THEMAC Resources Group Limited

Consolidated Financial Statements

June 30, 2012

(Expressed in Canadian dollars)

Suite 2000 – 1066 West Hastings Street
Vancouver, BC
Canada V6E 3X2
TSXV: MAC

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
THEMAC Resources Group Limited

We have audited the accompanying consolidated financial statements of **THEMAC Resources Group Limited**, which comprise the consolidated statements of financial position as at June 30, 2012 and 2011, and July 1, 2010, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years ended June 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **THEMAC Resources Group Limited** as at June 30, 2012 and 2011, and July 1, 2010, and its financial performance and its cash flows for the years ended June 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that **THEMAC Resources Group Limited** has incurred a net loss of $4,356,906 for the year ended June 30, 2012 and had a working capital deficiency of $316,252 at June 30, 2012. In addition, note 1 further states that the Company's forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company's loan agreement. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt on **THEMAC Resources Group Limited**'s ability to continue as a going concern.

Ernst & Young LLP

Vancouver, Canada,
October 25, 2012.

Chartered Accountants

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at		**June 30 2012**		June 30 2011 (Note 14)		July 1 2010 (Note 14)
ASSETS						
Current						
Cash	**$**	**544,533**	$	224,275	$	24,657
Taxes recoverable		**19,538**		7,808		7,396
Prepaid expenses and deposits (Note 4)		**771,755**		17,366		1,800
		1,335,826		249,449		33,853
Property, plant & equipment (Note 5)		**221,916**		9,773		225
Mineral properties (Notes 5 and 7)		**26,271,770**		24,882,303		1,780,913
Deferred exploration & evaluation (Note 5)		**12,428,203**		2,180,415		—
Bonds (Note 7)		**246,085**		380,013		—
Total Assets	**$**	**40,503,800**	$	27,701,953	$	1,814,991
LIABILITIES						
Current						
Trade and other payables	**$**	**1,492,078**	$	615,878	$	534,621
Due to related parties (Note 9)		**160,000**		154,380		33,250
Loan payable (Note 10)		**—**		4,962,192		—
Subscriptions received (Notes 7 & 8)		**—**		—		921,167
		1,652,078		5,732,450		1,489,038
Loan payable (Note 10)		**18,966,274**		—		—
Asset retirement obligation (Note 7)		**250,000**		—		—
Total Liabilities		**20,868,352**		5,732,450		1,489,038
SHAREHOLDERS' EQUITY						
Share capital (Note 8)		**18,788,481**		18,788,481		5,487,840
Warrants (Note 8)		**10,072,430**		10,072,430		151,964
Reserves (Note 8)		**938**		938		—
Share-based payment reserve (Notes 8)		**2,763,264**		1,883,891		113,977
Foreign currency reserve		**725,429**		(418,049)		—
Deficit		**(12,715,094)**		(8,358,188)		(5,427,828)
Total Shareholders' Equity		**19,635,448**		21,969,503		325,953
Total Liabilities and Shareholders' Equity	**$**	**40,503,800**	$	27,701,953	$	1,814,991

Nature of operations and going concern (Note 1)
Commitments (Note 15)
Subsequent events (Note 16)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"	*"Kenneth Pickering"*
Director	Director

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended June 30

(Expressed in Canadian dollars)

	2012	2011
	$	$
		(Note 14)
Expenses:		
Interest expense	**1,501,193**	62,192
Interest income	**(3,752)**	(3,058)
Office and sundry	**1,057,783**	120,484
Share-based payments	**633,371**	1,673,481
Investor communications	**704,416**	157,834
Director's fees	**300,000**	113,877
Accounting and audit	**146,378**	78,784
Personnel searches	**98,822**	230,047
Management fees	**84,174**	123,968
Travel	**75,886**	52,927
Consulting (Note 9)	**68,825**	168,000
Legal fees	**34,831**	15,036
Other administration expenses	**31,461**	19,017
Filing fees and transfer agent fees	**22,983**	63,673
Depreciation (Note 5)	**16,027**	571
Foreign exchange (gain) loss	**2,263**	53,527
Operating loss before tax	**(4,774,661)**	(2,930,360)
Deferred tax recovery	**417,755**	—
Net loss	**(4,356,906)**	**(2,930,360)**
Other comprehensive loss		
Exchange differences on translating foreign operations, net of tax of $417,755 (2011: Nil)	**1,143,478**	(418,049)
Total comprehensive loss	**(3,213,428)**	(3,348,409)
Loss per share - basic and diluted	**(0.05)**	(0.14)
Weighted average number of outstanding shares - basic and diluted	**61,415,902**	23,388,435

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30

(Expressed in Canadian dollars)

