

f) Share-based payments

The Company has adopted a formal stock option plan (the "Plan"). The Plan is referred to as a "rolling" plan and provides for an aggregate number of shares reserved for issuance of up to 10% of the Company's issued common shares at the time of the grant of a stock option under the Plan. Stock options are granted with an exercise price in accordance with the TSX Venture Exchange policy.

During the period ended June 30, 2013, the Company granted 3,393,896 (2012 – 1,900,000) options with a weighted average fair value of $0.19 per option (2012 - $0.51). Total share-based payments granted and vested for the period were $471,001 (2012 - $879,583) of which $303,178 (2012 - $633,371) was recognized in the statement of comprehensive loss and $167,824 (2012 - $246,212) was capitalized to exploration and evaluation assets.

The following weighted average assumptions were used for the valuation of stock options:

	2013	2012
Risk-free interest rate	1.29%	1.38%
Expected life of options	3.03 years	5.00 years
Annualized volatility	136.31%	100.52%
Dividend rate	0.00%	0.00%
Forfeiture rate	28.43%	5.00%

10. PAYMENTS TO KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS

Management Compensation

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the periods ended June 30, 2013 and 2012 consist of the following:

	2013 $	2012 $
Payments to key management personnel:		
Cash compensation	358,653	496,762
Stock-based compensation granted to senior management	179,401	727,780
Directors' fees	336,875	300,000
Related party transactions:		
Advances received on Tulla loan (Note 7)	11,330,000	12,500,001
Interest accrued on Tulla loan (Note 7)	4,793,888	1,502,627

(Expressed in Canadian Dollars)

10. PAYMENTS TO KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS (cont'd…)

These transactions are in the normal course of operations and in the amount of consideration established and agreed to by the related parties.

During the year ended June 30, 2013, the Company issued 1,182,500 shares to three directors of the Company to settle $182,500 in accrued directors' fees.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended June 30, 2013, the Company entered into the following non-cash transactions:

- Incurred $426,476 (2012 - $1,087,314) of deferred Copper Flat exploration and development costs through trade and other payables.
- Incurred $167,823 (2012 - $246,212) of deferred Copper Flat exploration and development costs through share-based payments.
- Incurred $Nil (2012 - $246,464) of deferred Copper Flat exploration and development costs through accrual of asset retirement obligations.
- Issued 1,182,500 common shares to settle accrued directors' fees of $118,250 (2012 - $Nil).
- Incurred $2,181,240 of property and equipment acquisition costs and accrued interest payable of $12,340 through accrued property obligation.
- Recognized depreciation of $37,903 (2012 - $Nil) in deferred Copper Flat exploration and development costs.

12. INCOME TAXES

A reconciliation between expense (recovery) and the product of accounting loss multiplied by the Company's domestic tax rate for the years ended June 30, 2013 and 2012 is as follows:

		2013		2012
Statutory tax rate		25.25%		25.75%
Loss before other items	$	(7,040,446)	$	(4,774,661)
Expected income tax recovery	$	(1,777,713)	$	(1,229,476)
Effect of income tax rate changes		(105,059)		7,867
Foreign income tax rate difference		(146,304)		(228,222)
Non-deductible items and other		81,549		144,161
Changes in benefits not recognized		1,295,894		887,915
Income tax expense (recovery)	$	(651,633)	$	(417,755)

(Expressed in Canadian Dollars)

12. INCOME TAXES (cont'd…)

The components of deferred income tax assets and liabilities:

	2013	2012
Non-capital losses	$ 2,741,285	$ 1,494,082
Start-up costs	1,348,121	925,638
Asset retirement obligation	100,711	97,540
Deferred exploration and evaluation	(3,036,450)	(2,064,003)
Unrealized foreign exchange gain	(1,113,152)	(417,712)
Equipment	(40,515)	(35,545)
	$ -	$ -

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

No deferred tax assets have been recognized on the consolidated statements of financial position when the Company has concluded that it is not probable that the benefits of deferred income tax assets will be realized prior to their expiry. As such, the Company has not recognized deferred tax assets on the following items:

	2013	2012
Non-capital losses	$ 2,762,148	$ 1,498,674
Mineral property	568,172	546,319
Other	22,423	6,936
	$ 3,352,743	$ 2,051,929

The Company has approximately $2,185,000 in foreign exploration development expenses in the Canadian entity, and $12,469,000 in mine development costs in the US entity, available for carry-forward, which may, subject to certain restrictions, be available to offset against future taxable income. The Company also has approximately $20,473,000 in non-capital losses available for carry-forward which expire through 2033.

13. CAPITAL DISCLOSURES

The Company considers its loan payable and share capital as capital. The Company's objective when managing capital is to maintain a flexible capital structure for the benefit of its shareholders. The Company's main source of funds is from drawdowns on its loan from Tulla and the issuance of common shares.

The Company keeps its cash only in chequing accounts with major Canadian, Australian and US institutions of high credit worthiness. At June 30, 2013, the Company had cash of $462,910 (June 30, 2012 - $544,533).

The Company is not subject to any externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, bonds, trade and other payables, amounts due to related parties, loan payable and property obligation. The fair value of cash is measured on the statement of financial position using Level 1 of the fair value hierarchy as it is based on unadjusted quoted prices in active market. The fair value of receivables, bonds, trade and other payables and loan payable approximate their carrying values due to their short-term nature.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Currency Risk

The Company is subject to currency risks. The Company's Copper Flat project is located in the United States of America, and many of the Company's expenditures on this project are denominated in US dollars. The Company maintains its principal office in Canada, and has monetary assets and liabilities in Canadian and US dollars. The currency exchange rate between the US and Canadian dollars fluctuated from a low of US$0.97 to a high of US$1.05 for CAD$1 during the year ended June 30, 2013. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $5,000,000. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate foreign currency risk at this time, and does not use derivative instruments to reduce its exposure to currency risk.

Interest rate and credit risk

The Company has a cash balance, taxes recoverable, trade and other payables, amounts due to related parties, loan payable (Note 7) and property obligation (Note 8). Amounts owed to related parties, excluding the loan payable, do not bear interest, and, therefore, these amounts are not exposed to interest rate variations. The loan payable bears an interest rate of 20% per annum on outstanding amounts. The property obligation bears interest at a rate of 3.5% per annum adjusted for fluctuations in LIBOR. While changes in LIBOR were insignificant in the period presented, it is possible that adjustments in the future could be significant.

Receivables typically consist of Canadian Goods and Services Tax ("GST") due from the Federal Government of Canada and bonds for the Copper Flat project refunded after period end. Management believes that the credit risk with respect to receivables is remote. In addition, the company is satisfied with the credit rating of the banks where the cash is held.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of trade and other payables, due to related parties, loan payable and property obligation. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and future obligations compared to the Company's current cash position and expected cash receipts. The objective of the Company is to manage its liquidity risk by maintaining sufficient cash to meet its anticipated operational needs. Due to the relatively low cash position of the Company, the Company is exposed to liquidity risk.

The Company is currently working with Tulla to amend the terms of the Loan. Under the current terms, the Loan came due in July 2013. The Company has identified this position as a significant liquidity risk to the Company. Tulla has not made demand for payment of the Loan to date.

15. SUBSEQUENT EVENT

Subsequent to the period ended June 30, 2013, the Company has drawn a further $920,000 on the loan from Tulla (Note 7).