



THEMAC Resources Group Limited

Consolidated Financial Statements

For the year ended June 30, 2023
(Expressed in Canadian dollars)

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
THEMAC Resources Group Limited

Opinion

We have audited the accompanying consolidated financial statements of THEMAC Resources Group Limited (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a loss of \$12,898,055 during the year ended June 30, 2023 and, as of that date, the Company had a working capital deficiency of \$162,274,558. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Mineral Property and Deferred Exploration and Evaluation Costs ("E&E Assets") and Property and Equipment

As described in Notes 5 and 4 to the consolidated financial statements, the carrying amounts of the Company's E&E Assets and property and equipment were \$82,130,226 and \$3,355,186 respectively as of June 30, 2023. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets and property and equipment for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets and property and equipment is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets and property and equipment, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets and property and equipment.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets and property and equipment for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Obtaining, on a test basis, through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

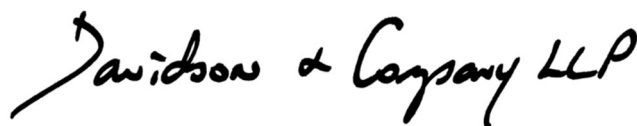
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

October 30, 2023

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT JUNE 30,

	2023	2022
ASSETS		
Current		
Cash	\$ 101,537	\$ 87,075
Receivables	2,387	6,385
Prepaid expenses and deposits	12,448	11,705
	116,372	105,165
Property and equipment (Note 4)	3,355,186	3,268,753
Bonds (Note 5)	181,541	192,882
Mineral property (Note 5)	35,117,330	34,171,499
Deferred exploration and evaluation costs (Note 5)	47,012,896	44,900,201
Total Assets	\$ 85,783,325	\$ 82,638,500
LIABILITIES		
Current		
Trade and other payables	\$ 360,553	\$ 421,887
Due to related parties (Note 9)	3,228,843	2,968,879
Property obligation (Note 7)	1,701,725	1,531,359
Loans payable - Tulla (Note 6)	157,099,809	143,041,731
	162,390,930	147,963,856
Asset retirement obligation (Note 5)	647,260	688,480
Total Liabilities	163,038,190	148,652,336
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 8)	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	14,552,251	12,895,225
Deficit	(125,012,422)	(112,114,367)
Total Shareholders' Deficiency	(77,254,865)	(66,013,836)
Total Liabilities and Shareholders' Deficiency	\$ 85,783,325	\$ 82,638,500

Nature of operations and going concern (Note 1)
Contingency (Notes 9 and 15)
Subsequent events (Notes 7, 9 and 15)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

"Barrett Sleeman"
Director

"Andrew Maloney"
Director

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30,

	2023	2022
General Expenses		
Accounting and audit	\$ 180,430	\$ 93,581
Accretion expense (Note 5)	54,331	33,858
Consulting fees	16,750	-
Depreciation (Note 4)	4,006	3,785
Directors' fees (Note 9)	273,435	352,988
Filing fees and transfer agent fees	12,303	10,963
Finance expense (Note 6)	11,685,698	11,146,351
Foreign exchange	4,196	(33,872)
Interest on property obligation (Note 7)	133,461	85,165
Legal fees	35,657	12,603
Management fees (Note 9)	96,017	89,008
Office and sundry	381,858	277,509
Travel	19,913	13,453
Loss for the year	(12,898,055)	(12,085,392)
Other comprehensive income		
Exchange differences on translating foreign operations	1,657,026	3,893,117
Total comprehensive loss	\$ (11,241,029)	\$ (8,192,275)
Net loss per share - basic and diluted	\$ (0.16)	\$ (0.15)
Weighted average number of outstanding common shares		
- basic and diluted	79,400,122	79,400,122

