



THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2020

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

Suite 1500 – 409 Granville Street
Vancouver, BC
Canada V6C 1T2
TSXV: MAC

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 Chartered Professional Accountants of Canada 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

	December 31, 2020	June 30, 2020
ASSETS		
Current		
Cash	\$ 76,044	\$ 80,344
Receivables	2,489	717
Prepaid expenses and deposits	47,836	24,843
	126,369	105,904
Property and equipment (Note 3)	3,236,351	3,467,093
Bonds (Note 4)	185,960	199,102
Mineral property (Note 4)	33,772,650	36,161,367
Deferred exploration and evaluation (Note 4)	42,608,245	45,008,843
Total Assets	\$ 79,929,575	\$ 84,942,309
LIABILITIES		
Current		
Trade and other payables	\$ 244,662	\$ 443,416
Due to related parties (Note 8)	2,772,128	2,809,693
Property obligation (Note 6)	205,071	182,578
Loans payable - Tulla (Note 5)	124,373,344	117,719,121
Loans payable – Paycheck Protection Program (Note 5)	29,136	17,826
	127,624,341	121,172,634
Loans payable – Paycheck Protection Program (Note 5)	20,812	35,652
Property obligation (Note 6)	1,656,631	1,773,964
Asset retirement obligation (Note 4)	477,069	510,786
Total Liabilities	129,778,853	123,493,036
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	19,159,411	19,159,411
Warrants (Note 7)	10,072,430	10,072,430
Share-based payment reserve (Note 7)	3,973,465	3,973,465
Foreign currency translation reserve	11,263,518	16,719,838
Deficit	(94,318,102)	(88,475,871)
Total Shareholders' Deficiency	(49,849,278)	(38,550,727)
Total Liabilities and Shareholders' Deficiency	\$ 79,929,575	\$ 84,942,309

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"
Director

"Andrew Maloney"
Director

THEMAC Resources Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED DECMEBER 31,

	Three months ended December 31,		Six months ended December 31,	
	2020	2019	2020	2019
General Expenses				
Accounting and audit	\$ 18,428	\$ 18,885	\$ 26,760	\$ 26,613
Depreciation (Note 4)	974	987	1,971	2,649
Directors' fees (Note 9)	103,027	78,750	181,777	157,500
Filing fees and transfer agent fees	3,010	4,484	3,844	6,727
Finance expense (Note 6)	2,717,492	2,620,886	5,422,201	5,221,402
Foreign exchange	13,140	(21,287)	34,142	(7,314)
Interest on property obligation (Note 7)	17,668	28,368	35,729	56,744
Legal fees	2,003	3,017	2,722	3,059
Management fees (Note 9)	23,937	25,531	48,742	50,004
Office and sundry	43,729	45,371	83,163	103,597
Travel	686	1,376	1,180	4,969
Recovery of accounts payable (Note 9)	-	-	-	(20,491)
Loss for the period	(2,944,094)	(2,806,368)	(5,842,231)	(5,605,459)
Other comprehensive income				
Exchange differences on translating foreign operations	(2,878,929)	(1,161,216)	(5,456,320)	(355,951)
Total comprehensive loss	\$(5,823,023)	\$(3,967,584)	\$(11,298,551)	\$(5,961,410)
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.04)	\$ (0.07)	\$ (0.07)
Weighted average number of outstanding shares				
- basic and diluted	79,400,122	79,400,122	79,400,122	79,400,122

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 SIX MONTHS ENDED DECEMBER 31

	2020	2019
OPERATING ACTIVITIES		
Loss for the period	\$ (5,842,231)	\$ (5,605,459)
Add non-cash items:		
Accrued interest expense	35,729	56,744
Accretion of asset retirement obligation	-	6,232
Depreciation	1,971	2,649
Finance expense	5,422,201	5,221,402
Recovery of accounts payable	-	(20,491)
	<u>(382,330)</u>	<u>(338,923)</u>
Net change in non-cash working capital items:		
Receivables	(1,774)	(3,126)
Prepaid expenses and deposits	(29,541)	(27,982)
Trade and other payables	350,764	177,948
Amounts due to related parties	(37,565)	32,174
Cash used in operating activities	<u>(100,446)</u>	<u>(159,909)</u>
INVESTING ACTIVITIES		
Advance payments for purchase of Copper Flat	-	(165,593)
Deferred exploration and development expenditures	(1,068,455)	(747,740)
Cash used in investing activities	<u>(1,068,455)</u>	<u>(913,333)</u>
FINANCING ACTIVITIES		
Cash received from Tulla loan advances	1,156,061	1,063,293
Cash provided by financing activities	<u>1,156,061</u>	<u>1,063,293</u>
Effect of foreign exchange translation on cash	<u>8,540</u>	<u>(10,774)</u>
Net changes in cash position	(4,300)	(20,723)
Cash position, beginning of period	80,344	115,802
Cash position, end of period	<u>\$ 76,044</u>	<u>\$ 95,079</u>

Supplemental disclosure with respect to cash flows (Note 9)

See accompanying notes to the condensed consolidated interim financial statements.

