



# **THEMAC Resources Group Limited**

## **Condensed Consolidated Interim Financial Statements**

**For the six month period ended December 31, 2016**

(Unaudited)

(Expressed in Canadian dollars)

Suite 488 – 625 Howe Street  
Vancouver, BC  
Canada V6C 2T6  
TSXV: MAC

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**THEMAC Resources Group Limited**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – expressed in Canadian Dollars)  
**AS AT**

	December 31, 2016	June 30, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 368,163	\$ 525,354
Receivables	8,799	6,007
Prepaid expenses and deposits (Note 4)	70,512	45,761
	447,474	577,122
Property and equipment (Note 5)	3,824,431	3,911,909
Bonds (Note 6)	387,597	398,575
Mineral property (Note 6)	34,656,420	33,339,054
Deferred exploration and evaluation (Note 6)	36,870,224	34,111,007
<b>Total Assets</b>	<b>\$ 76,186,146</b>	<b>\$ 72,337,667</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables	\$ 513,670	\$ 617,500
Due to related parties (Note 10)	993,318	976,029
Property obligation (Note 8)	236,692	177,751
Loan payable (Note 7)	72,872,403	66,877,904
	74,616,083	68,649,184
Property obligation (Note 8)	2,416,581	2,324,791
Asset retirement obligation (Note 6)	487,259	459,290
<b>Total Liabilities</b>	<b>77,519,923</b>	<b>71,433,265</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
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	15,985,044	13,271,980
Deficit	(50,231,655)	(45,280,412)
<b>Total Shareholders' Equity (Deficiency)</b>	<b>(1,333,777)</b>	<b>904,402</b>
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>	<b>\$ 76,186,146</b>	<b>\$ 72,337,667</b>

Nature of operations and going concern (Note 1)

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"  
Director

"Andrew Maloney"  
Director

**THEMAC Resources Group Limited**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS**  
**AND COMPREHENSIVE INCOME (LOSS)**  
*(Unaudited – expressed in Canadian Dollars)*  
**FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31**

	Three months ended December 31		Six months ended December 31	
	2016	2015	2016	2015
<b>General Expenses</b>				
Accounting and audit	\$ 20,712	\$ 24,084	\$ 31,489	\$ 29,840
Depreciation (Note 5)	28,839	8,858	34,222	17,545
Directors' fees (Note 10)	82,083	87,500	169,583	175,000
Filing fees and transfer agent fees	2,278	6,748	3,381	7,381
Finance expense (Note 7)	2,106,310	1,895,750	4,186,985	3,746,577
Interest on property obligation (Note 8)	25,793	24,144	51,028	47,824
Legal fees	1,612	8,509	2,346	32,412
Management fees	79,343	60,090	130,210	114,925
Office and sundry	160,211	193,679	312,591	375,605
Travel	21,282	52,600	29,408	64,934
<b>Loss for the period</b>	<b>(2,528,463)</b>	<b>(2,361,962)</b>	<b>(4,951,243)</b>	<b>(4,612,043)</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	1,657,707	2,563,888	2,713,064	6,937,304
<b>Total comprehensive income (loss)</b>	<b>\$ (870,756)</b>	<b>\$ 201,926</b>	<b>\$(2,238,179)</b>	<b>\$ 2,325,261</b>
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.06)
Weighted average number of outstanding shares				
- basic and diluted	79,400,122	79,400,122	79,400,122	79,400,122

See accompanying notes to the condensed consolidated interim financial statements.

**THEMAC Resources Group Limited**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
*(Unaudited – expressed in Canadian Dollars)*  
**FOR THE SIX MONTH PERIODS ENDED DECEMBER 31**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (4,951,243)	\$ (4,612,043)
Add non-cash items:		
Accrued interest expense	51,028	47,824
Accretion of asset retirement obligation	9,665	9,489
Depreciation	34,222	17,545
Finance expense	4,186,985	3,746,577
	<u>(669,343)</u>	<u>(790,608)</u>
Net change in non-cash working capital items:		
Receivables	(2,792)	(1,411)
Prepaid expenses and deposits	(28,539)	(10,366)
Trade and other payables	(118,241)	156,990
Amounts due to related parties	17,289	262,831
Payables related to deferred exploration and evaluation	(45,668)	(194,222)
<b>Cash used in operating activities</b>	<u>(847,294)</u>	<u>(576,786)</u>
<b>INVESTING ACTIVITIES</b>		
Deferred exploration and development expenditures	(1,117,599)	(1,188,009)
<b>Cash used in investing activities</b>	<u>(1,117,599)</u>	<u>(1,188,009)</u>
<b>FINANCING ACTIVITIES</b>		
Cash received from loan advances	1,807,514	1,473,000
<b>Cash provided by financing activities</b>	<u>1,807,514</u>	<u>1,473,000</u>
<b>Effect of foreign exchange translation on cash</b>	<u>188</u>	<u>32,169</u>
<b>Net changes in cash position</b>	(157,191)	(259,626)
Cash position, beginning of period	525,354	322,108
<b>Cash position, end of period</b>	<u>\$ 368,163</u>	<u>62,482</u>