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30,

	2023	2022
OPERATING ACTIVITIES		
Loss for the year	\$ (12,898,055)	\$ (12,085,392)
Add non-cash items:		
Accrued interest expense	133,461	85,165
Accretion of asset retirement obligation	54,331	33,858
Depreciation	4,006	3,785
Finance expense	11,685,698	11,146,351
	<u>(1,020,559)</u>	<u>(816,233)</u>
Net change in non-cash working capital items:		
Receivables	3,998	(6,046)
Prepaid expenses and deposits	(439)	9,100
Trade and other payables	8,511	(85,157)
Amounts due to related parties	259,964	154,203
Cash used in operating activities	<u>(748,525)</u>	<u>(744,133)</u>
INVESTING ACTIVITIES		
Advance payments for purchase of Copper Flat	-	(238,930)
Deferred exploration and evaluation expenditures	(1,077,212)	(1,028,104)
Cash used in investing activities	<u>(1,077,212)</u>	<u>(1,267,034)</u>
FINANCING ACTIVITY		
Cash received from Tulla loan advances	1,852,953	1,932,230
Cash provided by financing activity	<u>1,852,953</u>	<u>1,932,230</u>
Effect of foreign exchange translation on cash	<u>(12,754)</u>	<u>7,243</u>
Net changes in cash position	14,462	(71,694)
Cash position, beginning of year	87,075	158,769
Cash position, end of year	<u>\$ 101,537</u>	<u>\$ 87,075</u>

Supplemental disclosures with respect to cash flows (Note 10)

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIENCY
(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 year	-	-	-	-	3,893,117	(12,085,392)	(8,192,275)
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 year	-	-	-	-	1,657,026	(12,898,055)	(11,241,029)
Balance, June 30, 2023	79,400,122	\$ 19,159,411	\$ 10,072,430	\$ 3,973,465	\$ 14,552,251	\$ (125,012,422)	\$ (77,254,865)

See accompanying notes to the consolidated 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 consolidated 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 \$12,898,055 for the year ended June 30, 2023, and had a working capital deficiency of \$162,274,558 at June 30, 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 6). 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 consolidated 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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of presentation

These consolidated 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 cash flow information.

The consolidated financial statements of the Company are presented in Canadian dollars.

These consolidated financial statements were authorized for issuance by the Company’s board of directors on October 30, 2023.

2. BASIS OF PREPARATION (cont'd...)

Significant accounting judgments and estimates

The preparation of the consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

The Company's wholly owned subsidiary, NMCC, was incorporated on June 15, 2010 in the State of New Mexico, USA.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction.

On consolidation, the assets and liabilities of the Company's foreign subsidiary, NMCC, are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and its revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation of NMCC into Canadian dollars are recognized in other comprehensive income (loss).

Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income (loss) is defined as revenue, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as fair value through other comprehensive income and the foreign exchange amounts arising from the translation of the Company's net investment in NMCC.

Cash

Cash consists of cash held in banks.

Exploration and evaluation assets

Exploration and evaluation assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) to acquire mineral and exploration properties is capitalized. The amounts shown for deferred exploration and evaluation assets represent all direct costs relating to the exploration and evaluation of exploration properties, less recoveries, and do not necessarily reflect present or future values. These costs are capitalized and will be amortized against revenue from future production or written off if the exploration and evaluation assets are abandoned, sold or considered impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets (cont'd...)

Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimates of proven and probable reserves.

Ownership of exploration and evaluation assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, the renewal of exploration licenses, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate the mine, and realizing profitable production or proceeds from the disposition thereof. If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, initial estimates of the costs of dismantling and removing an item and restoring the site on which it is located, and, where applicable, borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing or overhauling a component of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the Company and its cost can be measured reliably.

The carrying amount of the replaced component is written off. Costs associated with routine repairs and maintenance of property and equipment are expensed as incurred.

Furniture and equipment are depreciated using a straight-line basis over their estimated useful lives of 5 – 22 years, and vehicles are depreciated over 5 years.

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of tangible and intangible assets (cont'd...)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Asset retirement obligation

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the decommissioning and reclamation of mine properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for asset retirement obligations is estimated using expected cash flows and is discounted at the applicable risk-free interest rate. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as an expense in profit or loss.

Financial instruments

Financial assets

Financial assets, other than derivatives, are designated as amortized cost, fair-value-through-profit-or-loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). The Company determines the classification of its financial assets at initial recognition.

