Condensed Consolidated Interim Financial Statements of

THEMAC Resources Group Limited
(A development-stage company)

Three months ended September 30, 2011 and 2010

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

THEMAC Resources Group Limited (the "Company")

The Company's auditors have not reviewed or been involved in the preparation of these 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 the consolidated financial statements have not been reviewed by an auditor.

The accompanying 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 condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

THEMAC Resources Group Limited
(a development stage company)
(Unaudited, prepared by management, and expressed in Canadian dollars)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30 2011 $	June 30 2011 $ *[note 12]*	July 1 2010 $ *[note 12]*
ASSETS			
Current			
Cash	**633,088**	224,275	24,657
Taxes recoverable	**6,781**	7,808	7,396
Prepaid expenses and deposits	**112,468**	17,366	1,800
	752,337	249,449	33,853
Plant and equipment *[note 4]*	**63,903**	9,773	225
Acquisition of Copper Flat *[notes 4 and 6]*	**26,637,734**	24,882,303	1,780,913
Deferred Copper Flat exploration and development *[note 4]*	**5,982,805**	2,180,415	—
Bonds *[note 6]*	**380,736**	380,013	—
Total assets	**33,817,515**	27,701,953	1,814,991
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	**902,781**	615,878	534,621
Due to related parties *[note 8]*	**153,584**	154,380	33,250
Subscriptions received *[note 7]*	**—**	—	921,167
	1,056,365	770,258	1,489,038
Loan payable *[note 9]*	**9,012,565**	4,962,192	—
Asset retirement obligations *[note 6]*	**129,612**	—	—
Total liabilities	**10,198,542**	5,732,450	1,489,038
Equity			
Share capital *[note 7]*	**18,788,481**	18,788,481	5,487,840
Warrants *[note 7]*	**10,072,430**	10,072,430	151,964
Reserves *[note 7]*	**938**	938	—
Share-based payment reserve *[note 7]*	**2,184,531**	1,883,891	113,977
Foreign currency reserve	**1,893,666**	(418,049)	—
Deficit	**(9,321,073)**	(8,358,188)	(5,427,828)
Total equity	**23,618,973**	21,969,503	325,953
Total liabilities and equity	**33,817,515**	27,701,953	1,814,991

Nature of operations *[note 1]*
Subsequent event *[note 13]*

Approved by the board of directors and authorized for issue on December 29, 2011.

"Joel Schneyer" Director

"Kenneth Pickering" Director

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

THEMAC Resources Group Limited
(a development stage company)
For the three months ended September 30
(Unaudited, prepared by management, and expressed in Canadian dollars)

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)

	2011 $	2010 $ *[note 12]*
Expenses		
Share-based payments	**290,554**	—
Office and sundry *[note 8]*	**194,182**	2,184
Investor communications	**81,442**	10,000
Director's fees	**68,750**	—
Consulting *[note 8]*	**37,500**	43,500
Personnel searches	**34,681**	—
Travel	**30,617**	9,186
Management fees	**27,900**	16,380
Accounting and audit	**15,767**	10,150
Legal fees	**6,232**	776
Amortization *[note 4]*	**2,838**	17
Rent	**2,460**	2,460
Filing fees and transfer agent fees	**1,969**	6,216
Interest and bank charges	**1,060**	889
Telephone and communications	**754**	742
Printing and photocopying	—	459
	796,706	102,959
Operating loss	**(796,706)**	(102,959)
Other item		
Foreign exchange gain (loss)	**(3,849)**	4,080
Finance expense	**(162,330)**	—
Loss for the period	**(962,885)**	(98,879)
Other comprehensive income (loss)		
Exchange differences on translating foreign operations, net of tax	**2,311,715**	15,567
Total comprehensive income (loss) for the period	**1,348,830**	(83,312)
Income (loss) per share - basic	**0.03**	(0.01)
Income (loss) per share - diluted	**0.01**	(0.00)
Weighted average number of outstanding shares		
- basic	**48,714,183**	16,609,149
- diluted	**110,244,802**	16,962,149

