THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

March 31, 2016
(Unaudited)
(Expressed in Canadian dollars)

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

		March 31, 2016		June 30, 2015
ASSETS				
Current				
Cash	$	24,211	$	322,108
Receivables		7,181		2,914
Prepaid expenses and deposits (Note 4)		86,061		64,228
		117,453		389,250
Property and equipment (Note 5)		3,961,978		3,895,818
Bonds (Note 6)		408,156		444,354
Mineral property (Note 6)		33,519,869		32,236,082
Deferred exploration and evaluation (Note 6)		33,878,491		30,425,231
Total Assets	$	71,885,947	$	67,390,735
LIABILITIES				
Current				
Trade and other payables	$	584,689	$	487,701
Due to related parties (Note 10)		999,502		625,466
Property obligation (Note 8)		244,394		170,856
Loan payable (Note 7)		63,282,984		55,107,451
		65,111,569		56,391,474
Property obligation (Note 8)		2,515,044		2,404,065
Asset retirement obligation (Note 6)		461,779		415,470
Total Liabilities		68,088,392		59,211,009
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		19,159,411		19,159,411
Warrants (Note 9)		10,072,430		10,072,430
Share-based payment reserve (Note 9)		3,680,993		3,680,993
Foreign currency translation reserve		13,626,689		11,149,899
Deficit		(42,741,968)		(35,883,007)
Total Shareholders' Equity		3,797,555		8,179,726
Total Liabilities and Shareholders' Equity	$	71,885,947	$	67,390,735

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

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"
Director

"Kenneth Pickering"
Director

THEMAC Resources Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED MARCH 31

	Three months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015
General Expenses				
Accounting and audit	$ 38,342	$ 51,833	$ 68,182	$ 117,507
Depreciation (Note 5)	9,122	8,236	26,667	23,001
Directors' fees (Note 10)	87,500	87,500	262,500	262,500
Filing fees and transfer agent fees	7,047	11,701	14,428	17,344
Finance expense (Note 7)	1,926,690	1,714,669	5,673,267	5,087,868
Interest on property obligation (Note 8)	36,826	23,337	84,650	66,036
Investor communications	912	10,106	1,661	13,517
Legal fees	10,775	16,186	43,187	31,433
Management fees	73,965	69,059	188,890	171,943
Office and sundry	36,669	251,644	411,525	569,785
Travel	19,069	10,847	84,004	38,540
Loss for the period	(2,246,917)	(2,255,118)	(6,858,961)	(6,399,474)
Other comprehensive income				
Exchange differences on translating foreign operations	(4,460,514)	5,314,181	2,476,790	9,913,888
Total comprehensive income (loss)	$ (6,707,431)	$ 3,059,063	$ (4,382,171)	$ 3,514,414
Net loss per share - basic and diluted	$ (0.03)	$ (0.03)	$ (0.09)	$ (0.08)
Weighted average number of outstanding shares - basic and diluted	79,400,122	79,012,389	79,400,122	77,319,947

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 NINE MONTHS ENDED MARCH 31

	2016	2015
OPERATING ACTIVITIES		
Loss for the period	$ (6,858,961)	$ (6,399,474)
Add non-cash items:		
Accrued interest expense	84,650	66,036
Accretion of asset retirement obligation	9,615	-
Depreciation	26,667	23,001
Finance expense	5,673,267	5,087,868
	(1,064,762)	(1,222,569)
Net change in non-cash working capital items:		
Receivables	(4,267)	(3,676)
Prepaid expenses and deposits	(7,882)	(12,190)
Trade and other payables	71,812	238,748
Amounts due to related parties	374,036	(269,581)
Payables related to deferred exploration and evaluation	(125,709)	32,206
Cash used in operating activities	(756,772)	(1,237,062)
INVESTING ACTIVITIES		
Deferred exploration and development expenditures	(2,066,150)	(1,212,394)
Bonds on Copper Flat Project	-	60,675
Cash used in investing activities	(2,066,150)	(1,151,719)
FINANCING ACTIVITIES		
Cash received from loan advances	2,502,266	2,524,223
Cash provided by financing activities	2,502,266	2,524,223
Effect of foreign exchange translation on cash	22,759	35,288
Net changes in cash position	(297,897)	170,730
Cash position, beginning of period	322,108	57,981
Cash position, end of period	$ 24,211	$ 228,711

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	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
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
Shares issued for debt (Note 10)	2,908,000	145,400	-	-	-	-	145,400
Share-based payments	-	-	-	23,440	-	-	23,440
Comprehensive income for the period	-	-	-	-	9,913,888	(6,399,474)	3,514,414
Balance, March 31, 2015	79,400,122	19,159,411	10,072,430	3,670,157	12,036,331	(33,679,137)	11,259,192
Share-based payments	-	-	-	10,836	-	-	10,836
Comprehensive income for the period	-	-	-	-	(886,432)	(2,203,870)	(3,090,302)
Balance, June 30, 2015	79,400,122	19,159,411	10,072,430	3,680,993	11,149,899	(35,883,007)	8,179,726
Comprehensive income for the period	-	-	-	-	2,476,790	(6,858,961)	(4,382,171)
Balance, March 31, 2016	79,400,122	$ 19,159,411	$ 10,072,430	$ 3,680,993	$ 13,626,689	$ (42,741,968)	$ 3,797,555

See accompanying notes to the condensed consolidated interim 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 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 $6,858,961 for the period ended March 31, 2016, and had a working capital deficiency of $64,994,116 at March 31, 2016. 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") (Note 7). 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 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.

