Consolidated Financial Statements of

TheMAC Resources Group Limited
(A development-stage company)

June 30, 2011 and 2010

Suite 2000 – 1066 West Hastings Street
Vancouver, BC
Canada V6E 3X2
TSXV: MAC

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
TheMAC Resources Group Limited

We have audited the accompanying consolidated financial statements of **TheMAC Resources Group Limited**, which comprise the consolidated balance sheets as at June 30, 2011 and 2010, and the consolidated statements of operations, comprehensive loss and deficit, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **TheMAC Resources Group Limited** as at June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada,
October 26, 2011.

Chartered Accountants

TheMAC Resources Group Limited
(a development stage company)
As at June 30
(Expressed in Canadian Dollars)

CONSOLIDATED BALANCE SHEETS

	2011	2010
	$	$
ASSETS		
Current		
Cash	**224,275**	24,657
Taxes recoverable	**7,808**	7,396
Prepaid expenses and deposits	**17,366**	1,800
	249,449	33,853
Equipment *[note 3]*	**9,773**	225
Acquisition of Copper Flat *[note 5]*	**25,354,532**	1,799,702
Deferred Copper Flat exploration and development *[note 5]*	**2,183,010**	—
Bonds *[note 5]*	**380,013**	—
	28,176,777	1,833,780
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**615,878**	534,621
Due to related parties *[note 7]*	**154,380**	33,250
Subscriptions received *[notes 5 and 6]*	**—**	921,167
	770,258	1,489,038
Loan payable *[note 8]*	**4,962,192**	—
	5,732,450	1,489,038
Shareholders' equity (deficiency)		
Share capital *[note 6]*	**18,788,481**	5,487,840
Warrants *[note 6]*	**10,072,430**	151,964
Contributed surplus *[note 6]*	**1,922,816**	113,977
Deficit	**(8,339,400)**	(5,409,039)
	22,444,327	344,742
	28,176,777	1,833,780

Nature of operations *[Note 1]*
Subsequent events *[Note 12]*

On behalf of the Board:

"Joel Schneyer"
Director

""John Cook"
Director

The accompanying notes are an integral part of these consolidated financial statements.

TheMAC Resources Group Limited
(a development stage company)
For the years ended June 30
(Expressed in Canadian Dollars)

CONSOLIDATED STATEMENTS OF OPERATIONS COMPREHENSIVE LOSS AND DEFICIT

	2011	2010
	$	$
Expenses		
Stock-based compensation	**1,711,468**	—
Personnel searches	**230,047**	—
Consulting *[note 7]*	**168,000**	74,000
Investor communications	**157,834**	—
Management fees	**123,968**	25,140
Office and sundry *[note 7]*	**120,484**	8,654
Director's fees	**113,877**	—
Accounting and audit	**78,784**	24,010
Filing fees and transfer agent fees	**63,673**	23,609
Travel	**52,927**	15,094
Legal fees	**15,036**	9,229
Rent	**9,840**	8,640
Interest and bank charges	**5,199**	1,976
Telephone and communications	**3,203**	884
Printing and photocopying	**775**	701
Amortization *[note 3]*	**571**	96
	2,855,686	192,033
Operating loss	**(2,855,686)**	(192,033)
Other item		
Foreign exchange gain (loss)	**(15,541)**	(8,475)
Interest income	**3,058**	—
Loss on settlement of debt *[notes 6 and 7]*	**—**	(10,667)
Interest expense	**(62,192)**	—
Loss and comprehensive loss for the year	**(2,930,361)**	(211,175)
Deficit, beginning of the year	**(5,409,039)**	(5,197,864)
Deficit, end of the year	**(8,339,400)**	(5,409,039)
Loss per share - basic and diluted	**(0.13)**	(0.02)
Weighted average number of outstanding shares - basic and diluted	**23,388,435**	9,099,678

The accompanying notes are an integral part of these consolidated financial statements.

