THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

For the nine month period ended March 31, 2018
(Unaudited – prepared by management)
(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
(Expressed in Canadian Dollars)
AS AT

	March 31, 2018	June 30, 2017
ASSETS		
Current		
Cash	$ 8,276	$ 128,471
Receivables	8,075	10,046
Prepaid expenses and deposits (Note 4)	69,104	26,827
	85,455	165,344
Property and equipment (Note 5)	3,292,986	3,488,806
Bonds (Note 6)	344,386	362,901
Mineral property (Note 6)	33,271,797	33,494,038
Deferred exploration and evaluation (Note 6)	38,658,297	37,447,731
Total Assets	$ 75,652,921	$ 74,958,820
LIABILITIES		
Current		
Trade and other payables	$ 705,068	$ 469,052
Due to related parties (Note 10)	2,103,222	1,984,699
Property obligation (Note 8)	258,305	179,779
Loans payable (Note 7)	87,222,346	78,528,933
	90,288,941	81,162,463
Property obligation (Note 8)	2,159,460	2,173,648
Asset retirement obligation (Note 6)	470,265	470,929
Total Liabilities	92,918,666	83,807,040
SHAREHOLDERS' EQUITY (DEFICIENCY)		
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)	3,973,465	3,801,786
Foreign currency translation reserve	12,797,083	13,530,836
Deficit	(63,268,134)	(55,412,683)
Total Shareholders' Equity (Deficiency)	(17,265,745)	(8,848,220)
Total Liabilities and Shareholders' Equity (Deficiency)	$ 75,652,921	$ 74,958,820

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

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 LOSS
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED MARCH 31

	Three months ended March 31		Nine months ended March 31	
	2018	2017	2018	2017
General Expenses				
Accounting and audit	$ 7,965	$ 19,313	$ 33,287	$ 50,802
Depreciation (Note 5)	2,399	4,958	7,193	39,180
Directors' fees (Note 10)	78,750	83,750	236,250	253,333
Filing fees and transfer agent fees	6,391	6,066	11,090	9,447
Finance expense (Note 7)	2,240,207	2,098,171	6,721,536	6,285,156
Interest on property obligation (Note 8)	25,672	25,028	78,080	76,056
Legal fees	6,647	451	40,290	2,797
Management fees	46,970	294,385	155,744	424,595
Office and sundry	125,937	86,725	362,160	399,316
Share-based payments (Note 9)	-	-	171,679	-
Travel	28,775	2,531	38,142	31,939
Loss for the period	(2,569,713)	(2,621,378)	(7,855,451)	(7,572,621)
Other comprehensive income				
Exchange differences on translating foreign operations	1,873,593	(532,985)	(733,753)	2,180,079
Total comprehensive loss	$ (696,120)	$(3,154,363)	$(8,589,204)	$(5,392,542)
Net loss per share - basic and diluted	$ (0.03)	$ (0.03)	$ (0.10)	$ (0.10)
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
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED MARCH 31

		2018		2017
OPERATING ACTIVITIES				
Loss for the period	$	(7,855,451)	$	(7,572,621)
Add non-cash items:				
Accrued interest expense		78,080		76,056
Accretion of asset retirement obligation		2,361		9,674
Depreciation		7,193		141,033
Finance expense		6,721,536		6,285,156
Share-based payments		171,679		-
		(874,602)		(1,060,702)
Net change in non-cash working capital items:				
Receivables		1,971		(1,106)
Prepaid expenses and deposits		(41,881)		(22,835)
Trade and other payables		251,592		(194,567)
Amounts due to related parties		118,523		946,176
Payables related to deferred exploration and evaluation		(183,087)		(746,140)
Cash used in operating activities		(727,484)		(1,079,174)
INVESTING ACTIVITIES				
Deferred exploration and development expenditures		(1,309,835)		(1,543,865)
Cash used in investing activities		(1,309,835)		(1,543,865)
FINANCING ACTIVITIES				
Cash received from loan advances		1,928,328		2,210,857
Cash provided by financing activities		1,928,328		2,210,857
Effect of foreign exchange translation on cash		(11,204)		14,920
Net changes in cash position		(120,195)		(397,262)
Cash position, beginning of period		128,471		525,354
Cash position, end of period	$	8,276	$	128,092

