THEMAC Resources Group Limited

Consolidated Financial Statements

June 30, 2016
(Expressed in Canadian dollars)

Suite 488 – 625 Howe Street
Vancouver, BC
Canada V6C 2T6
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 statements of financial position as at June 30, 2016 and 2015 and the consolidated statements of loss and comprehensive income (loss), cash flows, and changes in equity 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 International Financial Reporting Standards, 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 auditor considers 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.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of THEMAC Resources Group Limited as at June 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about THEMAC Resources Group Limited's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

October 25, 2016

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT JUNE 30

		June 30, 2016		June 30, 2015
ASSETS				
Current				
Cash	$	525,354	$	322,108
Receivables		6,007		2,914
Prepaid expenses and deposits (Note 4)		45,761		64,228
		577,122		389,250
Property and equipment (Note 5)		3,911,909		3,895,818
Bonds (Note 6)		398,575		444,354
Mineral property (Note 6)		33,339,054		32,236,082
Deferred exploration and evaluation (Note 6)		34,111,007		30,425,231
Total Assets	$	72,337,667	$	67,390,735
LIABILITIES				
Current				
Trade and other payables	$	617,500	$	487,701
Due to related parties (Note 10)		976,029		625,466
Property obligation (Note 8)		177,751		170,856
Loan payable (Note 7)		66,877,904		55,107,451
		68,649,184		56,391,474
Property obligation (Note 8)		2,324,791		2,404,065
Asset retirement obligation (Note 6)		459,290		415,470
Total Liabilities		71,433,265		59,211,009
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		19,159,411		19,159,411
Warrants (Note 9)		10,072,430		10,072,430
Share-based payment reserve (Note 9)		3,680,993		3,680,993
Foreign currency translation reserve		13,271,980		11,149,899
Deficit		(45,280,412)		(35,883,007)
Total Shareholders' Equity		904,402		8,179,726
Total Liabilities and Shareholders' Equity	$	72,337,667	$	67,390,735

Nature of operations and going concern (Note 1)
Subsequent event (Note 16)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"
Director

"Kenneth Pickering"
Director

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30

	2016	2015
General Expenses		
Accounting and audit	$ 90,536	$ 134,151
Depreciation (Note 5)	34,455	31,157
Directors' fees (Note 10)	350,000	350,000
Filing fees and transfer agent fees	18,045	17,960
Finance expense (Note 7)	7,653,889	6,879,738
Interest on property obligation (Note 8)	109,484	88,529
Investor communications	3,163	12,979
Legal fees	48,174	46,331
Management fees	254,178	240,451
Office and sundry	742,034	754,542
Travel	93,447	47,506
Loss for the year	(9,397,405)	(8,603,344)
Other comprehensive income (loss)		
Exchange differences on translating foreign operations	2,122,081	9,027,456
Total comprehensive income (loss)	(7,275,324)	$ 424,112
Net loss per share - basic and diluted	$ (0.12)	$ (0.11)
Weighted average number of outstanding shares - basic and diluted	79,400,122	77,838,566

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30

		2016		2015
OPERATING ACTIVITIES				
Loss for the year	$	(9,397,405)	$	(8,603,344)
Add non-cash items:				
Accrued interest expense		109,484		88,529
Accretion of asset retirement obligation		9,523		-
Depreciation		34,455		31,157
Finance expense		7,653,889		6,888,705
		(1,590,054)		(1,594,953)
Net change in non-cash working capital items:				
Receivables		(3,093)		(988)
Prepaid expenses and deposits		13,872		10,097
Trade and other payables		110,548		276,725
Amounts due to related parties		350,563		(218,203)
Payables related to deferred exploration and evaluation		(81,296)		(159,753)
Cash used in operating activities		(1,199,460)		(1,687,075)
INVESTING ACTIVITIES				
Advance payments for purchase of Copper Flat		(259,378)		(338,023)
Deferred exploration and development expenditures		(2,469,384)		(1,586,286)
Bonds on Copper Flat Project		-		(91,899)
Cash used in investing activities		(2,728,762)		(2,016,208)
FINANCING ACTIVITIES				
Cash received from loan advances		4,116,564		3,971,224
Cash provided by financing activities		4,116,564		3,971,224
Effect of foreign exchange translation on cash		14,904		(3,814)
Net changes in cash position		203,246		264,127
Cash position, beginning of year		322,108		57,981
Cash position, end of year	$	525,354	$	322,108