TheMAC Resources Group Limited
(a development stage company)
For the years ended June 30
(Expressed in Canadian Dollars)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2011	2010
	$	$
OPERATING ACTIVITIES		
Net loss for the year	**(2,930,361)**	(211,175)
Add non cash items:		
Amortization	**571**	96
Loss on settlement of debt	**—**	10,667
Issuance of warrants for acquisition of Copper Flat	**—**	—
Stock-based compensation	**1,711,468**	—
	(1,218,322)	(200,412)
Net change in non-cash working capital:		
Increase in taxes recoverable	**(412)**	(4,554)
Increase in prepaid expenses and deposits	**(15,566)**	(71)
(Decrease) increase in accounts payable and accrued liabilities	**(240,469)**	51,566
Increase in amounts due to related parties	**121,130**	3,250
Cash used in operating activities	**(1,353,639)**	(150,221)
INVESTMENT ACTIVITIES		
Advance payments for purchase of Copper Flat	**(14,082,623)**	(1,300,038)
Purchase of computer equipment	**(10,119)**	—
Cash used in investment activities	**(14,092,742)**	(1,300,038)
FINANCING ACTIVITIES		
Loan payable	**4,962,192**	—
Proceeds from private placements	**10,200,000**	460,000
Exercise of warrants	**511,111**	—
Exercise of stock options	**56,480**	20,600
Share subscriptions received	**(83,784)**	921,167
Share issue cost	**—**	(1,973)
Cash provided by financing activities	**15,645,999**	1,399,794
Net increase (decrease) in cash position	**199,618**	(50,465)
Cash position, beginning of the year	**24,657**	75,122
Cash position, end of the year	**224,275**	24,657
Supplemental cash flow information		
Interest paid in cash	**—**	—
Capital taxes in cash	**—**	—

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Common shares		Warrants	Contributed		
	Amount	Value		surplus	Deficit	Total
		$	$	$	$	$
Balance, June 30, 2009	6,915,256	5,097,621	-	126,866	(5,197,864)	26,623
Transfer agent rounding adjustment	5	-	-	-	-	-
Settlement of debt *[Note 6b]*	533,333	50,667	-	-	-	50,667
Private placement *[Note 6b]*	5,111,111	308,036	151,964	-	-	460,000
Exercise of options	105,000	33,489	-	(12,889)	-	20,600
Share issue costs	-	(1,973)	-	-	-	(1,973)
Net loss and comprehensive loss for the year	-	-	-	-	(211,175)	(211,175)
Balance, June 30, 2010	12,664,705	5,487,840	151,964	113,977	(5,409,039)	344,742
Exercise of warrants	5,111,111	663,075	(151,964)	-	-	511,111
Exercise of options	353,000	123,550	-	(67,070)	-	56,480
Private placement *[Note 6]*	40,000,000	5,614,679	4,585,321	-	-	10,200,000
Private placement *[Note 6]*	5,582,556	600,275	237,109	-	-	837,384
Issuance of shares to ECR to acquire Copper Flat *[Note 6]*	10,500,000	6,300,000	5,250,000	-	-	11,550,000
Cancellation of escrow shares	(93,750)	(938)	-	938	-	-
Stock-based compensation	-	-	-	1,874,971	-	1,874,971
Net loss and comprehensive loss for the year	-	-	-	-	(2,930,361)	(2,930,361)
Balance, June 30, 2011	**74,117,622**	**18,788,481**	**10,072,430**	**1,922,816**	**(8,339,400)**	**22,444,327**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

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.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values as shown in these consolidated financial statements should the Company be unable to continue as a going concern. The Company has incurred losses since inception and has a deficit as at June 30, 2011 of $8,339,400 and a working capital deficiency of $(520,809). Subsequent to year end, the Company received additional proceeds from Tulla Resources Group Pty Ltd. ("Tulla") (Note 12) to fund this deficiency.