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, 2015 audited consolidated annual financial statements.

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 May 25, 2016.

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.

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. 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 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 exists.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

(Expressed in Canadian Dollars)

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are integrated as follows:

	March 31, 2016	June 30, 2015
Advances to vendors and contractors related to the mineral property	$ 28,244	$ 17,776
Advances to other vendors and contractors	750	6,982
Prepaid insurance	24,605	23,457
Lease and rent deposits	32,462	16,013
	$ 86,061	$ 64,228

5. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2014	$ 2,669,000	$ 64,388	$ 889,760	$ 3,623,148
Net exchange differences	453,500	10,940	147,546	611,986
Balance, June 30, 2015	3,122,500	75,328	1,037,306	4,235,134
Net exchange differences	124,250	2,997	40,423	167,670
Balance, March 31, 2016	$ 3,246,750	$ 78,325	$ 1,077,729	$ 4,402,804
Accumulated Depreciation				
Balance, June 30, 2014	$ -	$ 32,345	$ 163,370	$ 195,715
Depreciation	-	14,161	92,931	107,092
Net exchange differences	-	6,400	30,109	36,509
Balance, June 30, 2015	-	52,906	286,410	339,316
Depreciation	-	12,120	79,537	91,657
Net exchange differences	-	1,734	8,119	9,853
Balance, March 31, 2016	$ -	$ 66,760	$ 374,066	$ 440,826
Net Book Value				
As at June 30, 2015	$ 3,122,500	$ 22,422	$ 750,896	$ 3,895,818
As at March 31, 2016	$ 3,246,750	$ 11,565	$ 703,663	$ 3,961,978

Depreciation of $64,990 (2015 - $37,183) has been capitalized to deferred exploration and evaluation expenditures.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred exploration and evaluation	Total
Balance, June 30, 2014	$ 27,550,390	$ 24,131,854	$ 51,682,244
Additions	-	2,102,547	2,102,547
Net exchange differences	4,685,692	4,190,830	8,876,522
Balance, June 30, 2015	32,236,082	30,425,231	62,661,313
Additions	-	2,324,925	2,324,925
Net exchange differences	1,283,787	1,128,335	2,412,122
Balance, March 31, 2016	$ 33,519,869	$ 33,878,491	$ 67,398,360

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 March 31, 2016, the Company has posted bonds of $343,864 (US$264,775) (June 30, 2015 – $330,537 (US$264,642)) in connection with the drilling permits for Copper Flat and deposits of $64,293 (US$49,509)(June 30, 2015 - $113,817 (US$91,126)) 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.

	March 31, 2016	June 30, 2015
Balance, beginning of the period	$ 415,470	$ 173,243
Change in estimate	30,718	200,018
Net exchange differences	15,591	42,209
Balance, end of the period	$ 461,779	$ 415,470

(Expressed in Canadian Dollars)

7. LOAN PAYABLE

		Principal		Finance Expense		Total
Balance, June 30, 2014	$	32,549,458	$	11,707,031	$	44,256,489
Additions		3,971,224		6,879,738		10,850,962
Balance, June 30, 2015		36,520,682		18,586,769		55,107,451
Additions		2,502,266		5,673,267		8,175,533
Balance, March 31, 2016	$	39,022,948	$	24,260,036	$	63,282,984

The Company has a loan agreement (the "Loan") with Tulla, a firm that invests in natural resources. Mr. Kevin Maloney, who is Chairman of THEMAC is also director of Tulla. 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.

Subsequent to March 31, 2016, the Loan has extended to a maximum principal amount of $40,000,000.

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 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. In the year ended June 30, 2015, the Company paid US$125,000 plus accrued interest pursuant to the second anniversary 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.

(Expressed in Canadian Dollars)

8. PROPERTY OBLIGATION (cont'd…)

	March 31, 2016	June 30, 2015
Balance, beginning of the year	$ 2,574,921	$ 2,416,438
Payment	-	(325,499)
Accrued interest	84,650	88,529
Net exchange differences	99,867	395,453
Balance, end of the year	2,759,438	2,574,921
Payable within the next fiscal year	(244,394)	(170,856)
Long-term portion	$ 2,515,044	$ 2,404,065

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 March 31, 2016 or year ended June 30, 2015.

c) Warrants

	Warrants outstanding	Weighted average exercise price
Balance on June 30, 2014 and 2015	50,500,000	$ 0.33
Expired	(50,500,000)	0.33
Balance outstanding and exercisable, March 31, 2016	-	$ -