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Amount	Value	Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance, June 30, 2014	76,492,122	$ 19,014,011	$ 10,072,430	$ 3,646,717	$ 2,122,443	$ (27,279,663)	$ 7,575,938
Shares issued for debt (Note 10)	2,908,000	145,400	-	-	-	-	145,400
Share-based payments	-	-	-	34,276	-	-	34,276
Comprehensive income for the year	-	-	-	-	9,027,456	(8,603,344)	424,112
Balance, June 30, 2015	79,400,122	19,159,411	10,072,430	3,680,993	11,149,899	(35,883,007)	8,179,726
Comprehensive income for the year	-	-	-	-	2,122,081	(9,397,405)	(7,275,324)
Balance, June 30, 2016	79,400,122	$ 19,159,411	$ 10,072,430	$ 3,680,993	$ 13,271,980	$ (45,280,412)	$ 904,402

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

THEMAC Resources Group Limited ("THEMAC" or the "Company") was incorporated on February 24, 1997 under the Business Corporations Act (Yukon) by registration of its Articles of Incorporation. The Company is in the business of acquiring, exploring, and developing natural resource properties. The address of the Company's registered office is #488 – 625 Howe Street, Vancouver, BC, V6C 2T6, Canada.

The Company has one operating segment, which is the exploration and development of its mineral property. The Company's assets are distributed in two geographic regions, Canada and the United States of America; however the assets in Canada are not significant.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company incurred a loss of $9,397,405 for the year ended June 30, 2016, and had a working capital deficiency of $68,108,132 at June 30, 2016. In addition, the Company's forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company's loan agreement with Tulla Resources Group Pty Ltd. ("Tulla") (Note 7). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to advance the Copper Flat project. Realization values may be substantially different from carrying values, as shown, and these consolidated financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for supplemental cash flow information.

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company.

These consolidated financial statements were authorized for issuance by the Company's board of directors on October 25, 2016.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, income and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates and judgments.

Accounts that require significant estimates as the basis for determining the stated amounts include mineral properties, deferred exploration and evaluation, asset retirement obligation and share-based payments. Share-based payments expense is calculated using the Black-Scholes valuation model which requires significant judgment as to the consideration, such as stock option lives, forfeiture rates and stock volatility; a detailed disclosure of management's estimates with respect to the pricing model is found in Note 9.

In estimating the asset retirement obligation provision, the Company makes assumptions about the required activities which will occur into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as decommissioning costs and techniques are subject to change, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, assumptions and estimates are made on ultimate settlement amounts in discussion with the Company's management and professional staff.

The most significant judgment relates to determination of the functional currency for both the Company and its wholly owned foreign subsidiary. Management has assessed various factors including the costs of inputs and has determined the functional currency of its subsidiary, New Mexico Copper Corporation ("NMCC"), to be the US dollar.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and an entity 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, NMCC, was incorporated on June 15, 2010 in the State of New Mexico, USA.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction.

On consolidation, the assets and liabilities of the Company's foreign subsidiary, NMCC, are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and its revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation of NMCC into Canadian dollars are recognized in other comprehensive income.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income (loss) is defined as revenue, 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 NMCC.

Cash

Cash consists of cash held in banks.

Exploration and evaluation assets

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) to acquire mineral and exploration properties is capitalized. The amounts shown for deferred exploration and evaluation assets represent all direct costs relating to the exploration and evaluation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property 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 property 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 property and equipment is recognized 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 property and equipment are expensed as incurred.

Furniture and equipment are depreciated using a straight-line basis over their estimated useful lives of 5 – 22 years, and vehicles are depreciated over 5 years.

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

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligation

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the decommissioning and reclamation of mine properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for asset retirement obligations is estimated using expected cash flows and is discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as an expense in the consolidated statements of loss and comprehensive loss.

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"). The Company determines the classification of its financial assets at initial recognition.

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

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

Financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized 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, property obligation and loan payable are classified as other liabilities, which are measured at amortized 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 recognized in net income or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'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.

Volatility is determined based on the historic closing market price of the Company's stock for a period equal to the life of the grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded 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 recognized 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.

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered the deferred tax asset is not set up.

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

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

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's leases has not yet been determined.

