



THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2023

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

Suite 1500 – 409 Granville Street
Vancouver, BC
Canada V6C 1T2
TSXV: MAC

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

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

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

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

THEMAC Resources Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)
AS AT

	March 31, 2023	June 30, 2022
ASSETS		
Current		
Cash	\$ 161,496	\$ 87,075
Receivables	1,713	6,385
Prepaid expenses and deposits	23,371	11,705
	186,580	105,165
Property and equipment (Note 3)	3,427,524	3,268,753
Bonds (Note 4)	184,129	192,882
Mineral property (Note 4)	35,864,492	34,171,499
Deferred exploration and evaluation costs (Note 4)	47,964,619	44,900,201
Total Assets	\$ 87,627,344	\$ 82,638,500
LIABILITIES		
Current		
Trade and other payables	\$ 394,196	\$ 421,887
Due to related parties (Note 8)	3,190,704	2,968,879
Property obligation (Note 6)	1,662,078	1,531,359
Loans payable - Tulla (Note 5)	154,308,913	143,041,731
	159,555,891	147,963,856
Asset retirement obligation (Note 4)	722,563	688,480
Total Liabilities	160,278,454	148,652,336
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	19,159,411	19,159,411
Warrants	10,072,430	10,072,430
Share-based payment reserve	3,973,465	3,973,465
Foreign currency translation reserve	15,772,339	12,895,225
Deficit	(121,628,755)	(112,114,367)
Total Shareholders' Deficiency	(72,651,110)	(66,013,836)
Total Liabilities and Shareholders' Deficiency	\$ 87,627,344	\$ 82,638,500

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

"Barrett Sleeman"
Director

"Andrew Maloney"
Director

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

	Three months ended March 31,		Nine months ended March 31,	
	2023	2022	2023	2022
General Expenses				
Accounting and audit	\$ 36,018	\$ 35,078	\$ 133,472	\$ 56,853
Consulting fees	16,750	-	16,750	-
Depreciation (Note 3)	1,011	946	3,002	2,831
Directors' fees (Note 8)	67,488	90,143	204,284	269,951
Filing fees and transfer agent fees	6,816	6,076	9,516	9,126
Finance expense (Note 5)	2,897,330	2,756,150	8,736,975	8,325,790
Foreign exchange	(1,080)	(3,520)	10,367	(39,877)
Interest on property obligation (Note 6)	19,367	12,393	58,346	37,590
Legal fees	5,887	1,099	13,330	7,796
Management fees (Note 8)	21,058	21,611	71,539	66,477
Office and sundry	92,896	84,773	247,956	207,433
Travel	3,019	943	8,851	5,000
Loss for the period	(3,166,560)	(3,005,692)	(9,514,388)	(8,948,970)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations	(50,409)	(891,027)	2,877,114	2,122,923
Total comprehensive loss	\$(3,216,969)	\$(3,896,719)	\$(6,637,274)	\$(6,826,047)
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.04)	\$ (0.12)	\$ (0.11)
Weighted average number of outstanding shares				
- basic and diluted	79,400,122	79,400,122	79,400,122	79,400,122

See accompanying notes to the condensed consolidated interim financial statements.

THEMAC Resources Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED MARCH 31,

	2023	2022
OPERATING ACTIVITIES		
Loss for the period	\$ (9,514,388)	\$ (8,948,970)
Add non-cash items:		
Accrued interest expense	58,346	37,590
Depreciation	3,002	2,831
Finance expense	8,736,975	8,325,790
	<u>(716,065)</u>	<u>(582,759)</u>
Net change in non-cash working capital items:		
Receivables	4,672	(1,365)
Prepaid expenses and deposits	(11,050)	(687)
Trade and other payables	(55,298)	(54,896)
Amounts due to related parties	221,825	51,688
Cash used in operating activities	<u>(555,916)</u>	<u>(588,019)</u>
INVESTING ACTIVITY		
Deferred exploration and evaluation expenditures	<u>(842,049)</u>	<u>(845,001)</u>
Cash used in investing activity	<u>(842,049)</u>	<u>(845,001)</u>
FINANCING ACTIVITY		
Cash received from Tulla loan advances	<u>1,467,594</u>	<u>1,358,946</u>
Cash provided by financing activity	<u>1,467,594</u>	<u>1,358,946</u>
Effect of foreign exchange translation on cash	<u>4,792</u>	<u>1,843</u>
Net changes in cash position	74,421	(72,231)
Cash position, beginning of period	<u>87,075</u>	<u>158,769</u>
Cash position, end of period	<u>\$ 161,496</u>	<u>\$ 86,538</u>