	2012 $	2011 $ (Note 14)
OPERATING ACTIVITIES		
Net loss for the year	**(4,356,906)**	(2,930,360)
Add non-cash items:		
Depreciation	**15,611**	571
Share-based payments	**633,164**	1,673,481
Increase in interest in loan payable	**1,504,081**	59,304
Deferred tax recovery	**(417,755)**	—
	(2,621,805)	(1,197,004)
Net change in non-cash working capital:		
Increase in taxes recoverable	**(11,730)**	(412)
Increase in prepaid expenses and deposits	**(32,744)**	(12,026)
Increase (decrease) in trade and other payables	**834,408**	129,099
Increase (decrease) in amounts due to related parties	**5,620**	121,130
Changes in payables related to deferred exploration and evaluation	**(765,588)**	(321,727)
Cash used in operating activities	**(2,591,839)**	(1,280,940)
INVESTMENT ACTIVITIES		
Advance payments for purchase of Copper Flat	**—**	(14,264,025)
Deferred Copper Flat exploration and development	**(9,282,799)**	—
Acquisition of equipment	**(215,114)**	(10,947)
Cash used in investment activities	**(9,497,913)**	(14,274,972)
FINANCING ACTIVITIES		
Cash received from loan advances	**12,500,001**	4,902,888
Proceeds from private placements	**—**	10,200,000
Exercise of warrants	**—**	511,111
Exercise of stock options	**—**	56,480
Share subscriptions received	**—**	(83,784)
Cash provided by financing activities	**12,500,001**	15,586,695
Effect of foreign exchange translation on cash	**(89,991)**	168,835
Net changes in cash position	**320,258**	199,618
Cash position, beginning of the year	**224,275**	24,657
Cash position, end of the year	**544,533**	224,275
Supplemental cash flow information		
Interest received	**3,739**	3,058
Interest paid	**—**	—

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

	Common shares							
	Amount	Value	Warrants	Reserves	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
	#	$	$	$	$	$	$	$
Balance, July 1, 2010	12,664,705	5,487,840	151,964	—	113,977	—	(5,427,828)	325,953
Exercise of warrants	5,111,111	663,075	(151,964)	—	—	—	—	511,111
Exercise of options	353,000	123,550	—	—	(67,070)	—	—	56,480
Private placement (Note 8)	40,000,000	5,614,679	4,585,321	—	—	—	—	10,200,000
Private placement (Note 8)	5,582,556	600,275	237,109	—	—	—	—	837,384
Issuance of shares to ECR to acquire Copper Flat (Note 8)	10,500,000	6,300,000	5,250,000	—	—	—	—	11,550,000
Cancellation of escrow shares	(93,750)	(938)	—	938	—	—	—	—
Share-based payments	—	—	—	—	1,836,984	—	—	1,836,984
Comprehensive loss for the year	—	—	—	—	—	(418,049)	(2,930,360)	(3,348,409)
Balance, June 30, 2011	74,117,622	18,788,481	10,072,430	938	1,883,891	(418,049)	(8,358,188)	21,969,503
Share-based payments	—	—	—	—	879,373	—	—	879,373
Comprehensive income for the year	—	—	—	—	—	1,143,478	(4,356,906)	(3,213,428)
Balance, June 30, 2012	**74,117,622**	**18,788,481**	**10,072,430**	**938**	**2,763,264**	**725,429**	**(12,715,094)**	**19,635,448**

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 in the business of acquiring, exploring, and developing natural resource properties. The address of the Company's registered office is #2000 – 1066 West Hastings Street, Vancouver, BC V6E 3X2, Canada. The consolidated financial statements for the year ended June 30, 2012 and the year ended June 30, 2011 consist of THEMAC and its subsidiary in the state of New Mexico, USA, New Mexico Copper Corporation ("NMCC"), (together referred to as the "Company").

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 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 net loss of $4,356,906 for the year ended June 30, 2012 and had a working capital deficiency of $316,252 at June 30, 2012. 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 Pty Ltd. ("Tulla") (see notes 10 and 16). 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 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.

2. BASIS OF PREPARATION

a) Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared the consolidated annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 14. This note includes reconciliations of equity and total comprehensive loss for comparative for comparative periods and of equity as at July 1, 2010 ("the date of transition") reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

These audited consolidated financial statements were authorized for issuance by the Company's board of directors on October 25, 2012.

2. BASIS OF PREPARATION (cont'd)

b) Basis of measurement

These consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis as set out on the relevant accounting policies.

c) Functional and presentation currency

In determining the functional currency of the Company the following was considered:

- the currency that mainly influences the cost of labour, materials, service and other costs of exploration and evaluation activities; and
- the currency used to maintain the amounts charged by operating activities.

THEMAC's functional currency is the Canadian dollar. The functional currency of its subsidiary, NMCC, is the US dollar. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The presentation currency used in preparing these consolidated financial statements of the Company is the Canadian dollar.

d) Significant accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue 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, and share based payment compensation. Depreciation and depletion of mineral properties and deferred exploration and evaluation are dependent upon resource estimates which are determined with the exercise of judgement. The assessment of any impairment of mineral properties deferred exploration and evaluation is dependent upon estimates of fair value that take into account factors such as resources and economic and market conditions. Share based compensation expense is calculated using the Black-Scholes valuation model which requires significant judgement as to consideration such as stock option lives and stock volatility.

The most significant judgments relate to determination of the functional currency for both the Company and its wholly owned foreign subsidiary.

2. BASIS OF PREPARATION (cont'd)

e) New and revised standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, a number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2012, and have not been applied in preparing these consolidated financial statements. Those that are expected to be applicable to the consolidated financial statements of the Company are discussed below.

i) IAS 1, *Presentation of Financial Statements*, the revised amendments regarding the presentation and grouping of items recognized within Other Comprehensive Income, to become effective on for fiscal years starting on or after July 1, 2012 with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

ii) IAS 19, *Employee Benefits*, amendments regarding the measurement, presentation and disclosure of pensions and other post-retirement benefits and the recognition and measurement of termination benefits, to become effective for fiscal years staring on or after January 1, 2013. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

iii) IFRS 9, *Financial Instruments* (New; to replace IAS 39)

The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as fair-value-through-profit-or-loss, financial guarantees and certain other exceptions. The complete IFRS 9 is anticipated to be issued during the second half of 2011.

On July 22, 2011, the IASB tentatively agreed to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 (with earlier application permitted) to annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The IASB will propose the deferral of IFRS 9 in an exposure draft with a 60-day comment period.