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are integrated as follows:

	June 30, 2016	June 30, 2015
Advances to vendors and contractors related to the mineral property	$ 10,927	$ 17,776
Advances to other vendors and contractors	300	6,982
Prepaid insurance	14,607	23,457
Lease and rent deposits	19,927	16,013
	$ 45,761	$ 64,228

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2014	$ 2,669,000	$ 64,388	$ 889,760	$ 3,623,148
Net exchange differences	453,500	10,940	147,546	611,986
Balance, June 30, 2015	3,122,500	75,328	1,037,306	4,235,134
Net exchange differences	106,750	2,575	34,729	144,054
Balance, June 30, 2016	$ 3,229,250	$ 77,903	$ 1,072,035	$ 4,379,188
Accumulated Depreciation				
Balance, June 30, 2014	$ -	$ 32,345	$ 163,370	$ 195,715
Depreciation	-	14,161	92,931	107,092
Net exchange differences	-	6,400	30,109	36,509
Balance, June 30, 2015	-	52,906	286,410	339,316
Depreciation	-	16,006	104,275	120,281
Net exchange differences	-	1,384	6,298	7,682
Balance, June 30, 2016	$ -	$ 70,296	$ 396,983	$ 467,279
Net Book Value				
As at June 30, 2015	$ 3,122,500	$ 22,422	$ 750,896	$ 3,895,818
As at June 30, 2016	$ 3,229,250	$ 7,607	$ 675,052	$ 3,911,909

Depreciation of $85,826 (2015 - $75,935) has been capitalized to deferred exploration and evaluation expenditures.

6. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred exploration and evaluation	Total
Balance, June 30, 2014	$ 27,550,390	$ 24,131,854	$ 51,682,244
Additions	-	2,102,547	2,102,547
Net exchange differences	4,685,692	4,190,830	8,876,522
Balance, June 30, 2015	32,236,082	30,425,231	62,661,313
Additions	-	2,727,613	2,727,613
Net exchange differences	1,102,972	958,163	2,061,135
Balance, June 30, 2016	$ 33,339,054	$ 34,111,007	$ 67,450,061

Pursuant to the completion of its obligations under an acquisition agreement, the Company controls 100% of the mineral rights of the Copper Flat Project in New Mexico, USA.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY (cont'd…)

The property is subject to a 3.25% net smelter return royalty, and quarterly advance royalty payments of US$50,000 (for copper prices under US$2.00/lb) or US$112,500 (for copper prices greater than $2.00/lb).

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat. The Company has paid US$1,500,000 in connection with the agreement and is required to pay US$700,000 within 60 days after the Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department issues a permit for the commercial operation of the mine, or on August 1, 2018, whichever occurs first.

Bonds and deposits

As at June 30, 2016, the Company has posted bonds of $342,010 (US$264,775) (2015 – $330,537 (US$264,642)) in connection with the drilling permits for Copper Flat and deposits of $56,565 (US$43,791) (2015 - $113,817 (US$91,126)) posted with the Bureau of Land Management pursuant to a cost recovery agreement.

Asset Retirement Obligation

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

	June 30, 2016	June 30, 2015
Balance, beginning of the year	$ 415,470	$ 173,243
Change in estimate	20,901	200,018
Finance expense	9,523	-
Net exchange differences	13,396	42,209
Balance, end of the year	$ 459,290	$ 415,470

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is $406,442 (2015 - $406,442) which has been discounted using a pre-tax risk-free rate of 2.06% (2015 – 2.35%) and an inflation rate of 1.10% (2015 – 1.10%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

(Expressed in Canadian Dollars)

7. LOAN PAYABLE

	Principal	Finance Expense	Total
Balance, June 30, 2014	$ 32,549,458	$ 11,707,031	$ 44,256,489
Additions	3,971,224	6,879,738	10,850,962
Balance, June 30, 2015	36,520,682	18,586,769	55,107,451
Additions	4,116,564	7,653,889	11,770,453
Balance, June 30, 2016	$ 40,637,246	$ 26,240,658	$ 66,877,904

The Company has a loan agreement (the "Loan") with Tulla, a firm that invests in natural resources. Mr. Kevin Maloney, who is Chairman of THEMAC is also director of Tulla. The Loan bears interest at 20% per annum. The Loan can be repaid by the Company at any time without penalty, and is payable on demand. Tulla has not made demand for payment.

As at June 30, 2016, the Company had overdrawn the facility of $40,000,000 by $637,246. Subsequent to June 30, 2016, the Company and Tulla extended the Loan to a facility of $42,300,000 and drew additional funds of $1,045,955.

8. PROPERTY OBLIGATION

During the year ended June 30, 2013, the Company entered into an agreement, as subsequently amended, ("Fancher Agreement") with a local rancher to purchase 1,220 acres of land within the Copper Flat Project area.

The total purchase price of the land is US$2,500,000 ("Purchase Price") of which US$325,000 (the "Initial Payment") was paid during the year ended June 30, 2013. The Company will pay installments of US$125,000 on the second, third and fourth anniversaries of the Initial Payment and the balance of US$1,800,000 ("Final Payment") on or before the fifth anniversary of the Initial Payment. During the years ended June 30, 2015 and 2016, the Company paid US$125,000 plus accrued interest pursuant to the second and third anniversary payments, respectively.