Supplemental disclosure with respect to cash flows (Note 11)

*See accompanying notes to the condensed consolidated interim financial statements.*

**THEMAC Resources Group Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)**  
*(Unaudited – expressed in Canadian Dollars)*

	Amount	Value	Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance, June 30, 2015	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,680,993	\$ 11,149,899	\$ (35,883,007)	\$ 8,179,726
Comprehensive income for the period	-	-	-	-	6,937,304	(4,612,043)	2,325,261
Balance, December 31, 2015	79,400,122	19,159,411	10,072,430	3,680,993	18,087,203	(40,495,050)	10,504,987
Comprehensive loss for the period	-	-	-	-	(4,815,223)	(4,785,362)	(9,600,585)
Balance, June 30, 2016	79,400,122	19,159,411	10,072,430	3,680,993	13,271,980	(45,280,412)	904,402
Comprehensive loss for the period	-	-	-	-	2,713,064	(4,951,243)	(2,238,179)
Balance, December 31, 2016	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,680,993	\$ 15,985,044	\$ (50,231,655)	\$ (1,333,777)

*See accompanying notes to the condensed consolidated interim financial statements.*

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

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**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 condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company incurred a loss of \$4,951,243 for the six month period ended December 31, 2016, and had a working capital deficiency of \$74,168,609 at December 31, 2016. In addition, the Company’s forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company’s loan agreement with Tulla Resources Group Pty Ltd. (“Tulla”) (Note 7). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to advance the Copper Flat project. Realization values may be substantially different from carrying values, as shown, and these condensed consolidated interim financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**Basis of presentation**

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s June 30, 2016 audited consolidated annual financial statements.

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

These condensed consolidated interim financial statements were authorized for issuance by the Company’s board of directors on February 28, 2017.

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

### **Significant accounting judgments and estimates**

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

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

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

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

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **New standards not yet adopted**

#### *IFRS 9 Financial Instruments (Revised)*

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



**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**New standards not yet adopted** (cont'd...)

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:

	December 31, 2016	June 30, 2016
Advances to vendors and contractors related to the mineral property	\$ 1,412	\$ 10,927
Advances to other vendors and contractors	1,200	300
Prepaid insurance	9,419	14,607
Lease and rent deposits	58,481	19,927
	<u>\$ 70,512</u>	<u>\$ 45,761</u>

**5. PROPERTY AND EQUIPMENT**

	Land	Vehicles	Furniture and Equipment	Total
<b>Cost</b>				
Balance, June 30, 2015	\$ 3,112,500	\$ 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
Net exchange differences	127,500	3,076	41,480	172,056
Balance, December 31, 2016	<u>\$ 3,356,750</u>	<u>\$ 80,979</u>	<u>\$ 1,113,515</u>	<u>\$ 4,551,244</u>
<b>Accumulated Depreciation</b>				
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
Depreciation	-	5,355	232,391	237,746
Net exchange differences	-	2,869	18,919	21,788
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 78,520</u>	<u>\$ 648,293</u>	<u>\$ 726,813</u>

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

**5. PROPERTY AND EQUIPMENT (cont'd...)**

	Land	Vehicles	Furniture and Equipment	Total
<b>Net Book Value</b>				
As at June 30, 2016	\$ 3,229,250	\$ 7,607	\$ 675,052	\$ 3,911,909
As at December 31, 2016	\$ 3,356,750	\$ 2,459	\$ 465,222	\$ 3,824,431

Depreciation of \$203,524 (2015 - \$42,759) 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, 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
Additions	-	1,398,876	1,398,876
Net exchange differences	1,317,366	1,360,341	2,677,707
Balance, December 31, 2016	\$ 34,656,420	\$ 36,870,224	\$ 71,526,644

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

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

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

**Bonds and deposits**

As at December 31, 2016, the Company has posted bonds of \$356,391 (US\$265,429) (June 30, 2016 – \$342,010 (US\$264,775)) in connection with the drilling permits for Copper Flat and deposits of \$31,206 (US\$23,241) (June 30, 2016 - \$56,565 (US\$43,791)) posted with the Bureau of Land Management pursuant to a cost recovery agreement.