Supplemental disclosures with respect to cash flows (Note 9)

See accompanying notes to the condensed consolidated interim financial statements.

THEMAC Resources Group Limited
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIENCY
(Unaudited - Expressed in Canadian Dollars)

	Share capital		Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
	Amount	Value					
Balance, June 30, 2021	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 9,002,108	\$ (100,028,975)	\$ (57,821,561)
Comprehensive loss for the period	-	-	-	-	2,122,923	(8,948,970)	(6,826,047)
Balance, March 31, 2022	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 11,125,031	\$ (108,977,945)	\$ (64,647,608)
Comprehensive loss for the period	-	-	-	-	1,770,194	(3,136,422)	(1,366,228)
Balance, June 30, 2022	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 12,895,225	\$ (112,114,367)	\$ (66,013,836)
Comprehensive loss for the period	-	-	-	-	2,877,114	(9,514,388)	(6,637,274)
Balance, March 31, 2023	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 15,772,339	\$ (121,628,755)	\$ (72,651,110)

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 listed on the TSX Venture Exchange (the “TSX-V”) under the symbol MAC. The Company is in the business of acquiring, exploring, and developing natural resource properties. The address of the Company’s registered office is #1500 – 409 Granville Street, Vancouver, BC, V6C 1T2, 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 \$9,514,388 for the period ended March 31, 2023, and had a working capital deficiency of \$159,369,311 at March 31, 2023. 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 5). 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

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, 2022. 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 26, 2023.

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 the 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.

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
For the nine months ended March 31, 2023

3. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2021	\$ 3,098,747	\$ 45,410	\$ 1,029,573	\$ 4,173,730
Net exchange differences	124,068	1,818	40,365	166,251
Balance, June 30, 2022	3,222,815	47,228	1,069,938	4,339,981
Net exchange differences	159,548	2,338	51,909	213,795
Balance, March 31, 2023	\$ 3,382,363	\$ 49,566	\$ 1,121,847	\$ 4,553,776
Accumulated Depreciation				
Balance, June 30, 2021	\$ -	\$ 45,410	981,683	\$ 1,027,093
Depreciation	-	-	3,785	3,785
Net exchange differences	-	1,818	38,532	40,350
Balance, June 30, 2022	-	47,228	1,024,000	1,071,228
Depreciation	-	-	3,002	3,002
Net exchange differences	-	2,338	49,684	52,022
Balance, March 31, 2023	\$ -	\$ 49,566	\$ 1,076,686	\$ 1,126,252
Net Book Value				
As at June 30, 2022	\$ 3,222,815	\$ -	\$ 45,938	\$ 3,268,753
As at March 31, 2023	\$ 3,382,363	\$ -	\$ 45,161	\$ 3,427,524

4. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred exploration and evaluation	Total
Balance, June 30, 2021	\$ 32,854,992	\$ 41,918,062	\$ 74,773,054
Additions	-	1,278,122	1,278,122
Net exchange differences	1,316,507	1,704,017	3,020,524
Balance, June 30, 2022	\$ 34,171,499	\$ 44,900,201	\$ 79,071,700
Additions	-	837,685	837,685
Net exchange differences	1,692,993	2,226,733	3,919,726
Balance, March 31, 2023	\$ 35,864,492	\$ 47,964,619	\$ 83,829,111

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

4. MINERAL PROPERTY (cont'd...)

The property is subject to a 3.25% net smelter return royalty, and quarterly advance royalty payments of US\$50,000 (for copper prices under US\$2.00/lb) or US\$112,500 (for copper prices greater than 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 paid US\$1,500,000 at the time of the agreement and paid a final amount of US\$700,000 in the year ended June 30, 2019. All amounts paid to date relate to vested water rights only; at the time of purchase certain inchoate water rights were included in the transaction with no attributable value. The State of New Mexico Court of Appeals deemed the inchoate water rights as extinguished.