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

THEMAC Resources Group Limited

(a development stage company)
For the three months ended September 30
(Unaudited, prepared by management, and expressed in Canadian dollars)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	2011	2010
	$	$
		[note 12]
OPERATING ACTIVITIES		
Net loss for the period	**(962,885)**	(98,879)
Add non cash items:		
Amortization	**2,838**	17
Share-based payments	**290,554**	—
Increase in interest in loan payable	**162,330**	—
	(507,163)	(98,862)
Net change in non-cash working capital:		
(Increase) decrease in taxes recoverable	**1,027**	(3,274)
Increase in prepaid expenses and deposits	**(95,102)**	—
Decrease in trade and other payables	**(120,032)**	(476,917)
Increase (decrease) in amounts due to related parties	**(796)**	24,750
Cash used in operating activities	**(722,066)**	(554,303)
INVESTMENT ACTIVITIES		
Advance payments for purchase of Copper Flat	—	(24,693)
Deferred Copper Flat exploration and development	**(2,631,174)**	—
Acquisition of equipment	**(56,968)**	—
Cash used in investment activities	**(2,688,142)**	(24,693)
FINANCING ACTIVITIES		
Cash received from loan payable	**3,888,043**	150,010
Exercise of warrants	—	511,111
Share subscriptions received	—	(83,784)
Cash provided by financing activities	**3,888,043**	577,337
Effect of foreign exchange translation on cash	**(69,022)**	—
Net increase (decrease) in cash position	**408,813**	(1,659)
Cash position, beginning of the period	**224,275**	24,657
Cash position, end of the period	**633,088**	22,998

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

THEMAC Resources Group Limited

(a development stage company)

(Unaudited, prepared by management, and expressed in Canadian dollars)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common shares				Share-based	Foreign currency		
	Amount	Value	Warrants	Reserves	payment reserve	translation reserve	Deficit	Total
		$	$	$	$		$	$
Balance, July 1, 2010	12,664,705	5,487,840	151,964	-	113,977	-	(5,427,828)	325,953
Exercise of warrants	5,111,111	663,075	(151,964)	-	-	-	-	511,111
Comprehensive loss for the period	-	-	-	-	-	15,567	(98,879)	(83,312)
Balance, September 30, 2010	17,775,816	6,150,915	-	-	113,977	15,567	(5,526,707)	753,752
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	-	-	-	-
Share-based payments	-	-	-	-	1,836,984	-	-	1,836,984
Comprehensive loss for the period	-	-	-	-	-	(433,616)	(2,831,481)	(3,265,097)
Balance, June 30, 2011	74,117,622	18,788,481	10,072,430	938	1,883,891	(418,049)	(8,358,188)	21,969,503
Share-based payments	-	-	-	-	300,640	-	-	300,640
Comprehensive loss for the period	-	-	-	-	-	2,311,715	(962,885)	1,348,830
Balance, September 30, 2011	**74,117,622**	**18,788,481**	**10,072,430**	**938**	**2,184,531**	**1,893,666**	**(9,321,073)**	**23,618,973**

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

1. NATURE OF OPERATIONS

THEMAC Resources Group Limited ("THEMAC")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 #2000 – 1066 West Hastings Street, Vancouver, BC V6E 3X2, Canada. The condensed interim consolidated financial statements as at September 30, 2011 and for the three months ended September 30, 2011 consist of THEMAC and its subsidiary in the state of New Mexico, USA, New Mexico Copper Corporation, (together referred to as the "Company").

These condensed consolidated interim financial statements have been prepared on the basis that they are applicable to a going concern which contemplates the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. 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 September 30, 2011 of $(9,321,073) and a working capital deficiency of $(304,028).

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.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited condensed consolidated interim financial statements ('the interim financial statements"), including comparatives, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first interim condensed consolidated financial statements prepared in accordance with IAS 34. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on June 30, 2012, the Company's first annual IFRS reporting date. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 12. This note includes reconciliations of equity and total comprehensive income for comparative for comparative periods and of equity as at July 1, 2010 ("the date of transition") reported under Canadian generally accepted accounting principles ("Canadian GAAP") to those reported for those periods and at the date of transition under IFRS.

2. BASIS OF PREPARATION (cont'd)

b) Basis of measurement

These interim financial statements have been prepared on the historical cost basis except for cash and cash equivalents which are classified as held-for-trading and measured at fair value.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that is relevant to the condensed interim financial statements will be finalized only when the annual IFRS financial statements are prepared for the year ending June 30, 2012.

c) Functional and presentational currency

In management's judgement the functional currencies of the Company and its wholly owned subsidiary (together "the Group") are the Canadian dollar and US dollar respectively. The presentation currency to be used in preparing the interim financial statements of the Group will remain the Canadian dollar.

These consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

d) Significant accounting judgements and estimates

The preparation of the interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue 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.

In preparing these interim financial statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainly are expected to be the same as those to be applied in the first annual IFRS consolidated financial statements.

The most significant estimates relate to possible impairment of the assets, the useful lives of assets for amortization, valuation allowances for future income taxes, and valuation of share-based payments and warrants issued in private placements.

The most significant judgments relate to determination of the functional currency for both the Company and its wholly owned foreign subsidiary, recognition of deferred tax assets and liabilities, determination of the timing of commencement of the exploration and evaluation phase of a mineral project, and the determination of the economic viability of a project.

e) New and revised standards and interpretations not yet adopted

At the date of authorization of these interim financial statements, a number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2012, and have not been applied in preparing these interim financial statements. Those that are expected to be applicable to the consolidated financial statements of the Company are discussed below.

i) IAS 1, *Presentation of Financial Statements*, amendments regarding the presentation and grouping of items recognized within Other Comprehensive Income. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

2. BASIS OF PREPARATION (cont'd)

e) New and revised standards and interpretations not yet adopted (cont'd)

ii) IAS 12, *Income Taxes, amendments regarding Deferred Tax: Recovery of Underlying Assets*

In December 2010, the International Accounting Standard Board ("the IASB") issued an amendment to IAS 12 that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier application permitted.

The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

iii) IAS 19, *Employee Benefits*, amendments regarding the measurement, presentation and disclosure of pensions and other post-retirement benefits and the recognition and measurement of termination benefits. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

iv) IAS 27, *Separate Financial Statements*, has been amended for the issuance of IFRS 10, *Consolidated Financial Statements*, but retains the current guidance for separate financial statements. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

v) IAS 28, *Investments in Associates and Joint Ventures*, has been amended for conforming changes based on the issuance of IFRS 10, *Consolidated Financial Statements*, and IFRS 11, *Joint Arrangements*. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

vi) IFRS 9, *Financial Instruments* (New; to replace IAS 39)

The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortised cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortised cost except for financial liabilities classified as fair-value-through-profit-or-loss, financial guarantees and certain other exceptions. The complete IFRS 9 is anticipated to be issued during the second half of 2011.

On July 22, 2011, the IASB tentatively agreed to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 (with earlier application permitted) to annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The IASB will propose the deferral of IFRS 9 in an exposure draft with a 60 day comment period.

The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

2. BASIS OF PREPARATION (cont'd)

e) New and revised standards and interpretations not yet adopted (cont'd)

vii) IFRS 10, *Consolidated Financial Statements*

IFRS 10 replaces those parts of IAS 27, *Consolidated and Separate Financial Statements*, that address when and how an investor should prepare consolidated financial statements and replaces SIC-12, *Consolidation – Special Purpose Entities*, in its entirety. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances.

IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. The Company does not anticipate the application of IFRS 10 to have any impact on its consolidated financial statements.

viii) IFRS 11, *Joint Arrangements*

IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non – Monetary Contributions by Venturers* and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognises its investment in a joint arrangement using the equity method. The Company does not anticipate the application of IFRS 11 to have any impact on its consolidated financial statements.

ix) IFRS 12, *Disclosure of Involvement with Other Entities*

IFRS 12 combines and enhances the disclosure requirements for the Company's subsidiaries, including any joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting of the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the Company's consolidated financial statements. The Company does not anticipate the application of IFRS 12 to have any impact on its consolidated financial statements.

x) IFRS 13, *Fair Value Measurement*

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximised while unobservable inputs should be minimised. The Company does not anticipate the application of IFRS 12 to have any impact on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

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

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

Inter-company balances and transactions, including unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the interim financial statements.

b) Foreign currencies

Determination of functional currency

In determining the functional currency of the Company the following was considered:

- the currency that mainly influences on the cost of labour, materials, service and other costs of exploration and evaluation activities; and
- the currency used to maintain the amounts charged by operating activities.

Functional currency

The financial statements are presented in Canadian dollars, which is the presentation and the functional currency of the Company. The functional currency of its subsidiary is the US dollar.