The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

2. BASIS OF PREPARATION (cont'd)

e) New and revised standards and interpretations not yet adopted (cont'd)

iv) IFRS 10, *Consolidated Financial Statements*

IFRS 10 replaces those parts of IAS 27, *Consolidated and Separate Financial Statements*, that address when and how an investor should prepare consolidated financial statements and replaces SIC-12, *Consolidation – Special Purpose Entities*, in its entirety. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances.

IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. The Company does not anticipate the application of IFRS 10 to have any impact on its consolidated financial statements.

v) IFRS 11, *Joint Arrangements*

IFRS 11 replaces IAS 31*, Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities–Non–Monetary Contributions by Venturers* and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method. The Company does not anticipate the application of IFRS 11 to have any impact on its consolidated financial statements.

vi) IFRS 12, *Disclosure of Involvement with Other Entities*

IFRS 12, which will become effective for fiscal years starting on or after January 1, 2013, combines and enhances the disclosure requirements for the Company's subsidiaries, including any joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting of the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the Company's consolidated financial statements. The Company does not anticipate the application of IFRS 12 to have any impact on its consolidated financial statements.

vii) IFRS 13, *Fair Value Measurement*

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company is still evaluating the impact of IFRS 13 on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and entities 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.

b) 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.

The optional IFRS 1 exemption pertaining to cumulative translation differences has been applied when preparing the Company's IFRS opening statement of financial position at July 1, 2010. Accordingly the cumulative translation differences as at this date have been reclassified to deficit.

c) 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 available-for-sale and the foreign exchange amounts arising from the translation of the Company's net investment in NMCC.

d) 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 an 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Share-based payments (cont'd)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line 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.

e) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share amounts are calculated in accordance with the treasury stock method which assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the prevailing market rate. Under the treasury stock method, the basic and diluted loss per share is the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

f) Financial assets

Financial assets, other than derivatives, are designated as available-for-sale, loans and receivables or as at fair-value-through-profit-or-loss ("FVTPL").

Financial assets classified as available-for-sale 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 financial assets that are considered to be impaired in which case the loss is recognized in net income or loss.

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

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in income or loss. Transaction costs are expensed for assets classified as FVTPL. The Company's cash is classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) 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, loan payable, and subscriptions received are classified as other liabilities, which are measured at 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 net income or loss.

h) Income taxes

Any tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized using the balance sheet method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below:

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Income taxes (cont'd)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. To the extent that an asset not previously recognised fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

i) Cash

Cash consists of cash held in banks.

j) Mineral properties, plant and equipment

i) *Exploration and evaluation*

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 development of exploration properties, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the exploration and evaluation assets are abandoned or sold.

The Company has classified exploration and evaluation assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimates 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. Management's estimates of recoverability of the Company's investment in its Copper Flat exploration and evaluation assets have been on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write-downs of exploration and evaluation assets' carrying values.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Mineral properties, plant and equipment (cont'd)

ii) *Plant and equipment*

Plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant 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 plant 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 plant 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 plant and equipment are expensed as incurred.

iii) *Depreciation and amortization*

Furniture and equipment are depreciated using the declining balance method over their estimated useful lives with the 30% rate, and vehicles are depreciated on a straight-line basis over 5 years.

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

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are integrated as follows:

	June 30, 2012	June 30, 2011	July 1, 2010
Advances to vendors and contractors related to the mineral property	710,379	3,540	—
Advances to other vendors and contractors	3,417	1,322	1,250
Unamortized insurance amounts	21,691	—	—
Lease and rent deposits	36,268	12,504	550
	771,755	17,366	1,800

(Expressed in Canadian dollars)

5. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties

	Mineral Properties	Deferred exploration and evaluation	Total
Balance July 1, 2010	$ 1,780,913	$ —	$ 1,780,913
Additions	23,554,830	2,183,010	25,737,840
Net exchange Differences	(453,440)	(2,595)	(456,035)
Balance at June 30, 2011	**$ 24,882,303**	**$ 2,180,415**	**$ 27,062,718**
Additions	—	9,983,576	9,983,576
Net exchange Differences	1,389,467	264,212	1,653,679
Balance at June 30, 2012	**$ 26,271,770**	**$ 12,428,203**	**$ 38,699,973**

Property, Plant and Equipment

Cost	Vehicles	Furniture and Equipment	Total
As at July 1, 2010	$ —	$ 539	$ 539
Additions	—	10,120	10,120
As at June 30, 2011	—	10,659	10,659
Additions	82,207	146,205	228,412
As atJune 30, 2012	**$ 82,207**	**$ 156,864**	**$ 239,071**
Accumulated Depreciation			
As at July 1, 2010	$ —	$ 314	$ 314
Depreciation	—	572	572
As at June 30, 2011	—	886	886
Depreciation	9,751	6,518	16,269
As at June 30, 2012	**$ 9,751**	**$ 7,404**	**$ 17,155**
Net book value			
As at July 1, 2010	$ —	$ 225	$ 225
As at June 30, 2011	—	9,773	9,773
As at June 30, 2012	**$ 72,456**	**$ 149,460**	**$ 221,916**

6. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, taxes recoverable, prepaid expenses and deposits, bonds, trade and other payables, amounts due to related parties, loan payable and subscriptions received. 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 trade and other receivables, and trade and other payables approximate their carrying values due to their short-term nature.

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$0.95 to a high of US$1.06 for C$1 during the year ended June 30, 2012. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive loss by approximately $3,800,000. 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 and a loan payable (Note 10). 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.

