THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

December 31, 2013
(Unaudited)
(Expressed in Canadian dollars)

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants 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, 2013		June 30, 2013
ASSETS				
Current				
Cash	$	62,935	$	462,910
Receivables		7,045		52,843
Prepaid expenses and deposits (Note 4)		244,916		238,759
		314,896		754,512
Property and equipment (Note 5)		3,478,996		3,393,738
Bonds (Note 6)		490,066		344,150
Mineral property (Note 6)		27,457,400		27,126,767
Deferred exploration and evaluation (Note 6)		23,117,461		21,712,810
Total Assets	$	54,858,819	$	53,331,977
LIABILITIES				
Current				
Trade and other payables	$	319,037	$	603,081
Due to related parties		611,735		343,413
Loan payable (Note 7)		39,848,040		35,090,162
		40,778,812		36,036,656
Property obligation (Note 8)		2,368,124		2,193,580
Asset retirement obligation (Note 6)		271,913		258,128
Total Liabilities		43,418,849		38,488,364
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		18,906,731		18,906,731
Warrants (Note 9)		10,072,430		10,072,430
Share-based payment reserve (Note 9)		3,325,850		3,235,203
Foreign currency translation reserve		2,379,869		1,733,156
Deficit		(23,244,910)		(19,103,907)
Total Shareholders' Equity		11,439,970		14,843,613
Total Liabilities and Shareholders' Equity	$	54,858,819	$	53,331,977

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

"Joel Schneyer" — Director

"Kenneth Pickering" — Director

THEMAC Resources Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three months ended December 31		Six months ended December 31	
	2013	2012	2013	2012
General Expenses				
Accounting and audit	$ 35,585	$ 25,296	$ 46,329	$ 57,204
Depreciation (Note 5)	9,330	16,328	18,755	26,446
Directors' fees (Note 10)	83,750	80,000	175,000	160,000
Filing fees and transfer agent fees	10,810	10,066	14,576	12,204
Finance expense (Note 7)	1,561,646	1,144,238	3,071,269	2,144,623
Interest on property obligation (Note 8)	21,650	-	40,649	-
Investor communications	60,194	119,295	140,786	326,475
Legal fees	27,805	5,305	35,108	12,424
Management fees	99,615	17,085	203,490	33,681
Office and sundry	131,374	118,608	300,003	266,676
Personnel searches	-	31,873	-	58,455
Share-based payments (Note 9)	48,258	37,959	34,429	261,646
Travel	42,273	36,640	60,609	37,967
Net loss for the period	(2,132,290)	(1,642,693)	(4,141,003)	(3,397,801)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations	1,723,889	452,953	646,713	(891,657)
Total comprehensive loss	$ (408,401)	$ (1,189,740)	$ (3,494,290)	$ (4,289,458)
Net loss per share - basic and diluted	$ (0.03)	$ (0.02)	$ (0.06)	$ (0.05)
Weighted average number of outstanding shares - basic and diluted	75,300,122	74,117,622	75,300,122	69,285,446

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 MONTHS ENDED DECEMBER 31

	2013	2012
OPERATING ACTIVITIES		
Net loss for the period	$ (4,141,003)	$ (3,397,801)
Add non-cash items:		
Accrued interest expense	40,649	-
Depreciation	18,755	26,446
Share-based payments	34,429	261,646
Finance expense	3,071,269	2,144,623
	(975,901)	(965,086)
Net change in non-cash working capital items:		
Receivables	45,798	10,910
Prepaid expenses and deposits	(24,326)	(8,757)
Trade and other payables	(289,685)	(439,463)
Amounts due to related parties	268,322	216,427
Payables related to deferred exploration and evaluation	846,619	311,526
Cash provided by (used in) operating activities	(129,173)	(874,443)
INVESTING ACTIVITIES		
Deferred exploration and development expenditures	(1,836,622)	(4,238,884)
Acquisition of property and equipment	-	(742,071)
Bonds on Copper Flat Project	(139,040)	-
Cash used in investing activities	(1,975,662)	(4,980,955)
FINANCING ACTIVITIES		
Cash received from loan advances	1,686,609	5,565,000
Cash provided by financing activities	1,686,609	5,565,000
Effect of foreign exchange translation on cash	18,251	(65,530)
Net changes in cash position	(399,975)	(355,928)
Cash position, beginning of period	462,910	544,533
Cash position, end of period	$ 62,935	$ 188,605

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the condensed consolidated interim financial statements.

