THEMAC Resources Group Limited

Condensed Consolidated Interim Financial Statements

March 31, 2014
(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

		March 31, 2014		June 30, 2013
ASSETS				
Current				
Cash	$	380,275	$	462,910
Receivables		5,182		52,843
Prepaid expenses and deposits (Note 4)		257,875		238,759
		643,332		754,512
Property and equipment (Note 5)		3,575,169		3,393,738
Bonds (Note 6)		206,028		344,150
Mineral property (Note 6)		28,529,375		27,126,767
Deferred exploration and evaluation (Note 6)		24,549,897		21,712,810
Total Assets	$	57,503,801	$	53,331,977
LIABILITIES				
Current				
Trade and other payables	$	381,965	$	603,081
Due to related parties		528,609		343,413
Loan payable (Note 7)		42,218,183		35,090,162
		43,128,757		36,036,656
Property obligation (Note 8)		2,481,240		2,193,580
Asset retirement obligation (Note 6)		282,518		258,128
Total Liabilities		45,892,515		38,488,364
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		19,014,011		18,906,731
Warrants (Note 9)		10,072,430		10,072,430
Share-based payment reserve (Note 9)		3,349,728		3,235,203
Foreign currency translation reserve		4,397,187		1,733,156
Deficit		(25,222,070)		(19,103,907)
Total Shareholders' Equity		11,611,286		14,843,613
Total Liabilities and Shareholders' Equity	$	57,503,801	$	53,331,977

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

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"
Director

"Kenneth Pickering"
Director

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

	Three months ended March 31		Nine months ended March 31	
	2014	2013	2014	2013
General Expenses				
Accounting and audit	$ 39,775	$ 17,232	$ 86,104	$ 74,436
Depreciation (Note 5)	8,042	28,406	26,797	54,852
Directors' fees (Note 10)	80,000	85,625	255,000	245,625
Filing fees and transfer agent fees	10,092	9,484	24,668	21,688
Finance expense (Note 7)	1,574,329	1,243,324	4,645,598	3,387,947
Interest on property obligation (Note 8)	20,748	-	61,397	-
Investor communications	10,133	15,960	150,919	342,435
Legal fees	6,375	34,519	41,483	46,943
Management fees	63,825	51,089	267,315	84,770
Office and sundry	153,866	137,320	453,869	403,996
Personnel searches	-	1,640	-	60,095
Share-based payments (Note 9)	-	138,058	34,429	399,704
Travel	10,381	35,939	70,990	73,906
	(1,977,566)	(1,798,596)	(6,118,569)	(5,196,397)
Other items				
Gain (loss) on disposal of equipment (Note 5)	406	(4,934)	406	(4,934)
Loss for the period	(1,977,160)	(1,803,530)	(6,118,163)	(5,201,331)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations	2,017,318	893,268	2,664,031	1,611
Total comprehensive income (loss)	$ 40,158	$ (910,262)	$ (3,454,132)	$ (5,199,720)
Net loss per share - basic and diluted	$ (0.03)	$ (0.02)	$ (0.08)	$ (0.07)
Weighted average number of outstanding shares - basic and diluted	75,631,233	74,117,622	75,408,881	70,872,657

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

	2014	2013
OPERATING ACTIVITIES		
Net loss for the period	$ (6,118,163)	$ (5,201,331)
Add non-cash items:		
Accrued interest expense	61,397	-
Depreciation	26,797	54,852
Disposal of equipment	(406)	4,934
Share-based payments	34,429	399,704
Finance expense	4,645,598	3,387,947
	(1,350,348)	(1,353,894)
Net change in non-cash working capital items:		
Receivables	47,661	16,114
Prepaid expenses and deposits	(40,236)	1,276
Trade and other payables	(128,628)	8,992
Amounts due to related parties	185,196	277,377
Payables related to deferred exploration and evaluation	845,405	(66,218)
Cash provided by (used in) operating activities	(440,950)	(1,116,353)
INVESTING ACTIVITIES		
Deferred exploration and development expenditures	(2,324,979)	(6,565,776)
Acquisition of property and equipment	-	(757,511)
Proceeds on disposal of property and equipment	12,241	-
Bonds on Copper Flat Project	150,027	-
Cash used in investing activities	(2,162,711)	(7,323,287)
FINANCING ACTIVITIES		
Cash received from loan advances	2,482,423	8,655,000
Cash provided by financing activities	2,482,423	8,655,000
Effect of foreign exchange translation on cash	38,603	(107,513)
Net changes in cash position	(82,635)	107,847
Cash position, beginning of period	462,910	544,533
Cash position, end of period	$ 380,275	$ 652,380