Financial assets classified as FVOCI are measured on initial recognition at fair value plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for debt investments financial instruments that are considered to be impaired in which case the loss is recognized in profit or loss.

Financial assets classified as amortized cost are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method. The Company's cash, receivables and bonds are classified as amortized cost.

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in profit or loss. Transaction costs are expensed for assets classified as FVTPL.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to the present value of estimated future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial assets (cont'd...)

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Trade and other payables, due to related parties, property obligation and loans payable are classified as amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of stock options is determined by the *Black-Scholes* option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and the expected life of the options (including any estimated forfeitures). The fair value of direct awards of shares is determined by the quoted market price of the Company's stock.

Volatility is determined based on the historic closing market price of the Company's stock for a period equal to the life of the grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered the deferred tax asset is not set up.

New Accounting Pronouncements not yet effective

As the date of authorization of these consolidated financial statements, certain new standards and amendments to existing standards have been published by the IASB that have not been adopted by the Company. New standards, interpretations and amendments are not expected to have a material impact on the Company's consolidated financial statements.

THEMAC Resources Group Limited
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2023

4. 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	89,135	1,306	29,000	119,441
Balance, June 30, 2023	\$ 3,311,950	\$ 48,534	\$ 1,098,938	\$ 4,459,422
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	-	-	4,006	4,006
Net exchange differences	-	1,306	27,696	29,002
Balance, June 30, 2023	\$ -	\$ 48,534	\$ 1,055,702	\$ 1,104,236
Net Book Value				
As at June 30, 2022	\$ 3,222,815	\$ -	\$ 45,938	\$ 3,268,753
As at June 30, 2023	\$ 3,311,950	\$ -	\$ 43,236	\$ 3,355,186

5. 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	-	885,197	885,197
Net exchange differences	945,831	1,227,498	2,173,329
Balance, June 30, 2023	\$ 35,117,330	\$ 47,012,896	\$ 82,130,226

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.

5. 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.

On May 12, 2015, the Company entered into a water supply agreement with the Jicarilla Apache Nation (the "Nation"), where the Nation will subcontract certain water rights to the Company. As consideration, the Company is to make annual payments of US \$50,000 for the years preceding the delivery of the water rights.

As part of the acquisition of the Copper Flat property, the Company also received certain vested and inchoate water rights. Subsequent to June 30, 2023, the Company received the decision from the State of New Mexico Third District Court to reinstate certain water rights for the Copper Flat Project.

Bonds and deposits

As at June 30, 2023, the Company has posted bonds of \$181,541 (US\$137,035) (2022 – \$174,243 (US\$135,163)) on the Copper Flat claims and deposits of \$nil (US\$nil) (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.

	2023	2022
Balance, beginning of the year	\$ 688,480	\$ 547,353
Additions	-	118,406
Finance expense	54,331	33,858
Change in estimates	(115,253)	(35,229)
Net exchange differences	19,702	24,092
Balance, end of the year	\$ 647,260	\$ 688,480

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is US\$488,579 (2022 – US\$534,067) which has been discounted using a pre-tax risk-free rate of 3.98% (2022 – 2.98%) and an inflation rate of 2.00% (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.

6. 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	1,852,953	11,685,698	13,538,651
Net exchange differences	343,671	175,756	519,427
Balance, June 30, 2023	\$ 59,186,902	\$ 97,912,907	\$ 157,099,809

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 June 30, 2023, the Company has drawn \$43,838,077 (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\$12,000,000 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\$11,585,943 (2022 – US\$10,202,418) against the USD Loan facility as at June 30, 2023. Subsequent to June 30, 2023, the Company drew down a further US\$1,786,664 on the USD Loan and extended the facility to US\$14,000,000. 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.

7. 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.

THEMAC Resources Group Limited
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2023

7. 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. Subsequent to year end, the lenders agreed to receive US\$1,279,195 (CAD\$1,708,365) (paid subsequent to year end) to satisfy the Final Payment, settling the remaining debt obligations.