The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of additional financing arrangements, the continuing support of its creditors, and the obtaining of necessary financing to fund future business projects. If the Company were unable to continue as a going concern then adjustments may be required to the classification and the carrying value of certain assets and liabilities.

On March 4, 2011, the Company completed the acquisition of the Copper Flat property in the state of New Mexico, USA, receiving final approval from the TSX Venture Exchange ("TSXV") on March 17, 2011 (Note 5), and on March 18, 2011 the Company's shares began trading as a Tier 2 company on the TSXV.

On May 16, 2011, the Company paid the remaining amount due to the underlying owners of the Copper Flat project, thus acquiring 100% ownership of it.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiary, New Mexico Copper Corporation, incorporated on June 15, 2010 in the state of New Mexico, USA.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at the end of the period. Non-monetary assets and liabilities have been translated at the rate prevailing at the date of the transaction. Revenue and expense items are translated at the average rate of exchange for the period. Gains and losses are included in income for the period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported during the periods. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Computer equipment

Computer equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at an annual rate of 30%.

Income taxes

The Company follows the liability method of accounting for income taxes. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not to occur.

Stock based compensation

The Company accounts for all stock-based payments and awards using the fair value-based method, using the Black-Scholes option pricing model. Under the fair value-based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. Compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period.

The Company cautions that the Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded, thus the Black-Scholes model may overestimate the actual value of the options that the Company has granted. Further, the Black-Scholes model also requires an estimate of expected volatility. The Company uses its historical volatility rates to calculate an estimate of expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate of the Company's stock options and warrants.

Loss per share

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Financial Instruments

The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statements of operations. Transaction costs are included in the carrying value of the related financial instrument except for those classified as held for trading.

The Company has designated its cash, and advances to Copper Flat Corporation ("CFC") as held-for-trading, which is measured at fair value. Receivable amounts are classified as loan and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, due to related parties, and subscriptions received are classified as other liabilities, which are measured at amortized cost. The fair values of cash and accounts payable approximate their carrying values due to the short term to maturity of these financial instruments. The Company has no derivative financial instruments.

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Accounting policies to be implemented effective July 1, 2011

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting System ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than the first quarter of fiscal year 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to insure a timely conversion. The Company has not yet determined the impact of adopting these standards on the Company's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Accounting policies to be implemented effective July 1, 2011 (cont'd)

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations ("Section 1582"), 1601 – Consolidated Financial Statements ("Section 1601") and 1602 – Non-controlling Interests ("Section 1602") which replaces CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601, together with Section 1602, establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning July 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

3. EQUIPMENT

	June 30, 2011			June 30, 2010		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Computer equipment	539	382	157	539	314	225
Computer software	10,120	504	9,616	0	0	0
	10,659	886	9,773	539	314	225

4. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, advances to CFC, accounts payable and accrued liabilities, amounts due to related parties, and subscriptions received. The fair value of cash is measured on the balance sheet using Level 1 of the fair value hierarchy as it is based on unadjusted quoted prices in active market. The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

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

4. FINANCIAL INSTRUMENTS (cont'd.)

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$0.94 to a high of US$1.06 for C$1 during the year ended June 30, 2011. 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 transactional volatility in the Canadian dollar at this time. The Company does not use derivative instruments to reduce its exposure to currency risk.

Interest rate and credit risk

The Company has a cash balance and no debt other than current payables accrued liabilities. Amounts owed to related parties do not bear interest, and are therefore not exposed to interest rate variations. The Company has no credit risk arising from operations as the debt can only be called when the Company has sufficient funds to repay, or else it is to be repaid through the issuance of shares. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

Accounts receivable typically consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk with respect to receivables is remote.

The loan payable (Note 8) is treated as an advance on an equity financing and the Company has no significant credit risk on it.

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 accounts payable and accrued liabilities. 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.