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

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**6. MINERAL PROPERTY (cont'd...)**

**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.

	December 31, 2016	June 30, 2016
Balance, beginning of the period	\$ 459,290	\$ 415,470
Change in estimate	-	20,901
Finance expense	9,665	9,523
Net exchange differences	18,304	13,396
Balance, end of the period	\$ 487,259	\$ 459,290

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is \$406,442 (June 30, 2016 - \$406,442) which has been discounted using a pre-tax risk-free rate of 2.06% (June 30, 2016 – 2.06%) and an inflation rate of 1.10% (June 30, 2016 – 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.

**7. LOAN PAYABLE**

	Principal	Finance Expense	Total
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
Additions	1,807,514	4,186,985	5,994,499
Balance, December 31, 2016	\$ 42,444,760	\$ 30,427,643	\$ 72,872,403

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.

During the six month period ended December 31, 2016, the Company and Tulla extended the Loan to a maximum facility of \$42,300,000. As at December 31, 2016, the Company has overdrawn the Loan by \$144,760.

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

**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.

	December 31, 2016	June 30, 2016
Balance, beginning of the period	\$ 2,502,542	\$ 2,574,921
Payment	-	(259,379)
Accrued interest	51,028	109,484
Net exchange differences	99,703	77,515
Balance, end of the period	2,653,273	2,502,542
Payable within the next fiscal year	(236,692)	(177,751)
Long-term portion	\$ 2,416,581	\$ 2,324,791

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 six month period ended December 31, 2016 or the year ended June 30, 2016.

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

**9. EQUITY (cont'd...)**

**c) Warrants**

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

The continuity of stock options is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2015	12,695,605	\$ 0.11
Expired	(3,043,411)	0.17
Balance on June 30, 2016	9,652,194	\$ 0.09
Expired	(75,000)	0.15
Balance outstanding and exercisable, December 31, 2016	9,577,194	\$ 0.09

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

Options	Weighted average exercise price	Expiry date
625,789	\$ 0.15	
200,000	0.15	
500,000	0.15	
350,920	0.07	
1,653,254	0.10	
495,835	0.05	
5,751,396	0.07	
9,577,194	\$ 0.09	

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

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**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 six month periods ended December 31, 2016 and 2015 consist of the following:

	2016	2015
Payments to key management personnel:		
Cash compensation	\$ 275,412	\$ 252,361
Directors' fees	169,583	175,000
Related party transactions:		
Advances received on Tulla loan (Note 7)	1,807,514	1,473,000
Interest accrued on Tulla loan (Note 7) (no payments made)	4,186,985	3,746,577

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 six month period ended December 31, 2016, the Company entered into the following non-cash transactions:

- Incurred \$152,394 (2015 - \$300,948) of deferred Copper Flat exploration and evaluation expenditures through trade and other payables.
- Recognized \$Nil (2015 - \$20,826) of deferred Copper Flat exploration and evaluation expenditures through the accrual of asset retirement obligations.
- Recognized depreciation of \$203,524 (2015 - \$42,759) in deferred Copper Flat exploration and evaluation expenditures.

**12. SEGMENTED INFORMATION**

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

**13. CAPITAL DISCLOSURES**

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

The Company keeps its cash only in chequing accounts with major Canadian, Australian and US institutions of high credit worthiness. At December 31, 2016, the Company had cash of \$368,163 (June 30, 2016 - \$525,354).

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period ended December 31, 2016.

#### **14. FINANCIAL INSTRUMENTS**

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

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\$1.36 for CAD\$1 during the six month period ended December 31, 2016. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately \$7,230,000. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate foreign currency risk at this time, and does not use derivative instruments to reduce its exposure to currency risk.

##### *Interest rate and credit risk*

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

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

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Unaudited – expressed in Canadian Dollars)*  
**DECEMBER 31, 2016**

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**14. FINANCIAL INSTRUMENTS (cont'd...)**

*Liquidity risk*

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

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

**15. SUBSEQUENT EVENT**

Subsequent to December 31, 2016, the Company and Tulla extended the Loan to a maximum facility of \$43,500,000.