Foreign currency translation

In preparing the financial statements of each individual entity within the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Foreign currencies (cont'd)

Foreign currency translation (cont'd)

Exchange differences on monetary items are recognized in profit of loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Comprehensive (loss) income

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

The optional IFRS 1 exemption pertaining to cumulative translation differences will be applied when preparing the Group's IFRS opening balance sheet as at the date of transition. Foreign exchange differences arising from the translation of foreign operations into a presentation currency that is different from the functional currency will be presented outside of profit or loss (i.e. included in other comprehensive income) and recognised as a separate component within equity (i.e. foreign currency reserve).

d) Share-based payments

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

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

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

e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Financial assets

Financial assets, other than derivatives, are designated as available-for-sale, loans and receivables or as at fair-value-through-profit-or-loss ("FVTPL").

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

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

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in income or loss. Transaction costs are expensed for assets classified as FVTPL. The Company's cash and advances to Copper Flat Corporation ("CFC") are classified as FVTPL.

g) Financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Income taxes

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

i) Cash

Cash consists of cash held in banks.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Mineral properties, plant and equipment

i) *Exploration and evaluation:*

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

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

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

ii) *Plant and equipment:*

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Mineral properties, plant and equipment (cont'd)

iii) *Amortisation and depletion:*

Mineral property costs, excluding stripping costs capitalised during the production phase of a mine, are amortised when commercial production begins using the unit-of production method based on estimated proven and probable recoverable reserves. Stripping costs capitalised during the production phase of a mine are depleted on a unit-of-production method over the reserves that directly benefit from the stripping activity.

Furniture and equipment, are depreciated using the declining balance method over their estimated useful lives with the 30% rate, and vehicles are amortized in a straight line basis over 5 years.

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

(Unaudited, prepared by management, and expressed in Canadian dollars)

4. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties

		Acquisition of Copper Flat		Deferred Copper Flat exploration and development		Total
Balance July 1, 2010	$	1,780,913	$	-	$	1,780,91
Additions		23,554,830		2,183,010		25,737,8
Net Exchange Differences		(453,441)		(2,595)		(456,035
Balance at June 30, 2011	**$**	**24,882,30**	**$**	**2,180,41**	**$**	**27,062,**
Additions		-		3,128,334		3,128,33 4
Net Exchange Differences		1,755,432		674,055		2,429,48
Balance at September 30, 2011	**$**	**26,637,73**	**$**	**5,982,80**	**$**	**32,620,**

Property, Plant and Equipment

Cost		**Vehicles**		**Furniture and Equipment**		**Total**
As at July 1, 2010	$	-	$	539	$	539
Additions		-		10,120		10,120
As at June 30, 2011		-		10,659		10,659
Additions		43,359		13,609		56,968
As at September 30, 2011	**$**	**43,359**	**$**	**24,268**	**$**	**67,627**
Accumulated Depreciation						
As at July 1, 2010	$	-	$	314	$	314
Depreciation		-		572		572
As at June 30, 2011		-		886		886
Depreciation		1,676		1,162		2,838
As at September 30, 2011	**$**	**1,676**	**$**	**2,048**	**$**	**3,724**
Net book value						
As at July 1, 2010	$	-	$	225	$	225
As at June 30, 2011		-		9,773		9,773
As at September 30, 2011	**$**	**41,683**	**$**	**22,220**	**$**	**63,903**

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, taxes recoverable, prepaid expenses and deposits, bonds, trade and other payables, 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 trade and other receivables, and trade and other payables approximate their carrying values due to their short term nature.

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

Currency Risk

The Company is subject to currency risks. The Company's Copper Flat project is located in the United States of America, and many of the Company's expenditures on this project are denominated in US Dollars. The Company maintains its principal office in Canada, and has monetary assets and liabilities in Canadian and US dollars. The currency exchange rate between the US and Canadian dollars fluctuated from a low of US$0.94 to a high of US$1.05 for C$1 during the three months ended September 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 trade and other payables. 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.

Trade and other receivables 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 9) 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 trade and other payables. 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.

6. 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 publicly traded corporation domiciled in the United Kingdom and listed on the Alternative Investment Market 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 the mineral rights of a project known as Copper Flat, subject to a 3.25% net smelter return royalty payable to the underlying owners (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 7(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 controls 100% of the mineral rights of the Copper Flat project, subject to the 3.25% net smelter return royalty.