Taxes recoverable typically consist of Canadian Harmonized Sales Tax ("HST") 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. 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.

7. PURCHASE OF COPPER FLAT

On March 12, 2010, the Company entered into a Heads of Agreement with ECR Minerals plc (formerly Electrum Resources plc, formerly Mercator Gold plc) ("ECR"), a publicly traded corporation domiciled in the United Kingdom and listed on the Alternative Investment Market of the London Stock Exchange (ticker: ECR), followed by a definitive transaction agreement on June 28, 2010 (the "Transaction Agreement"). Pursuant to the Transaction Agreement, the Company would acquire all of the assets of CFC, a private New Mexico, USA, company that held an option to acquire 100% of the mineral rights of a project known as Copper Flat, subject to a 3.25% net smelter return royalty payable to the underlying owners (the "Acquisition").

In consideration for the Acquisition, completed on March 4, 2011, the Company issued ECR on that date 10,500,000 common shares and 10,500,000 warrants. Each warrant entitles the holder to acquire an additional common share for a period of 5 years after closing of the acquisition, at a price of $0.28 per share (Note 8(b)). In addition, the Company assumed all of the obligations held by CFC with the underlying owners of the Copper Flat project.

On the date of closing, CFC held the right to acquire the Copper Flat property pursuant to the terms of an option and purchase agreement dated July 23, 2009 with the Hydro Resources Corporation, a New Mexico corporation, Cu Flat, LLC, a New Mexico limited liability company, and GCM, Inc. as amended by a First Amendment of Option and Purchase Agreement dated January 20, 2010 (the "CFC Option Agreement").

In order to earn a 100% interest in the Copper Flat Property, CFC was required to pay:

- i) US$150,000 on or before August 14, 2009 (paid by CFC before Transaction Agreement);
- ii) US$150,000 on or before January 31, 2010 (paid by CFC before Transaction Agreement);
- iii) US$850,000 to be paid on or before March 31, 2010 (paid);
- iv) US$1,850,000 to be paid on or before August 14, 2010 (paid);
- v) US$7,000,000 to be paid on or before February 14, 2011 (a deferral fee of US$150,000 paid on this date, with the last option payment deferred to May 16, 2011, paid then).

With the final option payment made on May 16, 2011, the Company now controls 100% of the mineral rights of the Copper Flat project, subject to the 3.25% net smelter return royalty.

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat from the underlying owners. The Company is required to pay the following amounts:

- i) US$200,000 upon written acknowledgement by the office of the New Mexico State Engineer of the filing by the holder of amended declarations for the water rights. (paid)
- ii) US$300,000 on September 30, 2010 (paid)
- iii) US$1,000,000 on May 16, 2011, in connection with the last option payment on the Copper Flat project (paid).
- iv) In addition to the amounts paid for water rights, the Company 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.

Pursuant to the terms of the Transaction Agreement, the Company incurred all of the obligations of CFC in respect of the Copper Flat project until closing.

(Expressed in Canadian dollars)

7. PURCHASE OF COPPER FLAT (cont'd)

This funding was originally characterized as a loan to CFC, repayable within six months of termination of the Transaction Agreement in the event that the Acquisition was not completed. On closing of the Acquisition, the Company forgave the indebtedness owed by CFC to the Company and the amount was allocated to the acquisition price.

The cost of the acquisition of the Copper Flat project can be summarized as follows:

Nature of cost	Amount $
Shares and warrants issued to ECR	11,550,000
Copper Flat option payments	9,571,810
Water rights	1,483,150
Foreign advances for CFC expenses	2,516,419
Legal fees incurred for the transaction	233,153
Acquisition of Copper Flat	25,354,532

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).

As an interim commitment with respect to the transaction, ECR and its nominees purchased, through a non-brokered private placem1nt, a total of 5,582,556 subscription receipts of the Company at a price $0.15 per subscription receipt for cash proceeds of $837,383. This placement closed on May 3, 2010. Each subscription receipt converted to one unit upon completion of the Acquisition on March 4, 2011, each unit consisting of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company until May 3, 2013. ECR directly owns 4,000,000 of these units.

The Company posted a bond for $380,013 (US$ 394,082) in connection with drilling permits obtained for Copper Flat. During the fiscal year ended June 30, 2011, no drill holes had been completed and US$394,082 plus interest of US$3,339 was refunded back to the Company.

During the fiscal year ended June 30, 2012, the Company posted another bond of $246,085 (US$241,710) also in connection with the project development at Copper Flat.

During the fiscal year ended June 30, 2012, 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.

8. EQUITY

a) Authorized share capital

Unlimited common shares without par value.

b) Issued and fully paid

(i) On September 2, 2010, the Company received $19,500 in proceeds for subscription receipts that were previously subscribed to in a private placement that closed during the previous year.

(ii) On July 21, 2010, the Company received cash proceeds of $511,111 on the exercise of 5,111,111 share purchase warrants with an exercise price of $0.10 per share. Of the total amount, $83,784 had been advanced prior to July 1, 2010.

(iii) During the year ended June 30, 2011, the Company received cash proceeds of $56,480 on the exercise of 353,000 stock options with an exercise price of $0.16 per share.

(iv) During the year ended June 30, 2011, 93,750 shares held in escrow on behalf of founding shareholders of the company were cancelled pursuant to provisions of an August 25, 1997 escrow agreement.

(v) On March 4, 2011, the Company issued 10,500,000 units to ECR in connection with the closing of the acquisition of the Copper Flat project (Note 7). Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.28 per share until March 4, 2016.