Interest accrues at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date.

If the Company has not, before the fifth anniversary of the Initial Payment, obtained all permits and approvals it deems necessary for the commercial operation of the Copper Flat Project, the Final Payment may be deferred for not more than five additional years if the Company makes ongoing annual installments of US$125,000 until the Final Payment (which will be reduced by the additional installments) and is making satisfactory progress toward obtaining such permits.

(Expressed in Canadian Dollars)

8. PROPERTY OBLIGATION (cont'd…)

	June 30, 2016	June 30, 2015
Balance, beginning of the year	$ 2,574,921	$ 2,416,438
Payment	(259,379)	(325,499)
Accrued interest	109,484	88,529
Net exchange differences	77,515	395,453
Balance, end of the year	2,502,542	2,574,921
Payable within the next fiscal year	(177,751)	(170,856)
Long-term portion	$ 2,324,791	$ 2,404,065

If the Company fails to make any payment under the terms of the Fancher Agreement, the vendors may issue notice of default which allows for a 30 day remedy period. If the period lapses without remedy, the vendors may elect to terminate the agreement, retain all payments made to date under the agreement and retain the land.

9. EQUITY

a) Authorized share capital

Unlimited common shares without par value.

b) Issued and fully paid

The Company did not complete any private placements during the years ended June 30, 2016 or June 30, 2015.

c) Warrants

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

d) Stock options

The Company has adopted a formal stock option plan (the "Plan"). The Plan is a fixed plan and reserves up to 15,880,024 common shares for issuance at the time of the grant of a stock option under the Plan. Stock options can be granted for a term not to exceed ten years. Stock options are granted with an exercise price in accordance with the TSX Venture Exchange policy.

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

d) Stock options (cont'd…)

The continuity of stock options is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2014	12,946,237	$ 0.11
Granted	495,835	0.05
Forfeited and expired	(746,467)	0.12
Balance on June 30, 2015	12,695,605	0.11
Expired	(3,043,411)	0.17
Balance outstanding and exercisable, June 30, 2016	9,652,194	$ 0.09

Stock options outstanding and exercisable as at June 30, 2016 are as follows:

Options	Weighted average exercise price	Expiry date
75,000	$ 0.15	December 21, 2016
625,789	0.15	August 24, 2017
200,000	0.15	January 10, 2018
500,000	0.15	February 14, 2018
350,920	0.07	June 30, 2018
1,653,254	0.10	June 30, 2018
495,835	0.05	June 30, 2018
5,751,396	0.07	April 24, 2019
9,652,194	$ 0.09	

e) Share-based payments

During the year ended June 30, 2016, the Company granted nil options (2015 - 495,835) and recognized total share-based payments for options granted, vested and cancelled in the year of $nil (2015 - $34,276) which was capitalized to exploration and evaluation assets.

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

	2016	2015
Risk-free interest rate	-	0.94%
Expected life of options	-	2.3 years
Annualized volatility	-	181.76%
Dividend rate	-	0.00%
Weighted average fair value	-	$0.05

(Expressed in Canadian Dollars)

10. PAYMENTS TO KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS

Management Compensation

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the years ended June 30, 2016 and 2015 consist of the following:

	2016	2015
Payments to key management personnel:		
Cash compensation	$ 538,135	$ 489,438
Stock-based compensation granted to senior management	-	34,276
Directors' fees	350,000	350,000
Related party transactions:		
Advances received on Tulla loan (Note 7)	4,116,562	3,971,224
Interest accrued on Tulla loan (Note 7) (no payments made)	7,653,889	6,879,738

During the year ended June 30, 2015, the Company issued 2,908,000 shares to six directors of the Company to settle $145,400 in accrued directors' fees.

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

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended June 30, 2016, the Company entered into the following non-cash transactions:

- Incurred $347,775 (2015 - $266,479) of deferred Copper Flat exploration and evaluation expenditures through trade and other payables.
- Incurred $Nil (2015 - $34,276) of deferred Copper Flat exploration and evaluation expenditures through share-based payments.
- Recognized $20,901 (2015 - $Nil) of deferred Copper Flat exploration and evaluation expenditures through the accrual of asset retirement obligations.
- Recognized depreciation of $85,826 (2015 - $75,935) in deferred Copper Flat exploration and evaluation expenditures.
- Issued Nil (2015 – 2,908,000) common shares to settle directors' fees of $Nil (2015 - $145,400).
- Incurred $20,901 (2015 - $191,051) of property and equipment acquisition costs through accrued property obligation.