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

	Amount	Value	Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance, June 30, 2012	74,117,622	$ 18,788,481	$ 10,072,430	$ 2,764,202	$ 725,429	$ (12,715,094)	$ 19,635,448
Share-based payments	-	-	-	323,946	-	-	323,946
Comprehensive loss for the period	-	-	-	-	(891,657)	(3,397,801)	(4,289,458)
Balance, December 31, 2012	74,117,622	18,788,481	10,072,430	3,088,148	(166,228)	(16,112,895)	15,669,936
Shares issued for debt (Note 9)	1,182,500	118,250	-	-	-	-	118,250
Share-based payments	-	-	-	147,055	-	-	147,055
Comprehensive loss for the period	-	-	-	-	1,899,384	(2,991,012)	(1,091,628)
Balance, June 30, 2013	75,300,122	18,906,731	10,072,430	3,235,203	1,733,156	(19,103,907)	14,843,613
Share-based payments	-	-	-	90,647	-	-	90,647
Comprehensive loss for the period	-	-	-	-	646,713	(4,141,003)	(3,494,290)
Balance, December 31, 2013	75,300,122	$ 18,906,731	$ 10,072,430	$ 3,325,850	$ 2,379,869	$ (23,244,910)	$ 11,439,970

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

THEMAC Resources Group Limited ("THEMAC" or the "Company") was incorporated on February 24, 1997 under the Business Corporations Act (Yukon) by registration of its Articles of Incorporation. The Company is in the business of acquiring, exploring, and developing natural resource properties. The address of the Company's registered office is #700 – 510 West Hastings Street, Vancouver, BC, V6B 1L8, Canada.

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

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of $4,141,003 for the period ended December 31, 2013, and had a working capital deficiency of $40,463,916 at December 31, 2013. 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") (see Notes 7 and 14). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to develop the Copper Flat project. Realization values may be substantially different from carrying values, as shown, and these condensed consolidated interim financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's June 30, 2013 audited consolidated annual financial statements with the exception of newly adopted standards as disclosed in Note 3.

These condensed consolidated interim financial statements were authorized for issuance by the Company's board of directors on February 28, 2014.

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. Depreciation and depletion of mineral properties and deferred exploration and evaluation are dependent upon resource estimates which are determined with the exercise of judgment. 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 of mineral properties deferred exploration and evaluation costs is dependent upon estimates of fair value that take into account factors such as resources, economic, and market conditions. The Company has judged that no such impairment exists.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended June 30, 2013, except for the adoption of new standards and interpretations effective as of July 1, 2013.

The Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 13 *Fair Value Measurement*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards, interpretations and amendments adopted (cont'd…)

Several other new standards and amendments apply for the first time in fiscal 2014. However, they are not applicable to the annual consolidated financial statements of the Company or the interim condensed consolidated financial statements of the Company.

The nature and the impact of each new standard is described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Company does not have any partnerships in JCEs, the adoption of this standard had no impact on the financial statements of the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. The Company has not had any changes in its corporate structure or investments during the period; accordingly, the Company has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Company provides these disclosures in Note 13.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended June 30, 2014:

- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[ii]
- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities. [i]

(i) Effective for annual periods beginning on or after January 1, 2014
(ii) Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are integrated as follows:

	December 31, 2013	June 30, 2013
Advances to vendors and contractors related to the mineral property	$ 178,049	$ 195,202
Advances to other vendors and contractors	11,586	-
Prepaid insurance	15,518	18,587
Lease and rent deposits	39,763	24,970
	$ 244,916	$ 238,759

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2012	$ -	$ 82,207	$ 156,864	$ 239,071
Additions	2,463,360	-	709,457	3,172,817
Disposals and refunds	-	-	(29,617)	(29,617)
Net exchange differences	59,520	2,673	46,730	108,923
Balance, June 30, 2013	2,522,880	84,880	883,434	3,491,194
Additions	104,385	-	-	104,385
Disposals	-	-	(7,337)	(7,337)
Net exchange differences	32,735	1,034	10,664	44,433
Balance, December 31, 2013	$ 2,660,000	$ 85,914	$ 886,761	$ 3,632,675
Accumulated Depreciation				
Balance, June 30, 2012	$ -	$ 9,751	$ 7,404	$ 17,155
Depreciation	-	16,223	62,010	78,233
Disposals	-	-	(2,042)	(2,042)
Net exchange differences	-	1,070	3,040	4,110
Balance, June 30, 2013	-	27,044	70,412	97,456
Depreciation	-	8,429	45,564	53,993
Net exchange differences	-	492	1,738	2,230
Balance, December 31, 2013	$ -	$ 35,965	$ 117,714	$ 153,679
Net Book Value				
As at June 30, 2013	$ 2,522,880	$ 57,836	$ 813,022	$ 3,393,738
As at December 31, 2013	$ 2,660,000	$ 49,949	$ 769,047	$ 3,478,996