(vi) On March 4, 2011, the Company issued 40,000,000 units to Tulla for cash proceeds of $10,200,000. Each unit was comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.34 per share until March 4, 2016.

(vii) On March 4, 2011, in connection with the completion of the acquisition of the Copper Flat project, the Company converted 5,582,556 subscription receipts into units. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.28 per share until May 3, 2013. Of the total amount, 4,000,000 units were issued to ECR (Note 7).

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(Expressed in Canadian dollars)

8. EQUITY (cont'd)

c) Shares and warrants in escrow:

	Shares	Warrants
Balance, July 1, 2010	93,750	—
Cancelled [(i)]	(93,750)	—
Placed in escrow [(ii)]	50,806,879	40,000,000
Released from escrow [(ii)]	(12,701,720)	(10,000,000)
Balance, June 30, 2011	38,105,159	30,000,000
Released from escrow	(25,403,439)	(20,000,000)
Balance, June 30, 2012	12,701,720	10,000,000

(i) On January 5, 2011, 93,750 common shares that were held in escrow for the founding shareholders of the Company were cancelled and returned to treasury.

(ii) On March 4, 2011, in connection with the closing of the acquisition of the Copper Flat project (Note 7) and the concurrent financing by Tulla, an aggregate of 50,806,879 common shares and 40,000,000 share purchase warrants belonging to the controlling shareholders, including Tulla were placed in escrow pursuant to an escrow agreement dated February 28, 2011. Pursuant to this agreement, 25% of the shares and warrants were released on Closing, with the rest to be released in three equal tranches of 25% every six months following. As of June 30, 2012 there were 12,701,720 shares and 10,000,000 warrants remaining in escrow which were all released subsequent to June 30, 2012.

d) Warrants:

	Number	Exercise price	Expiry Date
Balance, July 1, 2010	5,111,111	$0.10	
Exercised (Note 8(b)(ii))	(5,111,111)	$0.10	
Issued for Copper flat property	10,500,000	$0.28	March 4, 2016
Issued with units of subscription receipts	5,582,556	$0.28	May 4, 2013
Issued with cash private placement units (Note 8(c)(ii))	40,000,000	$0.34	March 4, 2016
Balance, June 30, 2011 and June 30, 2012	56,082,556	$0.32	

(Expressed in Canadian dollars)

8. EQUITY (cont'd)

e) Stock options

During the 2004 fiscal year, the Company adopted a formal stock option plan (the "Plan"). The Plan was most recently ratified by shareholders during the December 8, 2009 annual general meeting. The Plan is referred to as a "rolling" plan and provides for an aggregate number of shares reserved for issuance of up to 10% of the Company's issued common shares at the time of the grant of a stock option under the Plan. Stock options are granted with an exercise price in accordance with the TSX Venture Exchange policy.

During the year ended June 30, 2011, 353,000 stock options with an exercise price of $0.16 per share were exercised for proceeds of $56,480.

During the year ended June 30, 2011, 4,323,063 stock options were granted to directors, officers, employees and consultants of the Company. Each option is exercisable into one common share at a weighted-average exercise price of $0.57 for a period of five years from the date of granting. The fair value of these options was estimated at $2,017,400 using the Black-Scholes option pricing model with the following weighted average parameters: volatility: 98.34%, risk-free interest rate: 2.71% and expected life of five years. Options granted prior to March 15, 2011 were fully vested. 175,000 options granted on April 7, 2011, vest 100,000 options immediately and 75,000 options vest one year from the date of grant. 200,000 options granted on May 6, 2011 and June 1, 2011, respectively, vest 50% immediately and 50% one year from the date of grant.During the year ended June 30, 2012, 1,900,000 stock options were granted to an officer, and to employees of the Company. Each option is exercisable into one common share at a weighted-average exercise price of $0.74 for a period of five years from the date of granting. The fair value of these options was estimated at $974,771 using the Black-Scholes option pricing model with the following weighted average parameters: volatility – 100.521%, risk-free interest rate – 1.3848%, an expected life of five years, and forfeiture rate of 5%.

1,000,000 options granted on August 8, 2011 vest 33.3% immediately on the date of grant, 33.3% vest on the first anniversary of the grant date and the remaining 33.3% vest on receipt of final approval of the permitting required to commence production at Copper Flat. For the remainder of options granted in 2012, 50% vest immediately and 50% vest in one year from the date of grant.

The continuity of stock options is as follows:

	Options Outstanding (#)	**Weighted average exercise price ($)**
Balance, July 1, 2010	353,000	0.16
Exercised	(353,000)	0.16
Granted	4,323,063	0.57
Balance on June 30, 2011	4,323,063	0.57
Granted	1,900,000	0.74
Forfeited	(300,000)	0.67
Balance, June 30, 2012	5,923,063	0.62

(Expressed in Canadian dollars)

8. EQUITY (cont'd)

e) Stock options (Cont'd)

Stock options outstanding and exercisable as at June 30, 3012 are as follows:

Granted on (Date)	# Options Outstanding	# Options Exercisable	Weighted average exercise price ($)	Expiry date
March 4, 2011	1,812,882	1,812,882	$0.51	March 4, 2016
March 4, 2011	1,385,181	1,385,181	$0.60	March 4, 2016
March 27, 2011	200,000	200,000	$0.65	March 27, 2016
March 31, 2011	75,000	75,000	$0.74	March 31, 2016
April 7, 2011	175,000	175,000	$0.70	April 7, 2016
May 6, 2011	200,000	200,000	$0.56	May 6, 2016
June 1, 2011	300,000	300,000	$0.67	June 1, 2016
August 26, 2011	1,000,000	333,333	$0.80	August 26, 2016
December 21, 2011	175,000	87,500	$0.68	December 21, 2016
January 11, 2012	600,000	300,000	$0.65	January 11, 2017
	5,923,063	4,868,896	$0.62	