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 holder 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.

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.

(Unaudited, prepared by management, and expressed in Canadian dollars)

6. PURCHASE OF COPPER FLAT (cont'd)

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 $380,736 in connection with drilling permits obtained for Copper Flat. During the fiscal year ended June 30, 2011, no drill holes had been completed.

As at September 30, 2011, the Company accrued asset retirement obligations in the amount of $162,330 in connection with the number of holes drilled on the Copper Flat to that date.

7. EQUITY

[a] **Authorized share capital:**

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 6). 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.

(Unaudited, prepared by management, and expressed in Canadian dollars)

7. EQUITY (cont'd)

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

	Shares	Warrants
Balance, June 30, 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
Released from escrow	(12,701,720)	(10,000,000)
Balance, September 30, 2011	25,403,439	20,000,000

(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.

(ii) On March 4, 2011, in connection with the closing of the acquisition of the Copper Flat project (Note 6) 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 September 30, 2011 there were 25,403,439 shares and 20,000,000 warrants remaining in escrow.

[d] **Warrants:**

	Number	Exercise price	Expiry Date
Balance, June 30, 2010	5,111,111	$0.10	
Exercised [note 7(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 7(c)(ii)]	40,000,000	$0.34	March 4, 2016
Balance, June 30, and September 30, 2011	56,082,556	$0.32	March 4, 2016

(Unaudited, prepared by management, and expressed in Canadian dollars)

7. EQUITY (cont'd)

[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, 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.

During the three months ended September 30, 2011, 1,125,000 stock options were granted to an officer, and an employee of the Company. Each option is exercisable into one common share at a weighted-average exercise price of $0.79 for a period of five years from the date of granting. The fair value of these options was estimated at $620,781 using the Black-Scholes option pricing model with the following weighted average parameters: volatility: 99.02%, risk-free interest rate: 1.59% and expected life of five years.

Stock options outstanding and exercisable:

	Options Outstanding	Options Exercisable	Weighted average exercise price	Expiry date
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 on June 30, 2011	4,323,063	3,998,063	$0.57	
Granted on July 21, 2011	125,000	62,500	$0.74	July 21, 2016
Granted on August 26, 2011	1,000,000	333,333	$0.80	August 26, 2016
Balance, September 30, 2011	5,448,063	4,393,896	$0.62	

8. RELATED PARTY TRANSACTIONS

The aggregate of amounts paid during the three months ended September 30, 2011 and the three months ended September 30, 2010, to parties not at arm's length to the Company consist of the following:

Paid or accrued $37,500 (2010 - $37,500) in consulting fees and $1,500 (2010 - $1,500) in office expenses to a company controlled by the former president, and current director of the Company. As of September 30, 2011 a total of $15,306 (June 30, 2011 - $7,952) was owed to this company for consulting fees and office expenses.

Accrued $nil (2010 - $6,000) in consulting fees, and $20,000 (2010 - $nil) in director's fees to a company controlled by a director of the Company. As of September 30, 2011 a total of $87,287 (June 30, 2011 - $67,287) was owed to this company.

Paid or accrued $48,750 (2010 - $nil) in director's fees to directors of the Company. As of September 30, 2011 a total of $48,750 (June 30, 2011 - $79,141) was owed for directors' fees and reimbursable expenses.

Paid $6,000 (2010 - $nil) in consulting fees to a company controlled by an officer of the Company.

Paid $20,362 (2010 - $nil) in salary to an officer of the Company.

The Company received $3,888,043 (2010 - $nil from Marley Holdings Pty Ltd. a company affiliated with Tulla) in further advances pursuant to the loan with Tulla Resources Group Pty Ltd. (Note 9). This amount was used towards the last option payment of the Copper Flat project.

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 is the amount of consideration established and agreed to be the related parties.

9. 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 7(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.

On July 15, 2011 the Company entered into an Amending Loan Agreement with Tulla. Tulla increased its loan under the original February 25, 2011 agreement with the Company from its original amount of $5,250,000 to $10,000,000. All other terms of the loan remain the same.

During the three months ended September 30, 2011, the Company received $3,888,043 (2010: $nil) in further advances pursuant to the loan with Tulla.

See Note 13, Subsequent Event.