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 SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Amount	Value	Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
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	-	-	-	-	2,180,079	(7,572,621)	(5,392,542)
Balance, March 31, 2017	79,400,122	19,159,411	10,072,430	3,680,993	15,452,059	(52,853,033)	(4,488,140)
Share-based payments	-	-	-	120,793	-	-	120,793
Comprehensive loss for the period	-	-	-	-	(1,921,223)	(2,559,650)	(4,480,873)
Balance, June 30, 2017	79,400,122	19,159,411	10,072,430	3,801,786	13,530,836	(55,412,683)	(8,848,220)
Share-based payments	-	-	-	171,679	-	-	171,679
Comprehensive loss for the period	-	-	-	-	(733,753)	(7,855,451)	(8,589,204)
Balance, March 31, 2018	79,400,122	$ 19,159,411	$ 10,072,430	$ 3,973,465	$ 12,797,083	$ (63,268,134)	$ (17,265,745)

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 #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 main asset is the Copper Flat Project located in New Mexico, USA.

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 $7,855,451 for the nine month period ended March 31, 2018, and had a working capital deficiency of $90,203,486 at March 31, 2018. In addition, the Company's forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company's loan agreements 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 a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for supplemental cash flow information.

The 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 May 30, 2018.

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.

Estimates

Accounts that require significant estimates as the basis for determining the stated amounts include the 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.

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.

Judgments

The functional currency for the Company is the primary economic environment in which the entity operates. Management has assessed various factors including the costs of inputs and has determined the functional currency of the Company to be the Canadian dollar and its subsidiary, New Mexico Copper Corporation ("NMCC"), to be the US dollar.

The application of the Company's accounting policy for mineral property and deferred exploration and evaluation expenditures requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

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 indicators exist.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the audited consolidated financial statements for the year ended June 30, 2017.

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 amortized 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 is being assessed. The current assessment is that changes will be related to disclosures with no material impact to measurements.

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:

	March 31, 2018	June 30, 2017
Advances to vendors and contractors	$ 4,337	$ 300
Prepaid insurance	24,156	14,295
Lease and rent deposits	40,611	12,232
	$ 69,104	$ 26,827

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2016	$ 3,229,250	$ 77,903	$ 1,072,035	$ 4,379,188
Net exchange differences	15,000	362	4,878	20,240
Balance, June 30, 2017	3,244,250	78,265	1,076,913	4,399,428
Net exchange differences	(21,175)	(511)	(6,889)	(28,575)
Balance, March 31, 2018	$ 3,223,075	$ 77,754	$ 1,070,024	$ 4,370,853
Accumulated Depreciation				
Balance, June 30, 2016	$ -	$ 70,296	$ 396,983	$ 467,279
Depreciation	-	7,814	443,340	451,154
Net exchange differences	-	155	(7,966)	(7,811)
Balance, June 30, 2017	-	78,265	832,357	910,622
Depreciation	-	-	169,534	169,534
Net exchange differences	-	(511)	(1,778)	(2,289)
Balance, March 31, 2018	$ -	$ 77,754	$ 1,000,113	$ 1,077,867
Net Book Value				
As at June 30, 2017	$ 3,244,250	$ -	$ 244,556	$ 3,488,806
As at March 31, 2018	$ 3,223,075	$ -	$ 69,911	$ 3,292,986