9. PAYMENTS TO KEY MANAGEMENT PERSONNEL AND RELATED PARTY TRANSACTIONS

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the year ended June 30 consist of the following:

	2012	2011
	$	$
Payments to key management personnel:		
Cash compensation	**496,762**	186,000
Stock based compensation granted to senior management	**727,780**	187,622
Directors' fees	**300,000**	113,877
Related party transactions:		
Share based compensation granted to Directors not included with senior management	**-**	608,363
Private placement with Tulla	**-**	10,200,000
Advances received on Tulla loan (Note 10)	**12,500,001**	4,092,888
Interest accrued on Tulla loan (Note 10)	**1,502,627**	59,304

These transactions are in the normal course of operations and in the amount of consideration established and agreed to by the related parties.

10. LOAN PAYABLE

On November 8, 2010, the Company announced that a company controlled by director Kevin Maloney, had agreed to directly or through an affiliated company, Tulla, provide THEMAC with the financing necessary to complete the proposed acquisition of the Copper Flat project (the “Transaction”). Tulla had agreed to purchase 40,000,000 units of the Company (Note 8(c)) which was initially treated as a loan until the closing of the Transaction, at which time it was converted into such units.

In connection with the completion of the acquisition of the Copper Flat project, the TSXV also approved a loan agreement from Tulla to the Company (the “Original Loan”) entered into on February 25, 2011 for $5,250,000, and bearing an interest at 10% per annum. In case of default, the Original Loan was secured by any lands, tenements, buildings, houses and premises in the name of the Company or its subsidiary NMCC. The Original Loan could be repaid by the Company at any time without penalty, and was initially required to be repaid on demand, subject to the restriction that such demand for repayment could not be made until after the earlier of (a) the Company completed an equity financing for a minimum of gross proceeds of approximately $20,000,000, or (b) June 4, 2012. As at June 30, 2011, the total amount payable by the Company was $4,962,192, which consisted of outstanding principal of $4,900,000 and accrued interest of $62,192.

During the year ended June 30, 2012, several amending agreements were made to the original loan. The amendments deferred the earliest date on which Tulla could demand repayment to the earlier of (a) the day the Company completes an equity financing for a minimum amount of gross proceeds of at least $20,000,000 and (b) May 31, 2013. In addition, the amendments also increased the maximum principal amount of the loan to $15,000,000.

During the period from July 1, 2011 to March 29, 2012, the Company drew $10,100,000 in additional principal so that, at March 29, 2012, the maximum $15,000,000 in principal was outstanding.

On April 20, 2012, the Company entered into a new loan agreement with Tulla (the “New Loan”), which bears interest at 20% per annum and has a maximum principal amount of $25,000,000. (In case of default, the New Loan is secured by any lands, tenements, buildings, houses and premises in the name of the Company or its subsidiary NMCC). On April 20, 2012, the total amount outstanding under the Original Loan of $15,907,682 (consisting of $15,000,000 in principal and $907,682 in accrued interest) was rolled into the New Loan as a principal advance under the New Loan on that date. The New Loan is payable on demand, subject to the restriction that such demand for repayment cannot be made until after July 5, 2013.

During the period from April 21, 2012 to June 30, 2012, the Company drew an additional $2,400,001 in additional principal. At June 30, 2012, the total amount outstanding on the New Loan is $18,966,274, which consists of $18,307,683 of outstanding principal and $658,591 of accrued interest.

Accordingly, the undrawn loan amount available at June 30, 2012 is $6,692,317 (see Note 16, Subsequent Events).

(Expressed in Canadian dollars)

11. NON-CASH TRANSACTIONS

During the fiscal year ended June 30, 2012, the Company entered into the following non-cash transactions:

- Incurred $1,087,314 of deferred Copper Flat exploration and development costs through trade and other payables.
- Incurred $246,212 of deferred Copper Flat exploration and development costs through share-based payments.
- Incurred asset retirement obligations of $250,000 through deferred Copper Flat exploration and development costs.

During fiscal year ended June 30, 2011, the Company entered into the following non-cash transactions:

- Incurred $321,727 of deferred Copper Flat exploration and development costs through accounts payable.
- Incurred $163,503 of deferred Copper Flat exploration and development costs through share-based payments.
- Issued 10,500,000 common shares valued at $6,300,000 and 10,500,000 share purchase warrants valued at $5,250,000 to ECR for the acquisition of the rights to the Copper Flat property (Note 6(b)).
- Cancelled 93,750 escrowed shares valued at $938 (Note 6(c)).
- The Company issued 5,582,556 units, each consisting of one common share and one common share purchase warrant (note 6(b)(vii)). The share portion was valued at $600,272 and the warrants portion at $237,108.