10. NON-CASH TRANSACTIONS

During the three months ended September 30, 2011, the Company entered into the following non-cash transactions:

- Incurred $679,189 (2010: $593,135) of deferred Copper Flat exploration and development costs through trade and other payables.
- Incurred $129,612 (2010: $Nil) of deferred Copper Flat exploration and development costs through accrual of asset retirement obligations.
- Incurred $10,086 (2010: $Nil) of deferred Copper Flat exploration and development costs through share base payments.

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 trade and other payables.
- Incurred $163,503 of deferred Copper Flat exploration and development costs through share-based payments.
- 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 7(b)).
- Cancelled 93,750 escrowed shares valued at $938 (Note 7(c)).
- The Company issued 5,582,556 units, each consisting of one common share and one common share purchase warrant (Note 7(b)(vii)). The share portion was valued at $600,272 and the warrants portion at $237,108.

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 September 30, 2011, the Company had cash of $633,088 (June 30, 2011 - $224,275).

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

12. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2, these are the Company's first interim consolidated financial statements prepared in accordance with IAS 34.

The accounting policies in Note 3 have been applied in the preparation of:

- the financial statements for the three months ended September 30, 2011;.
- the comparative financial information for the three months ended September 30, 2010;
- the condensed consolidated balance sheet as at June 30, 2011; and
- the Company's opening IFRS condensed consolidated balance sheet as at July 1, 2010.

12. EXPLANATION OF TRANSITION TO IFRS (cont'd)

In preparing the opening IFRS condensed consolidated balance sheet, management has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The Company adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The first date at which IFRS was applied was July 1, 2011. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

Optional one-time exemptions applied upon first-time adoption of IFRS

IFRS 1 contains certain optional one-time exemptions from the requirement to apply IFRS on a retrospective basis as at the date of transition. The IFRS 1 optional exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

a) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations* ("IFRS 3"), retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations occurring on or after the date of transition and therefore previous business combinations have not been restated. As a result of this election, no adjustments were required to the Company's opening consolidated balance sheet as at the date of transition.

b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment* ("IFRS 2"), to equity instruments that vested before the date of transition or any unvested equity instruments that were granted prior to November 7, 2002. The Company has elected not to apply IFRS 2 to awards that vested prior to the date of transition.

Under IFRS, the fair value of options granted are recognized on a graded-vesting basis over the period during which each tranche of options vest. Canadian GAAP permitted recognition of share-based payments on this basis or on a straight-line basis. Since the Company previously recognized its share-based payments on a straight-line basis under Canadian GAAP an adjustment of $(37,987) was required for the year ended June 30, 2011 and $Nil for three month period ended September 30, 2010.

c) Reclassification within Equity

Under Canadian GAAP, a balance within contributed surplus was comprised of the issuance of equity-settled employee benefits and cancellation of shares held in escrow. Upon adoption of IFRS, the balance pertaining to equity-settled employee benefit has been reclassified to "Share-based payment reserves".

12. EXPLANATION OF TRANSITION TO IFRS (cont'd)

Optional one-time exemptions applied upon first-time adoption of IFRS (cont'd)

d) Cumulative translation differences

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires an entity to classify certain translation differences as a separate component of equity. However, IFRS permits an entity to deem the cumulative translation account for all foreign operations to be nil at the date of transition, and reclassify any such amounts determined in accordance with Canadian GAAP at that date to retained earnings. When this is the case, the gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition.

In accordance with this optional IFRS 1 exemption, the Company has elected to adjust the foreign currency reserve to nil at the date of transition.

Beginning on July 1, 2010, foreign exchange amounts arising from the translation of the Company's foreign operations at each reporting date have been recognized within other comprehensive loss and accumulated within equity.

The analysis which follows represents the reconciliation from Canadian GAAP to IFRS for the respective periods noted.