5. PURCHASE OF COPPER FLAT

On March 12, 2010, the Company entered into a Heads of Agreement with ECR Minerals plc (formerly Electrum Resources plc, formerly Mercator Gold plc) ("ECR"), a UK public corporation listed on the Alternative Investment Market (AIM) of the London Stock Exchange (ticker: ECR), followed by a definitive transaction agreement on June 28, 2010 (the "Transaction Agreement"). Pursuant to the Transaction Agreement, the Company would acquire all of the assets of Copper Flat Corporation ("CFC"), a private New Mexico, USA, company that held an option to acquire 100% of a project known as Copper Flat, subject to a 3.25% Overriding Royalty (the "Acquisition").

In consideration for the Acquisition, completed on March 4, 2011, the Company issued ECR on that date 10,500,000 common shares and 10,500,000 warrants. Each warrant entitles the holder to acquire an additional common share for a period of 5 years after closing of the acquisition, at a price of $0.28 per share (Note 6(b)). In addition, the Company assumed all of the obligations held by CFC with the underlying owners of the Copper Flat project.

On the date of closing, CFC held the right to acquire the Copper Flat property pursuant to the terms of an option and purchase agreement dated July 23, 2009 with the Hydro Resources Corporation, a New Mexico corporation, Cu Flat, LLC, a New Mexico limited liability company, and GCM, Inc. as amended by a First Amendment of Option and Purchase Agreement dated January 20, 2010 (the "CFC Option Agreement"). In order to earn a 100% interest in the Copper Flat Property, CFC was required to pay:

- i) USD $150,000 on or before August 14, 2009 (paid by CFC before Transaction Agreement);
- ii) USD $150,000 on or before January 31, 2010 (paid by CFC before Transaction Agreement);
- iii) USD $850,000 to be paid on or before March 31, 2010 (paid);
- iv) USD $1,850,000 to be paid on or before August 14, 2010 (paid);
- v) USD $7,000,000 to be paid on or before February 14, 2011 (a deferral fee of USD $150,000 paid on this date, with the last option payment deferred to May 16, 2011, paid then).

With the final option payment made on May 16, 2011, the Company now owns 100% of the Copper Flat project.

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat from the underlying owners. The Company is required to pay the following amounts:

- i) USD $200,000 upon written acknowledgement by the office of the New Mexico State Engineer of the filing by the optionor of amended declarations for the water rights. (Paid)
- ii) USD $300,000 on September 30, 2010 (Paid)
- iii) USD $1,000,000 on May 16, 2011, in connection with the last option payment on the Copper Flat project (paid).
- iv) In addition to the amounts paid for water rights, the Company 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.

5. PURCHASE OF COPPER FLAT (cont'd.)

Pursuant to the terms of the Transaction Agreement, the Company incurred all of the obligations of CFC in respect of the Copper Flat project until closing. This funding was originally characterized as a loan to CFC, repayable within six months of termination of the Transaction Agreement in the event that the Acquisition was not completed. On closing of the Acquisition, the Company forgave the indebtedness owed by CFC to the Company and the amount was allocated to the acquisition price.

The cost of the acquisition of the Copper Flat project can be summarized as follows:

Nature of cost	Amount $
Shares and warrants issued to ECR	11,550,000
Copper Flat option payments	9,571,810
Water rights	1,483,150
Foreign advances for CFC expenses	2,516,419
Legal fees incurred for the transaction	233,153
Acquisition of Copper Flat	25,354,532

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).

As an interim commitment with respect to the transaction, ECR and its nominees purchased, through a non-brokered private placement, a total of 5,582,556 subscription receipts of the Company at a price $0.15 per subscription receipt for cash proceeds of $837,383. This placement closed on May 3, 2010. Each subscription receipt converted to one unit upon completion of the Acquisition on March 4, 2011, each unit consisting of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company until May 3, 2013. ECR directly owns 4,000,000 of these units.

The Company posted a bond for $380,013 in connection with drilling permits obtained for Copper Flat. As at June 30, 2011, no drill holes had been completed.