12. INCOME TAXES

(a) A reconciliation between expense (recovery) and the product of accounting loss multiplied by THEMAC's domestic tax rate for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Statutory tax rate	**25.75%**	27.50%
Loss for the year	**(4,774,661)**	(2,930,360)
Expected income tax recovery	**(1,229,476)**	(805,849)
Effect of income tax rate changes	**7,867**	14,182
Foreign income tax rate difference	**(228,222)**	(38,809)
Non-deductible (taxable) items and other	**144,161**	480,100
Change in benefits not recognized	**887,915**	350,376
Income tax expense	**(417,755)**	—

(Expressed in Canadian dollars)

12. INCOME TAXES (cont'd)

(b) The components of deferred income tax assets and liabilities are:

	June 30 2012 $	June 30 2011 $	July 1 2010 $
Non-capital loss carry forwards	**1,494,082**	253,263	-
Start-up costs	**925,638**	195,316	-
Asset retirement obligation	**97,540**	-	-
Deferred exploration & evaluation	**(2,064,003)**	(445,035)	-
Unrealized foreign exchange gain	**(417,712)**	(3,544)	-
Property, plant & equipment	**(35,545)**	-	-
	-	-	-

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.

No deferred tax assets have been recognized on the consolidated statements of financial position when the Company has concluded that it is not probable that the benefits of deferred income tax assets will be realized prior to their expiry. As such, the Company has not recognized deferred tax assets on the following items:

	June 30 2012 $	June 30 2011 $	July 1 2010 $
Non-capital loss carry forwards	**1,498,674**	611,642	244,639
Unrealized foreign exchange loss	**-**	201,522	-
Mineral properties	**546,319**	546,319	546,319
Other	**6,936**	6,719	23,349
	2,051,929	1,366,202	814,307

(c) The Company has approximately $2,185,000 in foreign exploration development expenses in the Canadian entity, and $7,086,000 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 $11,234,000 in non-capital losses available for carry-forward. The non-capital losses available will expire on June 30 of the following years:

	$
2014	164,000
2015	116,000
2026	119,000
2027	149,000
2028	143,000
2029	89,000
2030	211,000
2031	2,218,000
2032	8,025,000
	11,234,000

13. CAPITAL DISCLOSURES

The Company considers its 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 the issuance of common shares.

The Company keeps its cash only in chequing accounts with one of the major Canadian banks, which is an institution of high credit worthiness. At June 30, 2012, the Company had cash of $544,533 (June 30, 2011 - $224,275).

The Company is not subject to any externally imposed capital requirements.

14. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2, these consolidated financial statements are prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in the preparation of:

- the consolidated statement of financial position as at June 30, 2012;
- the consolidated statement of financial position as at June 30, 2011;
- the Company's opening IFRS consolidated statement of financial position as at July 1, 2010;
- the consolidated statement of loss and comprehensive loss for the year ended June 30, 2012 and 2011

In preparing the opening IFRS consolidated statement of financial position, management has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

The Company adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The first date at which IFRS was applied was July 1, 2011. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

Optional one-time exemptions applied upon first-time adoption of IFRS

IFRS 1 contains certain optional one-time exemptions from the requirement to apply IFRS on a retrospective basis as at the date of transition. The IFRS 1 optional exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

a) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations* ("IFRS 3"), retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations occurring on or after the date of transition and therefore previous business combinations have not been restated. As a result of this election, no adjustments were required to the Company's opening consolidated statement of financial position as at the date of transition.

14. EXPLANATION OF TRANSITION TO IFRS (cont'd)

b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment* ("IFRS 2"), to equity instruments that vested before the date of transition or any unvested equity instruments that were granted prior to November 7, 2002. The Company has elected not to apply IFRS 2 to awards that vested prior to the date of transition.

Under IFRS, the fair value of options granted are recognized on a graded-vesting basis over the period during which each tranche of options vest. Canadian GAAP permitted recognition of share-based payments on this basis or on a straight-line basis. Since the Company previously recognized its share-based payments on a straight-line basis under Canadian GAAP an adjustment of $(37,987) was required for the year ended June 30, 2011.

c) Reclassification within Equity

Under Canadian GAAP, a balance within contributed surplus was comprised of the issuance of equity-settled employee benefits and cancellation of shares held in escrow. Upon adoption of IFRS, the balance pertaining to equity-settled employee benefits has been reclassified to "Share-based payment reserve".

d) Cumulative translation differences

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires an entity to classify certain translation differences as a separate component of equity. However, IFRS permits an entity to deem the cumulative translation account for all foreign operations to be nil at the date of transition, and reclassify any such amounts determined in accordance with Canadian GAAP at that date to retained earnings. When this is the case, the gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition.

In accordance with this optional IFRS 1 exemption, the Company has elected to adjust the foreign currency reserve to nil at the date of transition.

Beginning on July 1, 2010, foreign exchange amounts arising from the translation of the Company's foreign operations at each reporting date have been recognized within other comprehensive loss and accumulated within equity. The analysis which follows represents the reconciliation from Canadian GAAP to IFRS for the respective periods noted.

(Expressed in Canadian dollars)

