THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

September 30, 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

		September 30, 2013		June 30, 2013
ASSETS				
Current				
Cash	$	265,709	$	462,910
Receivables		2,668		52,843
Prepaid expenses and deposits (Note 4)		259,978		238,759
		528,355		754,512
Property and equipment (Note 5)		3,286,681		3,393,738
Bonds (Note 6)		336,719		344,150
Mineral property (Note 6)		26,540,409		27,126,767
Deferred exploration and evaluation (Note 6)		21,752,741		21,712,810
Total Assets	$	52,444,905	$	53,331,977
LIABILITIES				
Current				
Trade and other payables	$	234,117	$	603,081
Due to related parties		501,193		343,413
Loan payable (Note 7)		37,519,785		35,090,162
		38,255,095		36,036,656
Property obligation (Note 8)		2,165,038		2,193,580
Asset retirement obligation (Note 6)		262,840		258,128
Total Liabilities		40,682,973		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)		3,239,411		3,235,203
Foreign currency translation reserve		655,980		1,733,156
Deficit		(21,112,620)		(19,103,907)
Total Shareholders' Equity		11,761,932		14,843,613
Total Liabilities and Shareholders' Equity	$	52,444,905	$	53,331,977

Nature of operations and going concern (Note 1)
Subsequent event (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)
FOR THE THREE MONTHS ENDED SEPTEMBER 30

	2013	2012
General Expenses		
Accounting and audit	$ 10,744	$ 31,908
Depreciation (Note 5)	9,425	10,118
Directors' fees (Note 10)	91,250	80,000
Filing fees and transfer agent fees	3,766	2,138
Finance expense (Note 7)	1,509,623	1,000,385
Investor communications	80,592	207,180
Legal fees	7,303	7,119
Management fees	103,875	16,596
Office and sundry	168,165	133,702
Other administration expenses	19,463	14,366
Personnel searches	-	26,582
Share-based payments (Note 9)	(13,829)	223,687
Travel	18,336	1,327
Net loss for the period	(2,008,713)	(1,755,108)
Other comprehensive loss		
Exchange differences on translating foreign operations	(1,077,176)	(1,344,610)
Total comprehensive loss	$ (3,085,889)	$ (3,099,718)
Net loss per share - basic and diluted	$ (0.03)	$ (0.02)
Weighted average number of outstanding shares - basic and diluted	75,300,122	74,117,622

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 THREE MONTHS ENDED SEPTEMBER 30

	2013	2012
OPERATING ACTIVITIES		
Net loss for the period	$ (2,008,713)	$ (1,755,108)
Add non-cash items:		
Accrued interest expense	18,999	-
Depreciation	9,425	10,118
Share-based payments	(13,829)	223,687
Finance expense	1,509,623	1,000,385
	(484,495)	(520,918)
Net change in non-cash working capital items:		
Receivables	50,176	(4,703)
Prepaid expenses and deposits	(33,889)	(25,449)
Trade and other payables	(368,463)	(721,653)
Amounts due to related parties	157,780	188,144
Payables related to deferred exploration and evaluation	995,019	611,346
Cash provided by (used in) operating activities	316,128	(473,233)
INVESTING ACTIVITIES		
Deferred exploration and development expenditures	(1,439,143)	(2,890,414)
Acquisition of property and equipment	-	(21,364)
Cash used in investing activities	(1,439,143)	(2,911,778)
FINANCING ACTIVITIES		
Cash received from loan advances	920,000	3,125,000
Cash provided by financing activities	920,000	3,125,000
Effect of foreign exchange translation on cash	5,814	8,875
Net changes in cash position	(197,201)	(251,136)
Cash position, beginning of period	462,910	544,533
Cash position, end of period	$ 265,709	$ 293,397

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	-	-	-	281,729	-	-	281,729
Comprehensive loss for the period	-	-	-	-	(1,344,610)	(1,755,108)	(3,099,718)
Balance, September 30, 2012	74,117,622	18,788,481	10,072,430	3,045,931	(619,181)	(14,470,202)	16,817,459
Shares issued for debt (Note 10)	1,182,500	118,250	-	-	-	-	118,250
Share-based payments	-	-	-	189,272	-	-	189,272
Comprehensive loss for the period	-	-	-	-	2,352,337	(4,633,705)	(2,281,368)
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	-	-	-	4,208	-	-	4,208
Comprehensive loss for the period	-	-	-	-	(1,077,176)	(2,008,713)	(3,085,889)
Balance, September 30, 2013	75,300,122	$ 18,906,731	$ 10,072,430	$ 3,239,411	$ 655,980	$ (21,112,620)	$ 11,761,932

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 $2,008,713 for the period ended September 30, 2013, and had a working capital deficiency of $37,726,740 at September 30, 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 November 21, 2013.

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:

	September 30, 2013	June 30, 2013
Advances to vendors and contractors related to the mineral property	$ 183,927	$ 195,202
Advances to other vendors and contractors	259	-
Prepaid insurance	26,767	18,587
Lease and rent deposits	49,025	24,970
	$ 259,978	$ 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
Disposals		-		-		(7,337)		(7,337)
Net exchange differences		(54,480)		(1,833)		(18,912)		(75,225)
Balance, September 30, 2013	$	2,468,400	$	83,047	$	857,185	$	3,408,632
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		-		4,190		22,652		26,842
Net exchange differences		-		(622)		(1,725)		(2,347)
Balance, September 30, 2013	$	-	$	30,612	$	91,339	$	121,951
Net Book Value								
As at June 30, 2013	$	2,522,880	$	57,836	$	813,022	$	3,393,738
As at September 30, 2013	$	2,468,400	$	52,435	$	765,846	$	3,286,681

Depreciation of $17,417 (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	-	504,513	504,513
Net exchange differences	(586,358)	(464,582)	(1,050,940)
Balance, September 30, 2013	$ 26,540,409	$ 21,752,741	$ 48,293,150

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 September 30, 2013, the Company has posted bonds of $336,719 (June 30, 2013 – $395,415) 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.