(Unaudited, prepared by management, and expressed in Canadian dollars)

12. EXPLANATION OF TRANSITION TO IFRS (cont'd)

Reconciliation of assets, liabilities and equity

	Note	July 1, 2010 Canadian GAAP	Effect of transition to IFRS	**July 1, 2010 IFRS**	September 30, 2010 Canadian GAAP	Effect of transition to IFRS	**September 30, 2010 IFRS**	June 30, 2011 Canadian GAAP	Effect of transition to IFRS	**June 30, 2011 IFRS**
ASSETS		$	$	**$**	$	$	**$**	**$**	$	**$**
Current										
Cash		24,657	-	**24,657**	22,998	-	**22,998**	224,275	-	**224,275**
Taxes recoverable		7,396	-	**7,396**	10,670	-	**10,670**	7,808	-	**7,808**
Prepaid expenses and deposits		1,800	-	**1,800**	1,800	-	**1,800**	17,366	-	**17,366**
		33,853	-	**33,853**	35,468	-	**35,468**	249,449	-	**249,449**
Equipment		225		**225**	208		**208**	9,773		**9,773**
Acquisition of Copper Flat [*note 4*]		1,799,702	(18,789)	**1,780,913**	2,417,530	(5,719)	**2,411,811**	25,354,532	(472,229)	**24,882,303**
Deferred Copper Flat exploration		-	-	**-**	-		**-**	-		**-**
and development [*note 5*]		-	-	**-**	-	-	**-**	2,183,010	(2,595)	**2,180,415**
Bonds [*note 5*]		-	-	**-**	-	-	**-**	380,013	-	**380,013**
		1,833,780	(18,789)	**1,814,991**	2,453,206	(5,719)	**2,447,487**	28,176,777	(474,824)	**27,701,953**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY										
Current										
Trades and other payables		534,621	-	**534,621**	648,342	-	**648,342**	615,878	-	**615,878**
Due to related parties [*note 7*]		33,250	-	**33,250**	58,000	-	**58,000**	154,380	-	**154,380**
Loan payable		-	-	**-**	150,010	-	**150,010**	-	-	**-**
Subscription received [*note 5 and 6*]		921,167	-	**921,167**	837,383	-	**837,383**	-	-	**-**
		1,489,038	-	**1,489,038**	1,693,735	-	**1,693,735**	770,258	**-**	**770,258**
Loan payable [*note 8*]		-	-	**-**	-	-	**-**	4,962,192	**-**	**4,962,192**
		1,489,038	-	**1,489,038**	1,693,735	-	**1,693,735**	5,732,450	-	**5,732,450**
SHAREHOLDERS' DEFICIENCY										
Share capital [*note 6*]		5,487,840	-	**5,487,840**	6,150,915	-	**6,150,915**	18,788,481	-	**18,788,481**
Warrants [*note 6*]		151,964	-	**151,964**	-	-	**-**	10,072,430	-	**10,072,430**
Contributed surplus		113,977	(113,977)	**-**	113,977	(113,977)	**-**	1,922,816	(1,921,878)	**938**
Share-based payment reserve [note 6]	12 (b)(c)	-	113,977	**113,977**	-	113,977	**113,977**	-	1,883,891	**1,883,891**
Foreign currency reserve	12 (b)(d)	-	-	**-**	-	15,567	**15,567**	-	(418,049)	**(418,049)**
Deficit		(5,409,039)	(18,789)	**(5,427,828)**	(5,505,421)	(21,286)	**(5,526,707)**	(8,339,400)	(18,788)	**(8,358,188)**
		344,742	(18,789)	**325,953**	759,471	(5,719)	**753,752**	22,444,327	(474,824)	**21,969,503**
		1,833,780	(18,789)	**1,814,991**	2,453,206	(5,719)	**2,447,487**	28,176,777	(474,824)	**27,701,953**

(Unaudited, prepared by management, and expressed in Canadian dollars)