14. EXPLANATION OF TRANSITION TO IFRS (cont'd)

Reconciliation of assets, liabilities and equity

	Note	July 1, 2010			June 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	**IFRS**	Canadian GAAP	Effect of transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**
ASSETS							
Current							
Cash		24,657	—	**24,657**	224,275		**224,275**
Taxes recoverable		7,396	—	**7,396**	7,808		**7,808**
Prepaid expenses and deposits		1,800	—	**1,800**	17,366		**17,366**
		33,853	—	**33,853**	249,449	—	**249,449**
Equipment, net of accumulated depreciation		225	—	**225**	9,773		**9,773**
Mineral properties	14 (d)	1,799,702	(18,789)	**1,780,913**	25,354,532	(472,229)	**24,882,303**
Deferred exploration and evaluation		—	—	**—**	2,183,010	(2,595)	**2,180,415**
Bonds		—	—	**—**	380,013		**380,013**
		1,833,780	(18,789)	**1,814,991**	28,176,777	(474,824)	**27,701,953**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Accounts payable and accrued liabilities		534,621	—	**534,621**	615,878		**615,878**
Due to related parties		33,250	—	**33,250**	154,380		**154,380**
Subscription received		921,167	—	**921,167**	—		**—**
		1,489,038	—	**1,489,038**	770,258	—	**770,258**
Loan payable - including interest		—	—	**—**	4,962,192		**4,962,192**
		1,489,038	—	**1,489,038**	5,732,450	—	**5,732,450**
SHAREHOLDERS' EQUITY							
Share capital		5,487,840	—	**5,487,840**	18,788,481		**18,788,481**
Warrants		151,964	—	**151,964**	10,072,430		**10,072,430**
Contributed surplus		113,977	(113,977)	**—**	1,922,816	(1,921,878)	**938**
Share-based payment reserve	14 (b)(c)	—	113,977	**113,977**	—	1,883,891	**1,883,891**
Foreign currency reserve	14 (d)	—	—	**—**	—	(418,049)	**(418,049)**
Deficit		(5,409,039)	(18,789)	**(5,427,828)**	(8,339,400)	(18,788)	**(8,358,188)**
		344,742	(18,789)	**325,953**	22,444,327	(474,824)	**21,969,503**
		1,833,780	(18,789)	**1,814,991**	28,176,777	(474,824)	**27,701,953**

(Expressed in Canadian dollars)

14. EXPLANATION OF TRANSITION TO IFRS (cont'd)

Reconciliation of loss and comprehensive loss

	Note	Year ended June 30, 2011		
		Canadian GAAP $	Effect of transition to IFRS $	**IFRS $**
EXPENSES				
Share-based payments	14 (b)	1,711,468	(37,987)	**1,673,481**
Personnel searches		230,047	—	**230,047**
Consulting		168,000	—	**168,000**
Directors' fees		113,877	—	**113,877**
Management fees		123,968	—	**123,968**
Filing and transfer agent fees		63,673	—	**63,673**
Travel		52,927	—	**52,927**
Accounting and audit		78,784	—	**78,784**
Foreign exchange (gain)	14 (d)	15,541	37,986	**53,527**
Interest expense		62,192		**62,192**
Interest (income)		(3,058)	—	**(3,058)**
Investor communication		157,834	—	**157,834**
Office and sundry		120,484	—	**120,484**
Legal fees		15,036	—	**15,036**
Other administration expenses		19,017	—	**19,017**
Depreciation		571	—	**571**
Loss for the period		(2,930,361)	1	**(2,930,360)**
Other comprehensive loss				
Exchange differences on translating foreign operations, net of tax	14 (d)	—	(418,049)	**(418,049)**
Total comprehensive loss for the period		(2,930,361)	(418,048)	**(3,348,409)**

(Expressed in Canadian dollars)

14. EXPLANATION OF TRANSITION TO IFRS (cont'd)

Reconciliation of cash flows

	Note	Year ended June 30, 2011 Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Operating activities				
Loss for the period	14 (b) (d)	(2,930,361)	1	**(2,930,360)**
Add non-cash items:				
Depreciation		571	—	**571**
Loss on settlement of debt	14 (c)	—	—	**—**
Share-based payments	14 (b)	1,711,468	(37,987)	**1,673,481**
Interest in loan payable		—	59,304	**59,304**
		(1,218,322)	21,318	**(1,197,004)**
Net change in non-cash working capital:				
Increase in taxes recoverable		(412)	—	**(412)**
Increase in prepaid expenses and deposits		(15,566)	3,540	**(12,026)**
Increase (decrease) in accounts payable and accrued liabilities	14 (d)	81,258	47,841	**129,099**
Increase (decrease) in amounts due to related parties		121,130	—	**121,130**
Changes in payables related to deferred exploration and evaluation		(321,727)	—	**(321,727)**
Cash used in operating activities		(1,353,639)	72,699	**(1,280,940)**
Investment activities				
Advance payments for purchase of Copper Flat		(14,082,623)	(181,402)	**(14,264,025)**
Purchase of computer equipment		(10,119)	(828)	**(10,947)**
Cash used in investment activities		(14,092,742)	(182,230)	**(14,274,972)**
Financing activities				
Cash received from loan advances		4,962,192	(59,304)	**4,902,888**
Proceeds from private placements		10,200,000	—	**10,200,000**
Exercise of warrants		511,111	—	**511,111**
Exercise of stock options		56,480	—	**56,480**
Share subscription received		(83,784)	—	**(83,784)**
Cash provided by financing activities		15,645,999	(59,304)	**15,586,695**
Effect of foreign exchange translation on cash		—	168,835	**168,835**
Net changes in cash position		199,618	—	**199,618**
Cash, beginning of the period		24,657	—	**24,657**
Cash, end of the period		224,275	—	**224,275**

(Expressed in Canadian dollars)

15 COMMITMENTS

The Company has the following financial commitments:

	Term from June 30, 2012		
	Less than 1 year $	**Between 1 and 5 years $**	**Greater than 5 years $**
Administration office rental	82,800	75,900	-
Site office rental	4,000	-	-
Site equipment rental	53,530	-	-
General liability & umbrella Insurance	8,080	-	-
Third-party contractors	142,707	-	-

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the Company received $3,625,000 in additional advances from Tulla pursuant to the New Loan.

On August 24, 2012, the Company granted an aggregate of 700,000 stock options pursuant to the Company's stock option plan, to certain officers, employees and consultant. Each option entitles the holder to purchase one common share of the Company at an exercise price of $0.58 per share for a period of 5 years.