

THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

September 30, 2014

(Unaudited)
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

THEMAC Resources Group Limited CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian Dollars)

AS AT

		September 30, 2014		June 30, 2014
ASSETS				
Current				
Cash	\$	237,447	\$	57,981
Receivables		4,936		1,926
Prepaid expenses and deposits (Note 4)		101,190		66,601
		343,573		126,508
Property and equipment (Note 5)		3,572,651		3,427,433
Bonds (Note 6)		353,181		345,142
Mineral property (Note 6)		28,924,584		27,550,390
Deferred exploration and evaluation (Note 6)		25,757,729		24,131,854
Total Assets	\$	58,951,718	\$	55,581,327
LIABILITIES Current				
Trade and other payables	\$	392,998	\$	315,550
Due to related parties	•	747,839	·	843,669
Property obligation (Note 8)		260,718		227,858
Loan payable (Note 7)		46,905,248		44,256,489
		48,306,803		45,643,566
Property obligation (Note 8)		2,297,640		2,188,580
Asset retirement obligation (Note 6)		181,876		173,243
Total Liabilities		50,786,319		48,005,389
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		19,014,011		19,014,011
Warrants (Note 9)		10,072,430		10,072,430
Share-based payment reserve (Note 9)		3,651,273		3,646,717
Foreign currency translation reserve		4,752,577		2,122,443
Deficit		(29,324,892)		(27,279,663)
Total Shareholders' Equity		8,165,399		7,575,938
Total Liabilities and Shareholders' Equity	\$	58,951,718	\$	55,581,327

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

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

<u>"Joel Schneyer"</u> Director <u>"Kenneth Pickering"</u>

Director

THEMAC Resources Group Limited CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(Expressed in Canadian Dollars) FOR THE THREE MONTHS ENDED SEPTEMBER 30

		2014		2013
General Expenses				
Accounting and audit	\$	26,512	\$	10,744
Depreciation (Note 5)		7,226		9,425
Directors' fees (Note 10)		87,500		91,250
Filing fees and transfer agent fees		2,603		3,766
Finance expense (Note 7)		1,665,478		1,509,623
Interest on property obligation (Note 8)		20,899		18,999
Investor communications		1,574		80,592
Legal fees		5,759		7,303
Management fees		45,701		103,875
Office and sundry		164,401		168,629
Share-based payments (Note 9)		-		(13,829)
Travel		17,576		18,336
Net loss for the period		(2,045,229)		(2,008,713)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations		2,630,134		(1,077,176)
Total comprehensive income (loss)	\$	584,905	\$	(3,085,889)
Total completioners income (1999)	Ψ	004,000	Ψ	(0,000,000)
Net loss per share - basic and diluted	\$	(0.03)	\$	(0.03)
Weighted average number of outstanding shares				
- basic and diluted		76,492,122		75,300,122

See accompanying notes to the condensed consolidated interim financial statements.

THEMAC Resources Group Limited CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED SEPTEMBER 30

		2014	2013
OPERATING ACTIVITIES			
Net loss for the period	\$	(2,045,229) \$	(2,008,713)
Add non-cash items:	•	(, , , , .	(, , , ,
Accrued interest expense		20,899	18,999
Depreciation		7,226	9,425
Share-based payments		-	(13,829)
Finance expense		1,665,478	1,509,623
		(351,626)	(484,495)
Net change in non-cash working capital items:			
Receivables		(3,010)	50,176
Prepaid expenses and deposits		(31,629)	(33,889)
Trade and other payables		70,122	(368,463)
Amounts due to related parties		(95,830)	157,780
Payables related to deferred exploration and evaluation		(16,311)	995,019
Cash provided by (used in) operating activities		(428,284)	316,128
INVESTING ACTIVITIES			
Deferred exploration and development expenditures		(383,698)	(1,439,143)
Bonds on Copper Flat Project		8,902	-
Cash used in investing activities		(374,796)	(1,439,143)
FINANCING ACTIVITIES			
Cash received from loan advances		983,280	920,000
Cash provided by financing activities		983,280	920,000
Effect of foreign exchange translation on cash		(734)	5,814
Net changes in cash position		179,466	(197,201)
Cash position, beginning of period		57,981	462,910
Cash position, end of period	\$	237,447 \$	265,709

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the condensed consolidated interim financial statements.