	2023	2022
Balance, beginning of the year	\$ 1,531,359	\$ 1,619,737
Payment – principal	-	(157,800)
Payment – interest	-	(81,130)
Accrued interest	133,461	85,165
Net exchange differences	36,905	65,387
Balance, end of the year	1,701,725	1,531,359
Payable within the next fiscal year	(1,701,725)	(1,531,359)
Long-term portion	\$ -	\$ -

8. 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 year ended June 30, 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:

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

9. 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 years ended June 30, 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	\$ 68,982	\$ 64,583
Cash compensation and accrued bonuses – capitalized to deferred exploration and evaluation assets	275,928	260,741
Directors' fees	273,435	352,988
Related party transactions:		
Advances received on Tulla loans (Note 6)	1,852,953	1,932,230
Interest accrued on Tulla loans (Note 6) (unpaid)	11,685,698	11,146,351
Fees paid or accrued to Peacock Law, P.C., a law firm owned by a former director	-	10,969

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.

In 2018, 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 were due to expire in July 2013, at which time any unpaid obligations would also expire. The liabilities had been recorded in prior period. Subsequent to June 30, 2023, the agreements were amended and extended to a potential settlement and bonus of US\$3,671,084 contingent on the same equity financing and sale transaction conditions payable to the CEO and former COO. The contingent bonus and settlement payable expires in October 2028.

As at June 30, 2023, the Company owes various parties not at arm's length \$3,228,843 (2022 - \$2,968,879). All amounts are included in due to related parties.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended June 30, 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 \$121,306 (2022 - \$236,869), \$815,355 (2022 - \$793,411) included in due to related parties and reduction of \$16,857 (2022 – addition of \$1,781) in prepaid expenses and deposits.

THEMAC Resources Group Limited
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2023

11. INCOME TAXES

A reconciliation between expense (recovery) and the product of accounting loss multiplied by the Company's domestic tax rate for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Statutory tax rate	27.00%	27.00%
Loss before income taxes	\$ (12,898,055)	\$ (12,085,392)
Expected income tax recovery	\$ (3,482,000)	\$ (3,263,000)
Foreign income tax rate difference, change in foreign exchange rates and other	44,000	(23,000)
Non-deductible items	2,998,000	2,861,000
Change in estimates	1,360,000	29,000
Changes in benefits not recognized	(920,000)	396,000
Income tax expense (recovery)	\$ -	\$ -

The components of deferred income tax assets and liabilities are:

	2023	2022
Non-capital losses	\$ 7,970,000	\$ 6,202,000
Start-up costs	-	1,108,000
Asset retirement obligation	-	177,000
Deferred exploration and evaluation costs	(8,003,000)	(7,518,000)
Equipment	33,000	31,000
	\$ -	\$ -

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Company has not recognized deferred tax assets on the following items:

	2023	2022
Non-capital losses	\$ 4,137,000	\$ 5,057,000
Mineral property	590,000	590,000
Other	6,000	6,000
	\$ 4,733,000	\$ 5,653,000

The Company has approximately \$2,185,000 in foreign exploration development expenses in the Canadian entity, and \$15,825,000 in mine development costs in the US entity, available for carry-forward, which may, subject to certain restrictions, be available to offset against future taxable income. The Company also has approximately \$46,951,000 in non-capital losses available for carry-forward, of which \$36,927,000 expire through 2043 and \$10,024,000 will carry forward indefinitely.

The Company has recognized a provision of \$112,000 (2022 - \$112,000) for a potential withholding tax liability in accounts payable and accrued liabilities. The Company is in the process of reviewing its tax position.

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 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 June 30, 2023, the Company had cash of \$101,536 (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 year ended June 30, 2023.

14. 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 loans payable approximate their carrying values due to their short-term nature or market interest rates.

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 year ended June 30, 2023. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income by approximately \$9,030,000. 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.

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

Interest rate and credit risk

The Company has a cash balance, receivables, bonds, trade, and other payables, amounts due to related parties, loans payable (Note 6) and property obligation (Note 7). 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.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2023 the Company:

- Drew down a further US\$1,786,664 on the USD Loan and extended the facility to US\$14,000,000 from the existing facility of US\$12,000,000 (Note 6).
- Amended and extended the long term bonus agreements for a potential settlement of US\$3,671,084, which expire in October 2028 (Note 9).