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	-	-	-	552,179	-	-	552,179
Comprehensive loss for the period	-	-	-	-	1,611	(5,201,331)	(5,199,720)
Balance, March 31, 2013	74,117,622	18,788,481	10,072,430	3,316,381	727,040	(17,916,425)	14,987,907
Shares issued for debt (Note 10)	1,182,500	118,250	-	-	-	-	118,250
Share-based payments	-	-	-	(81,178)	-	-	(81,178)
Comprehensive loss for the period	-	-	-	-	1,006,116	(1,187,482)	(181,366)
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
Shares issued for debt (Note 10)	1,192,000	107,280	-	-	-	-	107,280
Share-based payments	-	-	-	114,525	-	-	114,525
Comprehensive loss for the period	-	-	-	-	2,664,031	(6,118,163)	(3,454,132)
Balance, March 31, 2014	76,492,122	$ 19,014,011	$ 10,072,430	$ 3,349,728	$ 4,397,187	$ (25,222,070)	$ 11,611,286

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 $6,118,163 for the period ended March 31, 2014, and had a working capital deficiency of $42,485,425 at March 31, 2014. 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 May 28, 2014.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting judgments and estimates

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

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

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

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

An assessment of any impairment of mineral properties deferred exploration and evaluation costs is dependent upon estimates of fair value that take into account factors such as resources, economic, and market conditions. The Company has judged that no such impairment exists.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted

As of July 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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

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 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.

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.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for all fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes additional disclosures regarding fair value measurements.

(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 and will be effective for the year ended June 30, 2015:

- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities.
- IAS 36 (Amendment) — This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.
- IFRIC 21 — This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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:

	March 31, 2014	June 30, 2013
Advances to vendors and contractors related to the mineral property	$ 175,675	$ 195,202
Advances to other vendors and contractors	561	-
Prepaid insurance	49,906	18,587
Lease and rent deposits	31,734	24,970
	$ 257,876	$ 238,759

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2012	$ -	$ 82,207	$ 156,864	$ 239,071
Additions	2,463,360	-	709,457	3,172,817
Disposals and refunds	-	-	(29,617)	(29,617)
Net exchange differences	59,520	2,673	46,730	108,923
Balance, June 30, 2013	2,522,880	84,880	883,434	3,491,194
Additions	104,385	-	-	104,385
Disposals	-	(22,740)	(7,337)	(30,077)
Net exchange differences	136,485	4,534	45,239	186,258
Balance, March 31, 2014	$ 2,763,750	$ 66,674	$ 921,336	$ 3,751,760
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	-	12,043	69,656	81,699
Disposals	-	(10,905)	-	(10,905)
Net exchange differences	-	1,977	6,364	8,341
Balance, March 31, 2014	$ -	$ 30,159	$ 146,432	$ 176,591
Net Book Value				
As at June 30, 2013	$ 2,522,880	$ 57,836	$ 813,022	$ 3,393,738
As at March 31, 2014	$ 2,763,750	$ 36,515	$ 774,904	$ 3,575,169

Depreciation of $54,902 (2013 - $Nil) has been capitalized to deferred exploration and evaluation expenditures.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY

Copper Flat Project

		Mineral property		Deferred exploration and evaluation		Total
Balance, June 30, 2012	$	26,271,770	$	12,428,203	$	38,699,973
Additions		-		8,495,946		8,495,946
Net exchange differences		854,997		788,661		1,643,658
Balance, June 30, 2013		27,126,767		21,712,810		48,839,577
Additions		-		1,648,469		1,648,469
Net exchange differences		1,402,608		1,188,618		2,591,226
Balance, March 31, 2014	$	28,529,375	$	24,549,897	$	53,079,272

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 March 31, 2014, the Company has posted bonds of $206,028 (US$186,366) (June 30, 2013 – $344,150 (US$327,388)) in connection with the drilling permits for Copper Flat.