Depreciation of $35,238 (2012 - $Nil) has been capitalized to deferred exploration and evaluation expenditures.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred exploration and evaluation	Total
Balance, June 30, 2012	$ 26,271,770	$ 12,428,203	$ 38,699,973
Additions	-	8,495,946	8,495,946
Net exchange differences	854,997	788,661	1,643,658
Balance, June 30, 2013	27,126,767	21,712,810	48,839,577
Additions	-	1,112,590	1,112,590
Net exchange differences	330,633	292,061	622,694
Balance, December 31, 2013	$ 27,457,400	$ 23,117,461	$ 50,574,861

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

As at December 31, 2013, the Company has posted bonds of $490,066 (US$460,588) (June 30, 2013 – $344,150 (US$327,388)) in connection with the drilling permits for Copper Flat.

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, 2013	June 30, 2013
Balance, beginning of the period	$ 258,128	$ 250,000
Additions	10,441	-
Net exchange differences	3,344	8,128
Balance, end of the period	$ 271,913	$ 258,128

(Expressed in Canadian Dollars)

7. LOAN PAYABLE

	Principal	Finance Expense	Total
Balance, June 30, 2012	$ 18,307,683	$ 658,591	$ 18,966,274
Additions	11,330,000	4,793,888	16,123,888
Balance, June 30, 2013	29,637,683	5,452,479	35,090,162
Additions	1,686,609	3,071,269	4,757,878
Balance, December 31, 2013	$ 31,324,292	$ 8,523,748	$ 39,848,040

The Company has a loan agreement with a company controlled by director Kevin Maloney, through an affiliated company (Tulla) (the “Loan”). 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.

The Loan came due on July 31, 2013. Tulla has not made demand for payment.

The Company and Tulla have agreed to extend the facility amount to allow for withdrawals on principal of $32,400,000. Documentation of this amendment is in the process of being finalized.

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 land is subject to a grazing lease which expires in 2015 and may be terminated with 30 days’ written notice.

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.

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…)

		December 31, 2013		June 30, 2013
Balance, beginning of the period	$	2,193,580	$	-
Recognition of property obligation		104,385		2,463,360
Initial Payment		-		(333,580)
Accrued interest		40,649		11,793
Net exchange differences		29,510		52,007
Balance, end of the period	$	2,368,124	$	2,193,580

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

9. EQUITY

a) Authorized share capital

Unlimited common shares without par value.

b) Issued and fully paid

The Company did not complete any private placements during the period ended December 31, 2013 or the year ended June 30, 2013.

c) Shares and warrants in escrow:

	Shares	Warrants
Balance on June 30, 2012	12,701,720	10,000,000
Expired	(12,701,720)	(10,000,000)
Balance, June 30, 2013 and December 31, 2013	-	-

d) Warrants

The continuity of warrants is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2012	56,082,556	$0.33
Expired	(5,582,556)	0.28
Balance, June 30, 2013 and December 31, 2013	50,500,000	$0.33

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

d) Warrants (cont'd…)

Warrants outstanding and exercisable as at December 31, 2013 are as follows:

Grant date	Warrants outstanding	Weighted average exercise price	Expiry date
March 4, 2011	10,500,000	$0.28	March 4, 2016
March 4, 2011	40,000,000	$0.34	March 4, 2016
	50,500,000	$0.33	

e) Stock options

The Company has adopted a formal stock option plan (the "Plan"). The Plan is a fixed plan and reserves up to 15,060,024 common shares for issuance 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.