12. EXPLANATION OF TRANSITION TO IFRS (cont'd)

Reconciliation of loss and comprehensive loss

		Three months ended September 30, 2010			Year ended June 30, 2011		
	Notes	Canadian GAAP	Effect of transition to IFRS	**IFRS**	Canadian GAAP	Effect of transition to IFRS	**IFRS**
EXPENSES		$	$	**$**	$	$	**$**
Share-based payments	12(b)	-	-	**-**	1,711,468	(37,987)	**1,673,481**
Personnel searches		-	-	**-**	230,047	-	**230,047**
Consulting [*note 7*]		43,500	-	**43,500**	168,000	-	**168,000**
Directors' fees		-	-	**-**	113,877	-	**113,877**
Management fees		16,380	-	**16,380**	123,968	-	**123,968**
Filing and transfer agent fees		6,216	-	**6,216**	63,673	-	**63,673**
Travel		9,186	-	**9,186**	52,927	-	**52,927**
Accounting and audit		10,150	-	**10,150**	78,784	-	**78,784**
Investor communication		10,000	-	**10,000**	157,834	-	**157,834**
Office and sundry [*note 7*]		2,184	-	**2,184**	120,484	-	**120,484**
Legal fees		776	-	**776**	15,036	-	**15,036**
Rent		2,460	-	**2,460**	9,840	-	**9,840**
Interest and bank charges		889	-	**889**	5,199	-	**5,199**
Telephone and communication		742	-	**742**	3,203	-	**3,203**
Printing and photocopying		459	-	**459**	775	-	**775**
Amortization [*note 3*]		17	-	**17**	571	-	**571**
Operating loss		(102,959)	-	**(102,959)**	(2,855,686)	37,987	**(2,817,699)**
Other items							
Foreign exchange gain (loss)	12 (d)	6,577	(2,497)	**4,080**	(15,541)	(37,986)	**(53,527)**
Interest income		-	-	**-**	3,058	-	**3,058**
Finance expense		-	-	**-**	(62,192)	-	**(62,192)**
Loss for the period		(96,382)	(2,497)	**(98,879)**	(2,930,361)	1	**(2,930,360)**
Other comprehensive loss							
Exchange differences on translating foreign operations, net of tax	12 (d)	-	15,567	**15,567**	-	(418,049)	**(418,049)**
Total comprehensive loss for the period		(96,382)	13,070	**(83,312)**	(2,930,361)	(418,048)	**(3,348,409)**

(Unaudited, prepared by management, and expressed in Canadian dollars)

12. EXPLANATION OF TRANSITION TO IFRS (cont'd)

Reconciliation of cash flows

		Three months ended September 30, 2010			Year ended June 30, 2011		
	Notes	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
Operating activities		$	$	$	$	$	$
Loss for the period	12 (b)(d)	(96,382)	(2,497)	**(98,879)**	(2,930,361)	1	**(2,930,360)**
Add non cash items:				**-**			**-**
Amortization		17	-	**17**	571	-	**571**
Stock-based compensation	12(b)	-	-	**-**	1,711,468	(37,987)	**1,673,481**
		(96,365)	(2,497)	**(98,862)**	(1,218,322)	(37,986)	**(1,256,308)**
Net change in non-cash working capital:							
Increase in taxes recoverable		(3,274)	-	**(3,274)**	(412)	-	**(412)**
Increase in prepaid expenses and deposits		-	-	**-**	(15,566)	-	**(15,566)**
Increase (decrease) in accounts payable and accrued liabilities	12 (d)	(479,414)	2,497	**(476,917)**	(240,469)	37,986	**(202,483)**
Increase (decrease) in amounts due to related parties		24,750	-	**24,750**	121,130	-	**121,130**
Cash used in operating activities		(554,303)	-	**(554,303)**	(1,353,639)	-	**(1,353,639)**
Investment activities							
Advance payments for purchase of Copper Flat		(24,693)	-	**(24,693)**	(14,082,623)	-	**(14,082,623)**
Purchase of computer equipment		-	-	**-**	(10,119)	-	**(10,119)**
Cash used in investment activities		(24,693)	-	**(24,693)**	(14,092,742)	-	**(14,092,742)**
Cash flows from financing activities							
Cash received from loan payable		150,010	-	**150,010**	4,962,192	-	**4,962,192**
Proceeds from private placements		-	-	**-**	10,200,000	-	**10,200,000**
Exercise of warrants		511,111	-	**511,111**	511,111	-	**511,111**
Exercise of stock options		-	-	**-**	56,480	-	**56,480**
Share subscription received		(83,784)	-	**(83,784)**	(83,784)	-	**(83,784)**
Cash provided by financing activities		577,337	-	**577,337**	15,645,999	-	**15,645,999**
Net (decrease) increase in cash position		(1,659)	-	**(1,659)**	199,618	-	**199,618**
Cash, beginning of the period		24,657	-	**24,657**	24,657	-	**24,657**
Cash, end of the period		22,998	-	**22,998**	224,275	-	**224,275**

13. SUBSEQUENT EVENT

Subsequent to September 30, 2011, the loan agreement with Tulla (Note9) was further amended to increase the loan amount to $12,000,000, and the Company has received a $2,729,648 in further advances pursuant to that loan.

* * * * *