Asset Retirement Obligation

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

		March 31, 2014		June 30, 2013
Balance, beginning of the period	$	258,128	$	250,000
Additions		10,641		-
Net exchange differences		13,749		8,128
Balance, end of the period	$	282,518	$	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	2,482,423	4,645,598	7,128,021
Balance, March 31, 2014	$ 32,120,106	$ 10,098,077	$ 42,218,183

The Company has a loan agreement with a company controlled by director Kevin Maloney, through an affiliated company (Tulla) (the “Loan”). The Loan bears interest at 20% per annum. The Loan can be repaid by the Company at any time without penalty, and is payable on demand.

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

The Company and Tulla have agreed to extend the facility amount to allow for withdrawals on principal of $32,400,000. Documentation of this amendment is in the process of being finalized. Following the maturity of the Loan agreement on July 31, 2013, the Company continues to accrue interest at the rate of 20% in accordance with the terms of the Loan as an estimate of the finance expense to the Company pending finalization of new loan documentation.

8. PROPERTY OBLIGATION

During the year ended June 30, 2013, the Company entered into an agreement, as subsequently amended, (“Fancher Agreement”) with a local rancher to purchase 1,220 acres of land within the Copper Flat Project area. The land is subject to a grazing lease which expires in 2015 and may be terminated with 30 days’ written notice.

The total purchase price of the land is US$2,500,000 (“Purchase Price”) of which US$325,000 (the “Initial Payment”) was paid during the year ended June 30, 2013. The Company will pay installments of US$125,000 on the second, third and fourth anniversaries of the Initial Payment and the balance of US$1,800,000 (“Final Payment”) on or before the fifth anniversary of the Initial Payment.

Interest accrues at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date.

If the Company has not, before the fifth anniversary of the Initial Payment, obtained all permits and approvals it deems necessary for the commercial operation of the Copper Flat Project, the Final Payment may be deferred for not more than five additional years if the Company makes ongoing annual installments of US$125,000 until the Final Payment (which will be reduced by the additional installments) and is making satisfactory progress toward obtaining such permits.

(Expressed in Canadian Dollars)

8. PROPERTY OBLIGATION (cont'd…)

		March 31, 2014		June 30, 2013
Balance, beginning of the period	$	2,193,580	$	-
Recognition of property obligation		104,385		2,463,360
Initial Payment		-		(333,580)
Accrued interest		61,397		11,793
Net exchange differences		121,878		52,007
Balance, end of the period	$	2,481,240	$	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 March 31, 2014 or the year ended June 30, 2013.

c) Shares and warrants in escrow:

	Shares	Warrants
Balance on June 30, 2012	12,701,720	10,000,000
Expired	(12,701,720)	(10,000,000)
Balance, June 30, 2013 and March 31, 2014	-	-

d) Warrants

The continuity of warrants is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2012	56,082,556	$0.33
Expired	(5,582,556)	0.28
Balance, June 30, 2013 and March 31, 2014	50,500,000	$0.33

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

d) Warrants (cont'd…)

Warrants outstanding and exercisable as at March 31, 2014 are as follows:

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

e) Stock options

The Company has adopted a formal stock option plan (the "Plan"). The Plan is a fixed plan and reserves up to 15,060,024 common shares for issuance at the time of the grant of a stock option under the Plan. Stock options are granted with an exercise price in accordance with the TSX Venture Exchange policy.