The continuity of stock options is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2012	5,923,063	$ 0.62
Granted	3,393,896	0.28
Forfeited and expired	(1,786,947)	0.64
Balance on June 30, 2013	7,530,012	0.47
Re-priced	3,177,513	0.15
Forfeited and cancelled	(3,969,868)	0.54
Balance, December 31, 2013	6,737,657	$ 0.28

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

e) Stock options (cont'd…)

Stock options outstanding and exercisable as at December 31, 2013 are as follows:

Options Outstanding	Options Exercisable	Weighted average exercise price	Expiry date
666,666	666,666	$ 0.80	March 1, 2014
150,000	150,000	0.58	March 1, 2014
540,789	540,789	0.15	December 5, 2014
591,959	591,959	0.51	March 4, 2016
248,265	248,265	0.60	March 4, 2016
1,576,724	1,576,724	0.15	March 4, 2016
200,000	200,000	0.15	March 27, 2016
200,000	200,000	0.56	May 6, 2016
75,000	75,000	0.15	December 21, 2016
50,000	50,000	0.58	August 24, 2017
85,000	85,000	0.15	August 24, 2017
200,000	100,000	0.15	January 10, 2018
500,000	500,000	0.15	February 14, 2018
1,653,254	-	0.10	June 30, 2018
6,737,657	4,984,403	$ 0.28	

During the period ended December 31, 2013, the Company re-priced 3,177,513 stock options having an exercise price of $0.37 to $0.68 per share to an exercise price of $0.15 per share. The re-pricing of options led to additional share-based payments expense of $72,650. The weighted average assumptions used for the Black-Scholes valuation of re-priced options were annualized volatility of 134.15%, risk-free interest rate of 1.23%, expected life of 2.71 years and a dividend rate of Nil%.

f) Share-based payments

During the period ended December 31, 2013, the Company recognized total share-based payments for options vesting and cancelled in the period of $17,997. Inclusive of the stock option re-pricing, share-based payments expense of $34,429 was recognized in the statement of comprehensive loss and $56,218 was capitalized to exploration and evaluation assets.

During the period ended December 31, 2012, the Company granted 700,000 options with a weighted average fair value of $0.43 per option. Total share-based payments for options granted and vested for the period were $323,946 of which $261,646 was recognized in the statement of comprehensive loss and $62,300 was capitalized to exploration and evaluation assets.

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

f) Share-based payments (cont'd…)

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

	2013	2012
Risk-free interest rate	-	1.24%
Expected life of options	-	2.97 years
Annualized volatility	-	130,10%
Dividend rate	-	0.00%
Forfeiture rate	-	4.85%

10. PAYMENTS TO KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS

Management Compensation

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the periods ended December 31, 2013 and 2012 consist of the following:

	2013	2012
Payments to key management personnel:		
Cash compensation	$ 172,500	$ 126,818
Stock-based compensation granted to senior management	73,497	151,156
Directors' fees	175,000	160,000
Related party transactions:		
Advances received on Tulla loan (Note 7)	1,686,609	5,565,000
Interest accrued on Tulla loan (Note 7)	3,071,269	2,144,623

These transactions are in the normal course of operations and in the amount of consideration established and agreed to by the related parties.

During the year ended June 30, 2013, the Company issued 1,182,500 shares to three directors of the Company to settle $182,500 in accrued directors' fees.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the period ended December 31, 2013, the Company entered into the following non-cash transactions:

- Incurred $240,695 (2012 - $592,780) of deferred Copper Flat exploration and development expenditures through trade and other payables.

- Incurred $56,218 (2012 - $62,300) of deferred Copper Flat exploration and development expenditures through share-based payments.

- Incurred $10,441 (2012 - $45,438) of deferred Copper Flat exploration and development expenditures through accrual of asset retirement obligations.

- Incurred $104,385 of property and equipment acquisition costs and accrued interest payable of $40,649 through accrued property obligation.

- Recognized depreciation of $35,238 (2012 - $Nil) in deferred Copper Flat exploration and development expenditures.

12. 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, 2013, the Company had cash of $62,935 (June 30, 2013 - $462,910).

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

13. 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 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.

13. FINANCIAL INSTRUMENTS (cont'd…)

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$1.02 to a high of US$1.07 for CAD$1 during the period ended December 31, 2013. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $5,200,000. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate foreign currency risk at this time, and does not use derivative instruments to reduce its exposure to currency risk.

Interest rate and credit risk

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

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

Liquidity risk

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

The Company is currently working with Tulla to amend the terms of the Loan. Under the current terms, the Loan came due in July 2013. The Company has identified this position as a significant liquidity risk to the Company. Tulla has not made demand for payment of the Loan to date.

14. SUBSEQUENT EVENT

Subsequent to the period ended December 31, 2013, the Company

a) has drawn a further $795,797 on the loan from Tulla (Note 7).

b) reserved 1,192,000 common shares of the Company for issuance to settle outstanding directors' fees of $107,280 which has been approved by the TSX-V.