6. SHARE CAPITAL, WARRANTS AND CONTRIBUTED SURPLUS

[a] **Authorized:**

Unlimited common shares without par value.

[b] **Issued and fully paid:**

(i) On September 2, 2010, the Company received $19,500 in proceeds for subscription receipts that were previously subscribed to in a private placement that closed during the previous year.

(ii) On July 21, 2010, the Company received cash proceeds of $511,111 on the exercise of 5,111,111 share purchase warrants with an exercise price of $0.10 per share. Of the total amount, $83,784 had been advanced prior to June 30, 2010.

(iii) During the year ended June 30, 2011, the Company received cash proceeds of $56,480 on the exercise of 353,000 stock options with an exercise price of $0.16 per share.

(iv) During the year ended June 30, 2011, 93,750 shares held in escrow on behalf of founding shareholders of the company were cancelled pursuant to provisions of an August 25, 1997 escrow agreement.

(v) On March 4, 2011, the Company issued 10,500,000 units to ECR in connection with the closing of the acquisition of the Copper Flat project (Note 5). Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.28 per share until March 4, 2016.

(vi) On March 4, 2011, the Company issued 40,000,000 units to Tulla for cash proceeds of $10,200,000. Each unit was comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.34 per share until March 4, 2016. Of the total amount, $500,000 remains receivable.

(vii) On March 4, 2011, in connection with the completion of the acquisition of the Copper Flat project, the Company converted 5,582,556 subscription receipts into units. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.28 per share until May 3, 2013. Of the total amount, 4,000,000 units were issued to ECR.

[c] **Shares and warrants in escrow**:

	Shares	Warrants
Balance, June 30, 2009 and 2010	93,750	-
Cancelled (i)	(93,750)	-
Placed in escrow (ii)	50,806,879	40,000,000
Released from escrow (ii)	(12,701,720)	(10,000,000)
Balance, June 30, 2011	38,105,159	30,000,000

(i) On January 5, 2011, 93,750 common shares that were held in escrow for the founding shareholders of the Company were cancelled and returned to treasury.

6. SHARE CAPITAL, WARRANTS AND CONTRIBUTED SURPLUS (cont'd.)

[c] **Shares and warrants in escrow (cont'd.)**:

(ii) On March 4, 2011, in connection with the closing of the acquisition of the Copper Flat project (Note 5) and the concurrent financing by Tulla, an aggregate of 50,806,879 common shares and 40,000,000 share purchase warrants belonging to the controlling shareholders, including Tulla, were placed in escrow pursuant to an escrow agreement dated February 28, 2011. Pursuant to this agreement, 25% of the shares and warrants were released on Closing, with the rest to be released in three equal tranches of 25% every six months following. As of June 30, 2011, there were 38,105,159 shares and 30,000,000 warrants remaining in escrow.

[d] **Warrants:**

	Number	Exercise price	Expiry Date
Balance, June 30, 2009	-	-	
Issued	5,111,111	$0.10	February 19, 2011
Balance, June 30, 2010	5,111,111	$0.10	
Exercised [note 6(b)(ii)]	(5,111,111)	$0.10	
Issued for Copper flat property	10,500,000	$0.28	March 4, 2016
Issued with units of subscription receipts	5,582,556	$0.28	May 4, 2013
Issued with cash private placement units [note 6(c)(ii)]	40,000,000	$0.34	March 4, 2016
Balance, June 30, 2011	56,082,556	$0.32	

[e] **Stock options:**

During the 2004 fiscal year, the Company adopted a formal stock option plan [the "Plan"]. The Plan was most recently ratified by shareholders during the December 8, 2009, annual general meeting. The Plan is referred to as a "rolling" plan and provides for an aggregate number of shares reserved for issuance of up to 10% of the Company's issued common shares at the time of the grant of a stock option under the Plan. Stock options are granted with an exercise price in accordance with the TSX Venture Exchange policy.

During the year ended June 30, 2010, an aggregate of 105,000 stock options were exercised, with exercise prices between $0.20 and $0.16, for proceeds of $20,600.