THEMAC Resources Group Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIENCY

(Unaudited - Expressed in Canadian Dollars)

	Share capital		Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
	Amount	Value					
Balance, June 30, 2019	79,400,122	19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 13,881,366	\$ (77,162,321)	\$ (30,075,649)
Comprehensive loss for the period	-	-	-	-	(355,951)	(5,605,459)	(5,961,410)
Balance, December 31, 2019	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 13,525,415	\$ (82,767,780)	\$ (36,037,059)
Comprehensive loss for the period	-	-	-	-	3,194,423	(5,708,091)	(2,513,668)
Balance, June 30, 2020	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 16,719,838	\$ (88,475,871)	\$ (38,550,727)
Comprehensive loss for the period	-	-	-	-	(5,456,320)	(5,842,231)	(11,298,551)
Balance, December 31, 2020	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 11,263,518	\$ (94,318,102)	\$ (49,849,278)

See accompanying notes to the condensed consolidated interim financial statements.

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
DECEMBER 31, 2020

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 #1500 – 409 Granville Street, Vancouver, BC, V6C 1T2, Canada.

The Company has one operating segment, which is the exploration and development of its mineral property. The Company’s main asset is the Copper Flat Project located in New Mexico, USA.

These condensed consolidated interim 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 \$5,842,231 for the period ended December 31, 2020 and had a working capital deficiency of \$127,497,972 at December 31, 2020. In addition, the Company’s forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company’s loan agreements with Tulla Resources Group Pty Ltd. (“Tulla”) (Note 5). 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 advance the Copper Flat project. Realization values may be substantially different from carrying values, as shown, and these condensed consolidated interim 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PREPARATION

Statement of compliance

These condensed 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

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the audited consolidated financial statements for the year ended June 30, 2020. These condensed consolidated interim 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 condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company.

These condensed consolidated interim financial statements were authorized for issuance by the Company’s board of directors on February 26, 2021.

2. BASIS OF PREPARATION (cont'd...)

Significant accounting judgments and estimates

The preparation of the condensed consolidated interim 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.

Estimates

Accounts that require significant estimates as the basis for determining the stated amounts include the asset retirement obligation and share-based payments. 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.

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.

Judgments

The functional currency for the Company is the primary economic environment in which the entity operates. Management has assessed various factors including the costs of inputs and has determined the functional currency of the Company to be the Canadian dollar and its subsidiary, New Mexico Copper Corporation ("NMCC"), to be the US dollar.

The application of the Company's accounting policy for mineral property and deferred exploration and evaluation expenditures requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

An assessment of any impairment indicators for mineral properties, deferred exploration and evaluation costs is dependent upon factors such as resources, economic, and market conditions. The Company has judged that no such impairment indicators exist.

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
DECEMBER 31, 2020

3. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2019	\$ 3,271,575	\$ 78,924	\$ 1,085,803	\$ 4,436,302
Net exchange differences	138,765	3,348	45,147	187,260
Balance, June 30, 2020	3,410,340	82,272	1,130,950	4,623,562
Net exchange differences	(225,112)	(3,299)	(73,240)	(301,651)
Balance, December 31, 2020	\$ 3,185,228	\$ 78,973	\$ 1,057,710	\$ 4,321,911
Accumulated Depreciation				
Balance, June 30, 2019	\$ -	\$ 78,924	\$ 1,026,762	\$ 1,105,686
Depreciation	-	-	4,701	4,701
Net exchange differences	-	3,348	42,734	46,082
Balance, June 30, 2020	-	82,272	1,074,197	1,156,469
Depreciation	-	-	1,971	1,971
Net exchange differences	-	(3,299)	(69,581)	(72,880)
Balance, December 31, 2020	\$ -	\$ 78,973	\$ 1,006,587	\$ 1,085,560
Net Book Value				
As at June 30, 2020	\$ 3,410,340	\$ -	\$ 56,753	\$ 3,467,093
As at December 31, 2020	\$ 3,185,228	\$ -	\$ 51,123	\$ 3,236,351

4. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred exploration and evaluation	Total
Balance, June 30, 2019	\$ 34,688,902	\$ 42,162,872	\$ 76,851,774
Additions	-	1,041,564	1,041,564
Net exchange differences	1,472,465	1,804,407	3,276,872
Balance, June 30, 2020	\$ 36,161,367	\$ 45,008,843	\$ 81,170,210
Additions	-	580,997	580,997
Net exchange differences	(2,388,717)	(2,981,595)	(5,370,312)
Balance, December 31, 2020	\$ 33,772,650	\$ 42,608,245	\$ 76,380,895

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 US\$2.00/lb).