As part of the acquisition of the Copper Flat property, the Company also received certain vested and inchoate water rights. The validity of these water rights has been remanded to the lower court and a decision remains pending.

Bonds and deposits

As at March 31, 2023, the Company has posted bonds of \$184,129 (US\$136,095) (June 30, 2022 – \$174,243 (US\$135,163)) on the Copper Flat claims and deposits of \$nil (US\$nil) (June 30, 2022 – \$18,639 (US\$14,459)) 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, 2023	June 30, 2022
Balance, beginning of the period	\$ 688,480	\$ 547,353
Additions	-	118,406
Finance expense	-	33,858
Change in estimates	-	(35,229)
Net exchange differences	34,083	24,092
Balance, end of the period	\$ 722,563	\$ 688,480

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is US\$534,067 (June 30, 2022 – US\$534,067) which has been discounted using a pre-tax risk-free rate of 2.98% (June 30, 2022 – 2.98%) and an inflation rate of 2.00% (June 30, 2022 – 2.00%). 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.

THEMAC Resources Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)
For the nine months ended March 31, 2023

5. LOANS PAYABLE

Tulla Loans

	Principal	Finance Expense	Total
Balance, June 30, 2021	\$ 55,672,869	\$ 75,156,183	\$ 130,829,052
Additions - USD Loan	1,932,230	11,146,351	13,078,581
Net exchange differences	(614,821)	(251,081)	(865,902)
Balance, June 30, 2022	56,990,278	86,051,453	143,041,731
Additions - USD Loan	1,467,594	8,736,975	10,204,569
Net exchange differences	667,429	395,184	1,062,613
Balance, March 31, 2023	\$ 59,125,301	\$ 95,183,612	\$ 154,308,913

The Company's subsidiary, NMCC, has a loan agreement (the "CAD Loan") with Tulla Resources Group Pty Ltd. ("Tulla"), a firm that invests in natural resources whose chairman is a director of the Company. The CAD Loan has a maximum facility of \$44,500,000 and bears interest at 20% per annum. The CAD Loan can be repaid by the Company at any time without penalty, is unsecured and is payable on demand. Tulla has not made demand for payment. As at March 31, 2023, the Company has drawn \$43,838,077 (June 30, 2022 - \$43,838,077) against the CAD Loan facility.

NMCC has entered into an additional loan agreement with Tulla (the "USD Loan") denominated in US dollars. The USD Loan has a maximum facility of US\$11,000,000 and bears interest at 20% per annum. The USD Loan is unsecured and is payable on demand, such demand not to be made before June 30, 2023. The Company has drawn US\$11,299,221 (June 30, 2022 – US\$10,202,418) against the USD Loan facility as at March 31, 2023. Subsequent to March 31, 2023, the Company drew down a further US\$136,722 on the USD Loan and extended the facility to US\$12,000,000. The Loans are due on demand and accrue interest at 20% per annum.

The Company has provided a guarantee of the repayment of the CAD and USD Loans on behalf of NMCC.

6. 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") with interest accruing at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date.

The Purchase Price has been scheduled by installments. The Company paid US\$325,000 (the "Initial Payment") at the inception of the Fancher Agreement and has made annual payments of US\$125,000, plus accrued interest, on the second, third and fourth anniversaries of the Initial Payment. The balance of US\$1,800,000 ("Final Payment") was scheduled for payment on or before the fifth anniversary of the Initial Payment.