During the year ended June 30, 2011, 353,000 stock options with an exercise price of $0.16 per share were exercised for proceeds of $56,480.

During the year ended June 30, 2011, 4,323,063 stock options were granted to directors, officers, employees and consultants of the Company. Each option is exercisable into one common share at a weighted-average exercise price of $0.57 for a period of five years from the date of granting. The fair value of these options was estimated at $2,017,400 using the Black-Scholes option pricing model with the following weighted average parameters: volatility: 98.34%, risk-free interest rate: 2.71% and expected life of five years.

6. SHARE CAPITAL, WARRANTS AND CONTRIBUTED SURPLUS (cont'd.)

[e] **Stock options (cont'd.):**

Stock options outstanding and exercisable:

	Options Outstanding	Options Exercisable	Weighted average exercise price	Expiry date
Balance, June 30, 2009	458,000	458,000	$0.17	
Exercised	(105,000)	(105,000)	$0.20	
Balance, June 30, 2010	353,000	353,000	$0.16	January 16, 2011
Exercised	(353,000)	(353,000)	$0.16	January 16, 2011
Granted on March 4, 2011	1,812,882	1,812,882	$0.51	March 4, 2016
Granted on March 4, 2011	1,535,181	1,535,181	$0.60	March 4, 2016
Granted on March 27, 2011	200,000	200,000	$0.65	March 27, 2016
Granted on March 31, 2011	75,000	75,000	$0.74	March 31, 2016
Granted on April 7, 2011	200,000	125,000	$0.70	April 7, 2016
Granted on May 6, 2011	200,000	100,000	$0.56	May 6, 2016
Granted on June 1, 2011	300,000	150,000	$0.67	June 1, 2016
Balance, June 30, 2011	4,323,063	3,998,063	$0.57	

7. RELATED PARTY TRANSACTIONS

The aggregate of amounts paid during the year ended June 30, 2011, to parties not at arm's length to the Company consist of the following:

Paid or accrued $150,000 [2010 - $50,000] in consulting fees and $6,000 [2010 - $6,000] in office expenses to a company controlled by the president of the Company. As of June 30, 2011 a total of $7,952 [2010 - $19,250] was owed to this company for consulting fees and office expenses.

Accrued $18,000 [2010 - $24,000] in consulting fees, and $35,288 [2010 - $nil] in director's fees to a company controlled by a director of the Company. As of June 30, 2011 a total of $67,287 [2010 - $14,000] was owed to this company.

Paid or accrued $78,589 [2010 - $nil] in director's fees to directors of the Company. As of June 30, 2011 a total of $79,141 [2010 - $nil] was owed for directors' fees and reimbursable expenses.

The Company issued 5,111,111 common shares priced at $0.10 per share, for gross proceeds of $511,111 to a company controlled by a director of the Company for the exercise of 5,111,111 share purchase warrants. $103,294 of this amount had been previously advanced.

The Company issued 40,000,000 units to Tulla, a Company controlled by a director of the Company, for cash proceeds of $10,200,000. Each unit was comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.34 per share until March 4, 2016.

The Company received $4,900,000 [2010 - $nil] in further advances pursuant to the loan with Tulla Resources Group Pty Ltd. (Note 8). This amount was used towards the last option payment of the Copper Flat project.

7. RELATED PARTY TRANSACTIONS (cont'd.)

The amounts due to related parties is non-interest bearing and is without stated terms of repayment.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to be the related parties.

8. LOAN PAYABLE

On November 8, 2010, the Company announced that a company controlled by director Kevin Maloney, had agreed to directly or through affiliated company Tulla, provide THEMAC with the financing necessary to complete the proposed acquisition of the Copper Flat project (the "Transaction"). Marley Holdings Pty Ltd. ("Marley") had agreed to purchase 40,000,000 units of the Company (Note 6(c)) which was initially treated as a loan until the closing of the transaction, at which time it was converted into such units.