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation between expense (recovery) and the product of accounting loss multiplied by the Company's domestic tax rate for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Statutory tax rate	26.00%	26.00%
Loss before income taxes	$ (9,397,405)	$ (8,603,344)
Expected income tax recovery	$ (2,443,000)	$ (2,236,920)
Effect of income tax rate changes	-	128,932
Foreign income tax rate difference	(776,000)	(849,924)
Non-deductible items and other	3,614,000	3,277,719
Change in estimates	185,000	(526,626)
Changes in benefits not recognized	(580,000)	209,818
Income tax expense (recovery)	$ -	$ -

The components of deferred income tax assets and liabilities:

	2016	2015
Non-capital losses	$ 4,335,000	$ 3,951,768
Start-up costs	1,688,000	1,636,466
Asset retirement obligation	179,000	162,552
Deferred exploration and evaluation	(6,119,000)	(5,593,992)
Equipment	(83,000)	(156,794)
	$ -	$ -

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

No deferred tax assets have been recognized on the consolidated statements of financial position when the Company has concluded that it is not probable that the benefits of deferred income tax assets will be realized prior to their expiry. As such, the Company has not recognized deferred tax assets on the following items:

	2016	2015
Non-capital losses	$ 5,183,000	$ 5,182,292
Mineral property	568,172	568,172
Other	8,000	11,700
	$ 5,759,172	$ 5,762,164

The Company has approximately $2,185,000 in foreign exploration development expenses in the Canadian entity, and $16,730,000 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 $25,566,000 in non-capital losses available for carry-forward which expire through 2036.

12. INCOME TAXES (cont'd…)

The Company has recognized a provision of $112,000 (2015 - $112,000) for a potential withholding tax liability in accounts payable and accrued liabilities. The Company is in the process of reviewing its tax position.

13. SEGMENTED INFORMATION

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

14. CAPITAL DISCLOSURES

The Company considers its loan payable and share capital as capital. The Company's objective when managing capital is to maintain a flexible capital structure for the benefit of its shareholders. The Company's main source of funds is from drawdowns on its loan from Tulla and the issuance of common shares.

The Company keeps its cash only in chequing accounts with major Canadian, Australian and US institutions of high credit worthiness. At June 30, 2016, the Company had cash of $525,354 (2015 - $322,108).

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended June 30, 2016.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, bonds, trade and other payables, amounts due to related parties, loan payable and property obligation. The fair value of cash is measured on the statement of financial position using Level 1 of the fair value hierarchy as it is based on unadjusted quoted prices in active market. The fair value of receivables, bonds, trade and other payables, due to related parties and loan payable approximate their carrying values due to their short-term nature.

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

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

Currency Risk

The Company is subject to currency risks. The Company's Copper Flat project is located in the United States of America, and many of the Company's expenditures on this project are denominated in US dollars. The Company maintains its principal office in Canada, and has monetary assets and liabilities in Canadian and US dollars. The currency exchange rate between the US and Canadian dollars fluctuated from a low of US$1.28 to a high of US$1.43 for CAD$1 during the year ended June 30, 2016. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $6,837,000. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate foreign currency risk at this time, and does not use derivative instruments to reduce its exposure to currency risk.

15. FINANCIAL INSTRUMENTS (cont'd…)

Interest rate and credit risk

The Company has a cash balance, taxes recoverable, trade and other payables, amounts due to related parties, loan payable (Note 7) and property obligation (Note 8). Amounts owed to related parties, excluding the loan payable, do not bear interest, and, therefore, these amounts are not exposed to interest rate variations. The loan payable bears an interest rate of 20% per annum on outstanding amounts. The property obligation bears interest at a rate of 3.5% per annum adjusted for fluctuations in LIBOR. While changes in LIBOR were insignificant in the period presented, it is possible that adjustments in the future could be significant.

Receivables typically consist of Canadian Goods and Services Tax ("GST") due from the Federal Government of Canada and bonds for the Copper Flat project refunded after period end. Management believes that the credit risk with respect to receivables is remote. In addition, the Company is satisfied with the credit rating of the banks where the cash is held.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of trade and other payables, due to related parties, loan payable and property obligation. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and future obligations compared to the Company's current cash position and expected cash receipts. The objective of the Company is to manage its liquidity risk by maintaining sufficient cash to meet its anticipated operational needs. Due to the relatively low cash position of the Company, the Company is exposed to liquidity risk.

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

16. SUBSEQUENT EVENT

Subsequent to the year ended June 30, 2016, the Company and Tulla extended the Loan to a maximum principal facility of $42,300,000 (Note 7). The Company drew a further $1,045,955 on the Loan from Tulla.