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
DECEMBER 31, 2020

4. MINERAL PROPERTY (cont'd...)

Copper Flat Project (cont'd...)

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat. The Company paid US\$1,500,000 at the time of the agreement and paid a final amount of US\$700,000 in the year ended June 30, 2019. However, some of these water rights have been deemed invalid by the State of New Mexico Third District Court. The Company is appealing the Court's decision and is reviewing additional options for water rights.

Bonds and deposits

As at December 31, 2020, the Company has posted bonds of \$167,245 (US\$131,266) (June 30, 2020 – \$179,064 (US\$131,266)) on the Copper Flat claims and deposits of \$18,715 (US\$14,689) (June 30, 2020 – \$20,038 (US\$14,689)) posted with the Bureau of Land Management pursuant to a cost recovery agreement.

Asset Retirement Obligation

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

	December 31, 2020	June 30, 2020
Balance, beginning of the period	\$ 510,786	\$ 518,075
Finance expense	-	12,673
Change in estimates	-	(40,894)
Net exchange differences	(33,717)	20,932
Balance, end of the period	\$ 477,069	\$ 510,786

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is US\$406,442 (June 30, 2020 - US\$406,442) which has been discounted using a pre-tax risk-free rate of 1.18% (June 30, 2020 – 1.18%) and an inflation rate of 0.60% (June 30, 2020 – 0.60%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
DECEMBER 31, 2020

5. LOANS PAYABLE

Tulla Loans

	Principal	Finance Expense	Total
Balance, June 30, 2019	\$ 51,059,318	\$ 53,655,647	\$ 104,714,965
Additions - USD Loan	2,087,400	10,487,452	12,574,852
Net exchange differences	340,708	88,596	429,304
Balance, June 30, 2020	53,487,426	64,231,695	117,719,121
Additions - USD Loan	1,156,061	5,422,201	6,578,262
Net exchange differences	40,684	35,277	75,961
Balance, December 31, 2020	\$ 54,684,171	\$ 69,689,173	\$ 124,373,344

The Company's subsidiary, NMCC, has a loan agreement (the "CAD Loan") with Tulla, a firm that invests in natural resources. Mr. Kevin Maloney, who is Chairman of THEMAC is also director of Tulla. The CAD Loan has a maximum facility of \$44,500,000 and bears interest at 20% per annum. The CAD Loan can be repaid by the Company at any time without penalty, is unsecured and is payable on demand. Tulla has not made demand for payment. The Company has drawn \$43,838,077 against the CAD Loan facility.

NMCC has entered into an additional loan agreement with Tulla (the "USD Loan") denominated in US dollars. The USD Loan has a maximum facility of US\$8,000,000 and bears interest at 20% per annum. The USD Loan is unsecured and is payable on demand. The Company has drawn US\$7,950,890 against the USD Loan facility as at December 31, 2020. Subsequent to December 31, 2020, the Company drew down a further US\$100,000 on the USD Loan and extended the facility to US\$8,500,000.

The Company has provided a guarantee of the repayment of the CAD and USD Loans on behalf of NMCC.

Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted to provide financial aid to family and businesses impacted by the COVID-19 pandemic. The Company participated in the CARES Act, and on May 4, 2020, the Company entered into a note payable with a bank under the Small Business Administration ("SBA"), Paycheck Protection Program ("PPP") in the amount of US\$39,203. This note payable matures on May 3, 2022 with a fixed interest rate of 1% per annum with interest deferred for six months. The PPP loan has an initial term of two years, is unsecured and guaranteed by the SBA. Under the terms of the PPP note, the Company may apply for forgiveness of the amount due on the PPP loan. The Company used the proceeds from the PPP loan for qualifying expenses as defined in the PPP. The Company intends to apply for forgiveness of the PPP loan in accordance with the terms of the CARES Act. However, the Company cannot assure at this time that the PPP loan will be forgiven partially or in full. If the loan is not forgiven based on the PPP guidelines to be issued by the SBA, as defined, then, the monthly payment amount will be \$1,651 beginning on November 1, 2020 through May 3, 2022. The current portion of the PPP loan is \$29,136 (US\$22,868) and the long-term portion is \$20,812 (US\$16,335).

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
DECEMBER 31, 2020

6. 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 total purchase price of the land is US\$2,500,000 (“Purchase Price”) with interest accruing at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date.

The Purchase Price has been scheduled by installments. The Company paid US\$325,000 (the “Initial Payment”) at the inception of the Fancher Agreement and has made annual payments of US\$125,000, plus accrued interest, on the second, third and fourth anniversaries of the Initial Payment. The balance of US\$1,800,000 (“Final Payment”) was scheduled for payment on or before the fifth anniversary of the Initial Payment.