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 had not currently obtained all permits and approvals deemed necessary for the commercial operation of the Copper Flat Project, nor has the Company obtained 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. The Final Payment has been reduced by installment payments to a balance of US\$1,175,000 (June 30, 2022 – US\$1,175,000).

	March 31, 2023	June 30, 2022
Balance, beginning of the period	\$ 1,531,359	\$ 1,619,737
Payment – principal	-	(157,800)
Payment – interest	-	(81,130)
Accrued interest	58,346	85,165
Net exchange differences	72,373	65,387
Balance, end of the period	1,662,078	1,531,359
Payable within the next fiscal year	(1,662,078)	(1,531,359)
Long-term portion	\$ -	\$ -

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. The balance equates to one payment of US\$1,175,000 plus accumulated interest that is due in May 2023.

7. 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, 2023, or year ended June 30, 2022.

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-V policy.

The continuity of stock options is as follows:

Outstanding and exercisable	Options Outstanding	Weighted average exercise price
Balance, June 30, 2021 and 2022	13,664,744	\$ 0.05
Expired	(13,664,744)	\$ 0.05
Balance, March 31, 2023	-	

8. RELATED PARTY TRANSACTIONS

Management Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Corporate Secretary and Directors of the Company.

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the periods ended March 31, 2023, and 2022 consist of the following:

	2023	2022
Amounts paid or accrued to key management personnel:		
Cash compensation and accrued bonuses – expensed to management fees	\$ 51,689	\$ 48,754
Cash compensation and accrued bonuses – capitalized to deferred exploration and evaluation assets	206,755	195,015
Directors' fees	204,284	269,951
Related party transactions:		
Advances received on Tulla loans (Note 5)	1,467,594	1,358,946
Interest accrued on Tulla loans (Note 5) (unpaid)	8,736,975	8,325,790
Fees paid or accrued to Peacock Law, P.C., a law firm owned by a former director	-	10,939

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.

The Company has entered into settlement agreements with the CEO, and COO. The Company has approved long term bonus agreements which allow for the settlement of US\$888,594, in a combination of cash and shares, in the event the Company completes an equity financing of not less than US\$10,000,000. In the event the Company completes a sale transaction of not less than 50% of the Company's equity or interest in NMCC, the amount will be settled in cash. The agreements expire in 5 years, from July 2018, at which time any unpaid obligations will also expire. The liabilities have been recorded in prior periods.

As at March 31, 2023, the Company owes various parties not at arm's length \$3,190,704 (June 30, 2022 - \$2,968,879). All amounts are included in due to related parties.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the nine months ended March 31, 2023 and 2022, the Company entered into the following non-cash transactions:

- Investing cashflows on the Copper Flat exploration and evaluation expenditures have been adjusted for amounts included in accounts payable and accrued liabilities of \$175,126 (2022 - \$127,431) and \$832,690 (2022 - \$769,649) included due to related parties.

10. 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.

11. 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 loans 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, 2023, the Company had cash of \$161,496 (June 30, 2022 - \$87,075).

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, 2023.

12. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are described below.

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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, property obligation and current portion of loans payable to Tulla approximate their carrying values due to their short-term nature.

The long-term portion of loan payable to Tulla is carried at amortized cost. The fair values of the property obligation and loan payable to Tulla approximate their carrying values as they reflect 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\$0.72 to a high of US\$0.78 for CAD\$1 during the period ended March 31, 2023. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income by approximately \$11,718,336. 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.

12. FINANCIAL INSTRUMENTS (cont'd...)

Interest rate and credit risk

The Company has a cash balance, receivables, trade, and other payables, amounts due to related parties, loans payable (Note 5) and property obligation (Note 6). 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.

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.

Price risk

Mineral prices, in particular copper, are volatile, and have fluctuated sharply in recent periods. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day and hour to hour. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

13. SUBSEQUENT EVENT

Subsequent to March 31, 2023, the Company drew down a further US\$136,722 on the USD Loan and extended the facility to US\$12,000,000 from the existing facility of US\$11,000,000 (Note 5).