The continuity of stock options is as follows:

	Options outstanding	Weighted average exercise price
Balance on June 30, 2012	5,923,063	$ 0.62
Granted	3,393,896	0.28
Forfeited and expired	(1,786,947)	0.64
Balance on June 30, 2013	7,530,012	0.47
Re-priced	3,177,513	0.15
Forfeited and cancelled	(4,786,534)	0.57
Balance, March 31, 2014	5,920,991	$ 0.21

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

e) Stock options (cont'd…)

Stock options outstanding and exercisable as at March 31, 2014 are as follows:

Options Outstanding	Options Exercisable	Weighted average exercise price	Expiry date
540,789	540,789	$ 0.15	December 5, 2014
591,959	591,959	0.51	March 4, 2016
248,265	248,265	0.60	March 4, 2016
1,576,724	1,576,724	0.15	March 4, 2016
200,000	200,000	0.15	March 27, 2016
200,000	200,000	0.56	May 6, 2016
75,000	75,000	0.15	December 21, 2016
50,000	50,000	0.58	August 24, 2017
85,000	85,000	0.15	August 24, 2017
200,000	200,000	0.15	January 10, 2018
500,000	500,000	0.15	February 14, 2018
1,653,254	-	0.10	June 30, 2018
5,920,991	4,267,737	$ 0.21	

During the period ended March 31, 2014, the Company re-priced 3,177,513 stock options having an exercise price of $0.37 to $0.68 per share to an exercise price of $0.15 per share. The re-pricing of options led to additional share-based payments expense of $72,650. The weighted average assumptions used for the Black-Scholes valuation of re-priced options were annualized volatility of 134.15%, risk-free interest rate of 1.23%, expected life of 2.71 years and a dividend rate of Nil%.

f) Share-based payments

During the period ended March 31, 2014, the Company recognized total share-based payments for options vesting and cancelled in the period of $41,875. Inclusive of the stock option re-pricing, share-based payments expense of $34,429 was recognized in the statement of comprehensive loss and $80,096 was capitalized to exploration and evaluation assets.

During the period ended March 31, 2013, the Company granted 1,740,642 options with a weighted average fair value of $0.46 per option. Total share-based payments for options granted and vested for the period were $552,179 of which $399,704 was recognized in the statement of comprehensive loss and $152,475 was capitalized to exploration and evaluation assets.

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

f) Share-based payments (cont'd…)

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

	2014	2013
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 March 31, 2014 and 2013 consist of the following:

	2014	2013
Payments to key management personnel:		
Cash compensation	$ 419,370	$ 176,089
Stock-based compensation granted to senior management	97,375	231,448
Directors' fees	255,000	245,625
Related party transactions:		
Advances received on Tulla loan (Note 7)	2,482,423	8,655,000
Interest accrued on Tulla loan (Note 7) (no payments made)	4,645,598	3,387,947

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 period ended March 31, 2014, the Company issued 1,192,000 shares to five directors of the Company to settle $107,280 in accrued directors' fees.

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 March 31, 2014, the Company entered into the following non-cash transactions:

- Incurred $241,909 (2013 - $1,130,433) of deferred Copper Flat exploration and development expenditures through trade and other payables.
- Incurred $80,096 (2013 - $152,475) of deferred Copper Flat exploration and development expenditures through share-based payments.
- Incurred $10,641 (2013 - $90,388) of deferred Copper Flat exploration and development expenditures through accrual of asset retirement obligations.
- Incurred $104,385 (2013 - $Nil) of property and equipment acquisition costs through accrued property obligation.
- Recognized depreciation of $54,902 (2013 - $Nil) in deferred Copper Flat exploration and development expenditures.

12. CAPITAL DISCLOSURES

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

The Company keeps its cash only in chequing accounts with major Canadian, Australian and US institutions of high credit worthiness. At March 31, 2014, the Company had cash of $380,275 (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$1.12 for CAD$1 during the period ended March 31, 2014. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $5,400,000. 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 EVENTS

Subsequent to the period ended March 31, 2014, the Company

a) Drew a further $125,000 on the Loan from Tulla (Note 7).

b) Granted 7,392,857 options exercisable at $0.07 per common share for a period of 2 to 5 years to officers, consultants and employees of the Company.

c) Re-priced 355,022 options held by consultants having an exercise price of $0.51 to $0.68 per share, with expiry dates in 2016 and 2017, to an exercise price of $0.15 per share.

d) Extended the expiry date of 540,789 options held by a consultant exercisable at $0.15 per share from December 4, 2014 to August 23, 2017.