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. As the Company had not currently obtained all permits and approvals deemed necessary for the commercial operation of the Copper Flat Project, nor has the Company obtained such permits and approvals by the fifth anniversary date (May 1, 2018), the Company has elected to defer the Final Payment by making the annual installments of US\$125,000 by the fifth anniversary and subsequent anniversaries, until the earlier of the expiration of the Fancher Agreement, or such time that the permits and approvals are obtained. The Final Payment has been reduced by installment payments to a balance of US\$1,425,000 (June 30, 2020 – US\$1,425,000).

	December 31, 2020	June 30, 2020
Balance, beginning of the period	\$ 1,956,542	\$ 2,211,171
Payment – principal	-	(332,777)
Payment – interest	-	(81,037)
Accrued interest	35,729	73,574
Net exchange differences	(130,569)	85,611
Balance, end of the period	1,861,702	1,956,542
Payable within the next fiscal year	(205,071)	(182,578)
Long-term portion	\$ 1,656,631	\$ 1,773,964

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.

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
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DECEMBER 31, 2020

7. 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 six months ended December 31, 2020 or year ended June 30, 2020.

c) Stock options

The Company has adopted a formal stock option plan (the "Plan"). The Plan is a fixed plan and reserves up to 15,880,024 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:

	Options outstanding	Weighted average exercise price
Balance outstanding and exercisable		
June 30, 2019 and 2020 and December 31, 2020	13,664,744	\$ 0.05

Stock options outstanding and exercisable as at December 31, 2020 are as follows:

Options	Weighted average exercise price	Expiry date
9,216,744	\$ 0.05	August 22, 2022
4,448,000	\$ 0.05	September 12, 2022

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
DECEMBER 31, 2020

8. RELATED PARTY TRANSACTIONS

Management Compensation

Key management personnel of the Company include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Corporate Secretary and Directors of the Company.

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the six months ended December 31, 2020 and 2019 consist of the following:

	2020	2019
Amounts paid or accrued to key management personnel:		
Cash compensation and accrued bonuses – expensed	\$ 33,088	\$ 33,993
Cash compensation and accrued bonuses – capitalized to deferred exploration and evaluation assets	136,594	135,966
Directors' fees	181,777	157,500
Related party transactions:		
Advances received on Tulla loans (Note 5)	1,156,061	1,063,293
Interest accrued on Tulla loans (Note 5) (unpaid)	5,422,201	5,221,402
Fees paid or accrued to Peacock Law, P.C., a law firm owned by a director	3,696	4,165

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.

The Company has entered into settlement agreements with the CEO, and COO. The Company has approved long term bonus agreements which allow for the settlement of US\$888,594, in a combination of cash and shares, in the event the Company completes an equity financing of not less than US\$10,000,000. In the event the Company completes a sale transaction of not less than 50% of the Company's equity or interest in NMCC, the amount will be settled in cash. The agreements expire in 5 years at which time any unpaid obligations will also expire. The liabilities have been recorded in prior periods. The balance accrued and included in accounts payable due to related parties as at December 31, 2020 is \$1,019,157 (June 30, 2020 - \$1,091,184).

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the six months ended December 31, 2020 and 2019, the Company entered into the following non-cash transactions:

- Investing cashflows on the Copper Flat exploration and evaluation expenditures have been adjusted for amounts included in accounts payable and accrued liabilities of \$84,154 (2019 - \$210,333) and \$784,173 (2019 - \$801,105) included due to related parties.
- Recognized a recovery of \$Nil (2019 - \$96,568) of accounts payable through exploration and evaluation expenditures.

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
DECEMBER 31, 2020

10. 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.

11. CAPITAL DISCLOSURES

The Company considers its loans 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 loans 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 December 31, 2020, the Company had cash of \$76,044 (June 30, 2020 - \$80,344).

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period ended December 31, 2020.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, bonds, trade and other payables, amounts due to related parties, loans payable and property obligation. The fair value of cash, receivables, bonds, trade and other payables, due to related parties and loans 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\$0.69 to a high of US\$0.77 for CAD\$1 during the period ended December 31, 2020. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately \$113,650. 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.

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

Interest rate and credit risk

The Company has a cash balance, receivables, trade and other payables, amounts due to related parties, loans payable (Note 5) and property obligation (Note 6). Amounts owed to related parties, excluding the loans payable, do not bear interest, and, therefore, these amounts are not exposed to interest rate variations. The loans payable bear 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. 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, loans 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 Loans and negative working capital position as a significant liquidity risk to the Company. Tulla has not made demand for payment of the Loans to date.

13. SUBSEQUENT EVENT

Subsequent to December 31, 2020, the Company drew down a further US\$100,000 on the USD Loan and extended the facility to US\$8,500,000 from the existing facility of US\$8,000,000 (Note 5).