	September 30, 2013	June 30, 2013
Balance, beginning of the period	$ 258,128	$ 250,000
Additions	10,381	-
Net exchange differences	(5,669)	8,128
Balance, end of the period	$ 262,840	$ 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		920,000		1,509,623		2,429,623
Balance, September 30, 2013	$	30,557,683	$	6,962,102	$	37,519,785

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 provided that such a demand is not made before July 5, 2013.

During the year ended June 30, 2013, an amendment to the Loan was executed to increase the principal facility from $25,000,000 to $30,000,000 to provide working capital to the Company. The facility was extended to July 31, 2013. A $75,000 fee has been accrued as consideration paid to Tulla for the amendment. Tulla has not made demand for payment on the outstanding Loan.

The Company has provided a fixed and floating charge over the assets of the Company as security for the Loan. The formalisation of this security is subject to shareholder and TSXV approval. The Company and Tulla have agreed to extend the facility amount to allow for withdrawals on principal of $32,400,000 and the facility term to January 31, 2014. These amendments are in the process of being finalized.

8. PROPERTY OBLIGATION

During the year ended June 30, 2013, the Company entered into an agreement ("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$2,400,000 ("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$1,700,000 ("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…)

	September 30, 2013	June 30, 2013
Balance, beginning of the period	$ 2,193,580	$ -
Initial recognition of property obligation	-	2,463,360
Initial Payment	-	(333,580)
Accrued interest	18,999	11,793
Net exchange differences	(47,541)	52,007
Balance, end of the period	$ 2,165,038	$ 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 September 30, 2013 or the year ended June 30, 2013.

c) Warrants

The continuity of warrants is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2012	56,082,556	$0.32
Expired	(5,582,556)	0.28
Balance, June 30, 2013 and September 30, 2013	50,500,000	$0.32

Warrants outstanding and exercisable as at September 30, 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	$0.32	

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

d) Stock options

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
Forfeited and expired	(47,500)	0.58
Balance, September 30, 2013	7,482,512	$ 0.46

Stock options outstanding and exercisable as at September 30, 2013 are as follows:

Granted	Options Outstanding	Options Exercisable	Weighted average exercise price	Expiry date
March 4, 2011	1,428,105	1,428,105	$ 0.51	March 4, 2016
March 4, 2011	1,223,845	1,223,845	0.60	March 4, 2016
March 27, 2011	200,000	200,000	0.65	March 27, 2016
April 7, 2011	175,000	175,000	0.70	April 7, 2016
May 6, 2011	200,000	200,000	0.56	May 6, 2016
August 26, 2011	666,666	666,666	0.80	August 26, 2016
December 21, 2011	175,000	175,000	0.68	December 21, 2016
January 11, 2012	300,000	300,000	0.65	January 11, 2017
August 24, 2012	420,000	420,000	0.58	August 24, 2017
January 10, 2013	200,000	100,000	0.37	January 10, 2018
February 14, 2013	500,000	500,000	0.38	February 14, 2018
February 18, 2013	340,642	340,642	0.38	February 18, 2018
June 30, 2013	1,653,254	-	0.10	June 30, 2018
	7,482,512	5,729,258	$ 0.46	

Subsequent to the period ended September 30, 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 is subject to approval by the TSX-V and shareholder approval.

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

e) Share-based payments

The Company has adopted a formal stock option plan (the "Plan"). The Plan is referred to as a "rolling" plan and provides for an aggregate number of shares reserved for issuance of up to 10% of the Company's issued common shares at the time of the grant of a stock option under the Plan. Stock options are granted with an exercise price in accordance with the TSX Venture Exchange policy.

During the period ended September 30, 2013, the Company recognized total share-based payments for options vesting and cancelled in the period of $4,208. A recovery of ($13,829) was recognized in the statement of comprehensive loss and $18,037 was capitalized to exploration and evaluation assets.

During the period ended September 30, 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 $281,729 of which $223,687 was recognized in the statement of comprehensive loss and $58,041 was capitalized to exploration and evaluation assets.

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 September 30, 2013 and 2012 consist of the following:

	2013	2012
Payments to key management personnel:		
Cash compensation	$ 86,250	$ 85,871
Stock-based compensation granted to senior management	14,544	163,918
Directors' fees	91,250	80,000
Related party transactions:		
Advances received on Tulla loan (Note 7)	920,000	3,125,000
Interest accrued on Tulla loan (Note 7)	1,509,624	1,000,385

10. PAYMENTS TO KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS (cont'd…)

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 September 30, 2013, the Company entered into the following non-cash transactions:

- Incurred $92,295 (2012 - $475,968) of deferred Copper Flat exploration and development costs through trade and other payables.
- Incurred $18,037 (2012 - $58,041) of deferred Copper Flat exploration and development costs through share-based payments.
- Incurred $10,381 (2012 - $Nil) of deferred Copper Flat exploration and development costs through accrual of asset retirement obligations.
- Recognized depreciation of $17,417 (2012 - $Nil) in deferred Copper Flat exploration and development costs.

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 September 30, 2013, the Company had cash of $265,709 (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$1.06 for CAD$1 during the period ended September 30, 2013. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $5,000,000. 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 September 30, 2013, the Company has drawn a further $723,200 on the loan from Tulla (Note 7).