THEMAC Resources Group Limited CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

_	Amount	Value	Warrants	 nare-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance, June 30, 2013 Share-based payments	75,300,122	\$ 18,906,731	\$ 10,072,430	\$ 3,235,203 4,208	\$ 1,733,156	\$ (19,103,907) \$	14,843,613 4,208
Comprehensive loss for the period	- -	-	-	-	(1,077,176)	(2,008,713)	(3,085,889)
Balance, September 30, 2013	75,300,122	18,906,731	10,072,430	3,239,411	655,980	(21,112,620)	11,761,932
Shares issued for debt (Note 10)	1,192,000	107,280	-	-	_	-	107,280
Share-based payments	-	-	-	407,306	-	-	407,306
Comprehensive loss for the period	-	-	-	-	1,466,463	(6,167,043)	(4,700,580)
Balance, June 30, 2014	76,492,122	19,014,011	10,072,430	3,646,717	2,122,443	(27,279,663)	7,575,938
Share-based payments	-	-	-	4,556	-	-	4,556
Comprehensive income for the period	-	-	-	-	2,630,134	(2,045,229)	584,905
Balance, September 30, 2014	76,492,122	\$ 19,014,011	\$ 10,072,430	\$ 3,651,273	\$ 4,752,577	\$ (29,324,892) \$	8,165,399

See accompanying notes to the condensed consolidated interim financial statements.

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

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 loss of \$2,045,229 for the period ended September 30, 2014, and had a working capital deficiency of \$47,963,230 at September 30, 2014. 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 condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's June 30, 2014 audited consolidated annual financial statements with the exception of newly adopted standards as disclosed in Note 3.

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 November 20, 2014.

(Unaudited) (Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

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.

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

IFRIC 21

3. SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted

As of July 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

•	IAS 32 (Amendment)	New standard that clarifies requirements for offsetting financial assets
		and financial liabilities.

 IAS 36 (Amendment) 	This amendment addresses the disclosure of information regarding
	the recoverable amount of impairment assets as the amount is based
	on fair value less costs of disposal

This is an interpretation of IAS 37, Provisions, contingent liabilities and
contingent assets. IAS 37 sets out criteria for the recognition of a
liability, one of which is the requirement for the entity to have a
present obligation as a result of a past event, known as an obligating
event. The interpretation clarifies that the obligation event that gives
rise to a liability to pay a levy is the activity described in the relevant
legislation that triggers the payment of the levy.

New standards not yet adopted

IFRS 9 Financial Instruments (Revised)

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement.* The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are integrated as follows:

	Septe	ember 30, 2014	June 30, 2014
Advances to vendors and contractors related to the mineral property	\$	16,229	\$ 16,674
Advances to other vendors and contractors		1,845	-
Prepaid insurance		30,527	28,634
Lease and rent deposits		52,589	21,293
	\$	101,190	\$ 66,601

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

5. PROPERTY AND EQUIPMENT

	_		_		urniture and	_		
		Land		Vehicles		Equipment		Total
Cost								
Balance, June 30, 2013	\$	2,522,880	\$	84,880	\$	883,434	\$	3,491,194
Additions		104,385		-		-		104,385
Disposals		-		(22,740)		(7,337)		(30,077)
Net exchange differences		41,735		2,248		13,663		57,646
Balance, June 30, 2014		2,669,000		64,388		889,760		3,623,148
Net exchange differences		133,000		3,209		44,323		180,532
Balance,								
September 30, 2014	\$	2,802,000	\$	67,597	\$	934,083	\$	3,803,680
Accumulated Depreciation								
Balance, June 30, 2013	\$	-	\$	27,044	\$	70,412	\$	97,456
Depreciation		-		15,331		92,104		107,435
Disposals		-		(10,905)		-		(10,905)
Net exchange differences		-		875		854		1,729
Balance, June 30, 2014		-		32,345		163,370		195,715
Depreciation		_		3,284		21,554		24,838
Net exchange differences		_		1,707		8,769		10,476
Balance,				·		·		•
September 30, 2014	\$	-	\$	37,336	\$	193,693	\$	231,029
Net Book Value								
As at June 30, 2014	\$	2,669,000	\$	32,043	\$	726,390	\$	3,427,433
As at September 30, 2014	\$	2,802,000	\$	30,261	\$	740,390	\$	3,572,651

Depreciation of \$17,612 (2013 - \$17,417) has been capitalized to deferred exploration and evaluation expenditures.