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

e) 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 on June 30, 2014	12,946,237	$ 0.11
Granted	495,835	0.05
Forfeited and expired	(746,467)	0.12
Balance on June 30, 2015	12,695,605	$ 0.11
Expired	(2,843,411)	0.17
Balance outstanding and exercisable, March 31, 2016	9,852,194	$ 0.09

Stock options outstanding and exercisable as at March 31, 2016 are as follows:

Options	Weighted average exercise price	Expiry date
200,000	$ 0.15	May 6, 2016
75,000	0.15	December 21, 2016
625,789	0.15	August 24, 2017
200,000	0.15	January 10, 2018
500,000	0.15	February 14, 2018
350,920	0.07	June 30, 2018
1,653,254	0.10	June 30, 2018
495,835	0.05	June 30, 2018
5,751,396	0.07	April 24, 2019
9,852,194	$ 0.09	

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

f) Share-based payments

During the period ended March 31, 2015, the Company granted 495,835 options and recognized total share-based payments for options granted, vested and cancelled in the period of $23,340 which was capitalized to exploration and evaluation assets.

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

	2016	2015
Risk-free interest rate	-	1.20%
Expected life of options	-	3 years
Annualized volatility	-	159.79%
Dividend rate	-	0.00%

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 March 31, 2016 and 2015 consist of the following:

	2016	2015
Payments to key management personnel:		
Cash compensation	$ 400,296	$ 363,928
Stock-based compensation granted to senior management	-	23,440
Directors' fees	262,500	262,500
Related party transactions:		
Advances received on Tulla loan (Note 7)	2,502,266	2,524,223
Interest accrued on Tulla loan (Note 7) (no payments made)	5,673,267	5,087,868

During the year ended June 30, 2015, the Company issued 2,908,000 shares to six directors of the Company to settle $145,400 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 March 31, 2016, the Company entered into the following non-cash transactions:

- Incurred $232,435 (2015 - $74,520) of deferred Copper Flat exploration and evaluation expenditures through trade and other payables.
- Incurred $Nil (2015 - $23,440) of deferred Copper Flat exploration and evaluation expenditures through share-based payments.
- Recognized $21,103 (2015 - $Nil) of deferred Copper Flat exploration and evaluation expenditures through the accrual of asset retirement obligations.
- Recognized depreciation of $64,990 (2015 - $57,302) 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 March 31, 2016, the Company had cash of $24,211 (June 30, 2015 - $322,108).

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, due to related parties and loan payable approximate their carrying values due to their short-term nature.

14. FINANCIAL INSTRUMENTS (cont'd…)

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$1.27 to a high of US$1.44 for CAD$1 during the period ended March 31, 2016. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $7,048,000. 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 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

Tulla Loan

Subsequent to the period ended march 31, 2016, the Company and Tulla extended the Loan to a facility of $40,000,000. The Company drew a further $443,997 on the Loan from Tulla leaving an undrawn amount of $549,942 on the facility.

Letter of Intent

The Company has entered into a letter of intent effective as at April 26, 2016 (the "LOI") with Yunnan Haliliya Nonferrous Metal Import and Export Co. Ltd. ("Yunnan Haliliya"). The LOI is the first step towards establishing a framework for investment by Yunnan Haliliya in NMCC which holds the Copper Flat Project. The LOI sets out Yunnan Haliliya's expression of interest in making an initial investment of US$6m to acquire a 6.85% interest in NMCC or the Copper Flat Project. The Company will use the funds from the initial investment to advance the permitting at Copper Flat and initial work on the development of the Copper Flat Project. Yunnan Haliliya has also expressed an interest in providing a further investment to assist in funding the construction and development of the mine and processing plant at the Copper Flat Project. The terms of that additional investment have not yet been determined.

The LOI provides that Yunnan Haliliya will have 120 days to (i) conduct due diligence in respect of the project, (ii) to conduct and prepare, in consultation with NMCC, an economic study on the Project at various production rates (the "Study"), and (iii) negotiate a definitive agreement for the initial investment in the project (the "Definitive Agreement"). The costs of the due diligence and the Study will be to the account of Yunnan Haliliya. Execution of the Definitive Agreement is subject to each party being satisfied with the results of the economic study, and to the negotiation of terms satisfactory to each party.

The LOI contemplates that the Definitive Agreement will provide for investment through the Company's wholly owned subsidiary, NMCC. It will be a term of the Definitive Agreement (if concluded) that Yunnan Halilaya will have the ability to invest USD$6 million to acquire a 6.85% interest in NMCC. The parties have also agreed that they will discuss the terms on which Yunnan Haliliya may be able to increase their interest in NMCC to 51%. The terms of this additional investment have not yet been agreed upon and the decision to sell an additional stake to take Yunnan Haliliya to a 51% interest in NMCC is subject to the ultimate consent of the Company.

There is no guarantee that a Definitive Agreement will be concluded, or that Yunnan Haliliya will make any investment in NMCC or the Copper Flat Project.

Moelis & Company is advising the Company in relation to this investment.