Depreciation of $162,342 (2017 - $203,709) 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, 2016	$ 33,339,054	$ 34,111,007	$ 67,450,061
Additions	-	3,250,774	3,250,774
Net exchange differences	154,984	85,950	240,934
Balance, June 30, 2017	33,494,038	37,447,731	70,941,769
Additions	-	1,671,082	1,671,082
Net exchange differences	(222,241)	(460,516)	(682,757)
Balance, March 31, 2018	$ 33,271,797	$ 38,658,297	$ 71,930,094

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

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY (cont'd…)

Copper Flat Project (cont'd…)

The property is subject to a 3.25% net smelter return royalty, and quarterly advance royalty payments of US$50,000 (for copper prices under US$2.00/lb) or US$112,500 (for copper prices greater than US$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 March 31, 2018, the Company has posted bonds of $342,285 (US$265,496) (June 30, 2017 – $343,686 (US$264,842)) in connection with the drilling permits for Copper Flat and deposits of $2,101 (US$1,629) (June 30, 2017 - $19,215 (US$14,807)) posted with the Bureau of Land Management pursuant to a cost recovery agreement.

Asset Retirement Obligation

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

	March 31, 2018	June 30, 2017
Balance, beginning of the period	$ 470,929	$ 459,290
Finance expense	2,361	9,718
Net exchange differences	(3,025)	1,921
Balance, end of the period	$ 470,265	$ 470,929

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is US$406,442 (June 30, 2017 - US$406,442) which has been discounted using a pre-tax risk-free rate of 2.06% (June 30, 2017 – 2.06%) and an inflation rate of 1.10% (June 30, 2017 – 1.10%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

(Expressed in Canadian Dollars)

7. LOANS PAYABLE

	Principal	Finance Expense	Total
Balance, June 30, 2016	$ 40,637,246	$ 26,240,658	$ 66,877,904
Additions	3,200,831	8,450,198	11,651,029
Balance, June 30, 2017	43,838,077	34,690,856	78,528,933
Additions - Loan	-	6,581,717	6,581,717
Additions - NMCC Loan	1,928,328	139,819	2,068,147
Net exchange differences	40,650	2,899	43,549
Balance, March 31, 2018	$ 45,807,055	$ 41,415,291	$ 87,222,346

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 year ended June 30, 2017, the Company and Tulla extended the Loan to a maximum facility of $44,500,000, of which $43,838,077 was drawn at June 30, 2017. During the period ended March 31, 2018, the Company incurred an additional $6,581,717 in finance expense on the Loan.

On June 30, 2017, the Company assigned the Tulla Loan to its subsidiary, NMCC. Concurrently, NMCC entered into a separate loan agreement with Tulla (the "NMCC Loan"). During the nine months ended March 31, 2018, the Company drew down $1,928,328 (US$1,527,251) on the NMCC Loan. The Company has provided a guarantee of the repayment of the Loan on behalf of NMCC. The NMCC Loan has a maximum facility of US$3,000,000 and bears interest at 20% per annum. The NMCC Loan is unsecured and is payable on demand which demand cannot be made before June 30, 2019.

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 Purchase Price was scheduled by 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, 2016 and 2017, the Company paid US$125,000 plus accrued interest pursuant to the second, third and fourth 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.

(Expressed in Canadian Dollars)

8. PROPERTY OBLIGATION (cont'd…)

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. As the Company has not currently obtained all permits and approvals deemed necessary for the commercial operation of the Copper Flat Project, nor does the Company anticipate obtaining such permits and approvals by the fifth anniversary date (May 1, 2018), the Company has elected to defer the Final Payment by making the annual installments of US$125,000 by the fifth anniversary and subsequent anniversaries, until the earlier of the expiration of the Fancher Agreement, or such time that the permits and approvals are obtained.