In connection with the completion of the acquisition of the Copper Flat project, the TSXV also approved a loan agreement from Tulla to the Company for $5,250,000, entered into on February 25, 2011. The loan bears interest at 10% per annum. The loan may be repaid by the Company at any time without penalty, and will be required to be repaid on demand by the lender the earlier of the Company completing an equity financing for greater than $20 million, or June 4, 2013.

During the year ended June 30, 2011 the Company had received $4,900,000 [2010 - $nil] from Tulla in accordance with this loan agreement.

See note 12, Subsequent Events.

9. NON-CASH TRANSACTIONS

During the year ended June 30, 2011, the Company entered into the following non-cash transactions:

- Incurred $321,727 of deferred Copper Flat exploration and development costs through accounts payable.
- Incurred $163,503 of deferred Copper Flat exploration and development costs through stock-based compensation.
- Issued 10,500,000 common shares valued at $6,300,000 and 10,500,000 share purchase warrants valued at $5,250,000 to ECR for the acquisition of the rights to the Copper Flat property (Note 6(b)).
- Cancelled 93,750 escrowed shares valued at $938 (Note 6(c)).
- The Company issued 5,582,556 units, each consisting of one common share and one common share purchase warrant (note 6(b)(vii)). The share portion was valued at $600,272 and the warrants portion at $237,108.

During the year ended June 30, 2010, the Company entered into the following non-cash transactions:

- Settlement of a debt of $40,000 through the issuance of 533,333 common shares at a price of $0.075 per share.

10. INCOME TAXES

[a] A reconciliation of income taxes of statutory rates with the reported taxes is as follows:

	2011	2010
Statutory tax rate	**27.50%**	29.25%
Loss for the year	**(2,930,361)**	(211,175)
Expected income tax recovery	**(805,849)**	(61,770)
Effect of income tax rate changes	**14,182**	4,315
Foreign income tax rate difference	**(38,809)**	-
Permanent and other differences	**480,100**	17,083
Changes in valuation allowance	**350,376**	40,372
Income tax expense	**—**	—

[b] The significant components of the Company's future income tax assets are as follows:

	2011 **$**	2010 $
Future income tax assets		
Non-capital and other loss carry-forwards	**940,454**	244,639
Resource properties	**546,319**	546,319
Other	**329,556**	23,346
Total future income tax assets	**1,816,329**	814,304
Valuation allowance	**(1,164,680)**	(814,304)
Net future income tax assets	**651,649**	—
Net future income tax liability	**(651,649)**	—
Net future income tax	**—**	—

[c] The Company has approximately $2,185,000 in foreign exploration development expenses in the Canadian entity, and $27,538,000 in mine development costs in the US entity, available for carry-forward, which may, subject to certain restrictions, be available to offset against future taxable income. The Company also has approximately $3,015,000 in non-capital losses available for carry-forward. The non-capital losses available will expire on June 30 of the following years:

	$
2014	164,000
2015	116,000
2026	119,000
2027	149,000
2028	143,000
2029	89,000
2030	211,000
2031	2,024,000
	3,015,000

11. CAPITAL DISCLOSURES

The Company’s objective when managing capital is to maintain a flexible capital structure for the benefit of its stakeholders. The Company's main source of funds is from the issuance of common shares.

The Company keeps its cash only in chequing accounts with one of the major Canadian banks, which is an institution of high credit worthiness. At June 30, 2011, the Company had cash of $224,275 (2010 - $24,657).

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

12. SUBSEQUENT EVENTS

[a] Subsequent to June 30, 2011 the Company entered into an Amending Loan Agreement with Tulla. Tulla increased its loan under the original February 25, 2011 agreement (Note 8) with the Company from its original amount of $5,250,000 to $10,000,000. All other terms of the loan remain the same.

[b] Subsequent to June 30, 2011, the Company has received $4,827,100 in further advances pursuant to the loan with Tulla (Note 8).

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