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

6. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred ploration and evaluation	Total		
Balance, June 30, 2013	\$ 27,126,767	\$ 21,712,810	\$	48,839,577	
Additions Net exchange differences	 - 423,623	2,078,133 340,911		2,078,133 764,534	
Balance, June 30, 2014	27,550,390	24,131,854		51,682,244	
Additions Net exchange differences	- 1,374,194	423,392 1,202,483		423,392 2,576,677	
Balance, September 30, 2014	\$ 28,924,584	\$ 25,757,729	\$	54,682,313	

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 and deposits

As at September 30, 2014, the Company has posted bonds of \$208,879 (US\$186,366) (June 30, 2014 – \$198,964 (US\$186,366)) in connection with the drilling permits for Copper Flat and deposits of \$144,302 (US\$128,749) (June 30, 2014 - \$146,178 (US\$136,922)) posted with the Bureau of Land Management pursuant to a cost recovery agreement.

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.

	September 30, 2014			June 30, 2014		
Balance, beginning of the period Additions	\$	173,243 -	\$	258,128 (89,147)		
Net exchange differences		8,633		4,262		
Balance, end of the period	\$	181,876	\$	173,243		

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

7. LOAN PAYABLE

	 Principal	-	Total	
Balance, June 30, 2013	\$ 29,637,683	\$ 5,452,479	\$	35,090,162
Additions Balance, June 30, 2014	 2,911,775 32,549,458	6,254,552 11,707,031		9,166,327 44,256,489
Additions Balance, September 30, 2014	\$ 983,280 33,532,738	\$ 1,665,479 13,372,510	\$	2,648,759 46,905,248

The Company has a loan agreement with Tulla, an affiliate of a company controlled by director Kevin Maloney (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. Tulla has not made demand for payment.

The Loan has a maximum principal amount of \$35,000,000. As at September 30, 2014, the undrawn balance available is \$1,195,819.

8. PROPERTY OBLIGATION

During the year ended June 30, 2013, the Company entered into an agreement, as subsequently amended, ("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\$2,500,000 ("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\$1,800,000 ("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.

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

8. PROPERTY OBLIGATION (cont'd...)

	September 30, 2014		June 30, 2014
Balance, beginning of the period Initial recognition of property obligation Accrued interest Net exchange differences	\$	2,416,438 - 20,899 121,021	\$ 2,193,580 104,385 82,092 36,381
Balance, end of period		2,558,358	2,416,438
Payable within the next fiscal year Long-term portion	\$	(260,718) 2,297,640	\$ (227,858) 2,188,580

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.

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 September 30, 2014 or the year ended June 30, 2014.

c) Warrants

The continuity of warrants is as follows:

		Weighted
	Options	average
	outstanding	exercise price
Balance, June 30, 2013, June 30, 2014 and		_
September 30, 2014	50,500,000	\$0.33

Warrants outstanding and exercisable as at September 30, 2014 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	\$0.33	

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

9. EQUITY (cont'd...)

d) Stock options

The Company has adopted a formal stock option plan (the "Plan"). The Plan is a fixed plan and reserves up to 15,060,024 common shares for issuance at the time of the grant of a stock option under the Plan. Stock options can be granted for a term not to exceed ten years. Stock options are granted with an exercise price in accordance with the TSX Venture Exchange policy.

The continuity of stock options is as follows:

		We	eighted
	Options outstanding		
Balance on June 30, 2013	7,530,012	\$	0.47
Granted	7,392,857		0.07
Re-priced	3,532,515		0.15
Forfeited and expired	(5,509,147)		0.57
Balance on June 30, 2014	12,946,237		0.11
Granted	495,835		0.05
Balance, September 30, 2014	13,442,072	\$	0.11

Stock options outstanding and exercisable as at September 30, 2014 are as follows:

Options Outstanding	Options Exercisable	ave	ighted erage ise price	Expiry date
			•	
258,983	258,983	\$	0.51	March 4, 2016
108,628	108,628		0.60	March 4, 2016
1,681,726	1,681,726		0.15	March 4, 2016
367,611	367,611		0.07	March 4, 2016
200,000	200,000		0.15	March 27, 2016
200,000	200,000		0.15	May 6, 2016
75,000	75,000		0.15	December 21, 2016
675,789	675,789		0.15	August 24, 2017
200,000	200,000		0.15	January 10, 2018
500,000	500,000		0.15	February 14, 2018
350,920	-		0.07	June 30, 2018
1,653,254	1,250,000		0.10	June 30, 2018
495,835	-		0.05	June 30, 2018
6,674,326	6,374,326		0.07	April 24, 2019
13,442,072	11,892,063	\$	0.11	

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

9. EQUITY (cont'd...)

d) Stock options (cont'd...)

During the year ended June 30, 2014, the Company re-priced 3,900,126 stock options having an exercise price of \$0.37 to \$0.68 per share to a weighted average exercise price of \$0.14 per share. The re-pricing of options led to additional share-based payments expense of \$75,993. The weighted average assumptions used for the Black-Scholes valuation of re-priced options were annualized volatility of 138.97%, risk-free interest rate of 1.22%, expected life of 2.63 years and a dividend rate of Nil%.

e) Share-based payments

During the period ended September 30, 2014, the Company granted 495,835 options (2013 – Nil) and recognized total share-based payments for options vesting and cancelled in the period of \$4,556 (2013 - \$4,208). Inclusive of the stock option re-pricing, share-based payments expense of \$Nil (2013 – recovery of \$13,829) was recognized in the statement of comprehensive income (loss) and \$4,556 (2013 - \$18,037) was capitalized to exploration and evaluation assets.

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

	2014	2013
Risk-free interest rate	1.20%	-
Expected life of options	3 years	-
Annualized volatility	159.79%	-
Dividend rate	0.00%	<u>-</u>

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 September 30, 2014 and 2013 consist of the following:

	2014	2013
Payments to key management personnel:		
Cash compensation	\$ 110,282	\$ 86,250
Stock-based compensation granted to senior management	4,556	14,544
Directors' fees	87,500	91,250
Related party transactions:		
Advances received on Tulla loan (Note 7)	983,280	920,000
Interest accrued on Tulla loan (Note 7) (no payments made)	1,665,479	1,509,624

(Unaudited)

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

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

During the year ended June 30, 2014, the Company issued 1,192,000 shares to five directors of the Company to settle \$107,280 in accrued directors' fees.

Amounts due to related parties consist of amounts due for expense reimbursements and accrued fees for compensation disclosed above. Amounts are non-interest bearing and due on demand.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the period ended September 30, 2014, the Company entered into the following non-cash transactions:

- Incurred \$123,037 (2013 \$92,295) of deferred Copper Flat exploration and evaluation expenditures through trade and other payables.
- Incurred \$4,556 (2013 \$18,037) of deferred Copper Flat exploration and evaluation expenditures through share-based payments.
- Recognized \$Nil (2013 \$10,381) of deferred Copper Flat exploration and evaluation expenditures through the accrual of asset retirement obligations.
- Recognized depreciation of \$17,612 (2013 \$17,417) in deferred Copper Flat exploration and evaluation expenditures.

12. SEGMENTED INFORMATION

The Company operates in one business segment which is the exploration of its mineral property in New Mexico, USA. The Company's non-current assets are located in the United States of America.

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 September 30, 2014, the Company had cash of \$237,447 (June 30, 2014 - \$57,981).

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

(Unaudited) (Expressed in Canadian Dollars) SEPTEMBER 30, 2014

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 property obligation is carried at amortized cost. The fair value of the property obligation approximates its carrying value as it reflects the amount payable as at the reporting date to discharge the liability.

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\$1.06 to a high of US\$1.12 for CAD\$1 during the period ended September 30, 2014. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately \$5,560,800. 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.

(Unaudited) (Expressed in Canadian Dollars)

SEPTEMBER 30, 2014

14. FINANCIAL INSTRUMENTS (cont'd...)

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 has identified the outstanding Tulla Loan and negative working capital position as a significant liquidity risk to the Company. Tulla has not made demand for payment of the Loan to date.

15. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2014, the Company drew a further \$271,444 on the Loan from Tulla (Note 7).