		March 31, 2018		June 30, 2017
Balance, beginning of the period	$	2,353,427	$	2,502,542
Payment		-		(291,052)
Accrued interest		78,080		118,352
Net exchange differences		(13,742)		23,585
Balance, end of the period		2,417,765		2,353,427
Payable within the next fiscal year		(258,305)		(179,779)
Long-term portion	$	2,159,460	$	2,173,648

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 nine months ended March 31, 2018 or the year ended June 30, 2017.

c) Stock options

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

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

c) Stock options (cont'd…)

The continuity of stock options is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2016	9,652,194	$ 0.09
Expired	(75,000)	0.15
Balance on June 30, 2017	9,577,194	0.05
Granted	4,448,000	0.05
Balance outstanding and exercisable, March 31, 2018	14,025,194	$ 0.05

Stock options outstanding and exercisable as at March 31, 2018 are as follows:

Options	Weighted average exercise price	Expiry date
9,577,194	$ 0.05	August 22, 2022
4,448,000	$ 0.05	September 12, 2022

During the nine months ended March 31, 2018, the Company granted 4,448,000 stock options to directors, employees, officers and consultants; each option is exercisable at a price of $0.05 per share until September 12, 2022. The Company has recognized share-based payments expense of $171,679. The weighted average assumptions used for the Black-Scholes valuation of the options were annualized volatility of 190%%, risk-free interest rate of 1.75%, expected life of 5.0 years and a dividend rate of Nil%

During the year ended June 30, 2017, the Company amended the exercise price and expiry date of the 9,577,194 outstanding stock options to $0.05 and August 22, 2022, respectively. This resulted in additional share-based payments expense of $120,793, of which $87,959 has been capitalized to deferred exploration and evaluation as at June 30, 2017. The weighted average assumptions used for the Black-Scholes valuation of re-priced options were annualized volatility of 194%, risk-free interest rate of 0.91%, expected life of 4.7 years and a dividend rate of Nil%.

10. RELATED PARTY TRANSACTIONS

Management Compensation

Key management personnel of the Company includes the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Corporate Secretary and Directors of the Company.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd…)

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the nine month periods ended March 31, 2018 and 2017 consist of the following:

	2018	2017
Amounts paid or accrued to key management personnel:		
Cash compensation and accrued bonuses – expensed	$ 187,765	$ 715,143
Cash compensation and accrued bonuses – capitalized to deferred exploration and evaluation assets	177,626	585,668
Directors' fees	236,250	253,333
Fair value of stock options granted to senior management and directors	106,142	-
Related party transactions:		
Advances received on Tulla loans (Note 7)	1,928,328	2,210,857
Interest accrued on Tulla loans (Note 7) (unpaid)	6,721,536	6,285,156

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 nine month periods ended March 31, 2018 and 2017, the Company entered into the following non-cash transactions:

- Incurred $246,774 (2017 - $852,866) of deferred Copper Flat exploration and evaluation expenditures through trade and other payables and $680,739 (2017 - $Nil) through due to related parties.
- Recognized depreciation of $162,342 (2017 - $203,709) 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 loans 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 March 31, 2018, the Company had cash of $8,276 (June 30, 2017 - $128,471).

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 March 31, 2018.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, bonds, trade and other payables, amounts due to related parties, loans payable and property obligation. The fair value of cash, receivables, bonds, trade and other payables, due to related parties and loans 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$0.76 to a high of US$0.82 for CAD$1 during the nine month period ended March 31, 2018. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $7,150,000. 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, receivables, trade and other payables, amounts due to related parties, loans payable (Note 7) and property obligation (Note 8). Amounts owed to related parties, excluding the loans payable, do not bear interest, and, therefore, these amounts are not exposed to interest rate variations. The loans payable bear 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. 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, loans 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.

14. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk (cont'd…)

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

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, the Company:

- Elected to defer the Final Payment pursuant to the Fancher Agreement (Note 8) as it had not received the permits and approvals deemed necessary for the commercial operation of the Copper Flat Project before the fifth anniversary of the agreement (May 1, 2018). Accordingly, the Company fulfilled the fifth anniversary payment of US$125,000 and accrued interest; and

- Drew down a further $1,036,500 (US$797,308) on the NMCC Loan (Note 7).