THEMAC Resources Group Limited

Consolidated Financial Statements

For the year ended June 30, 2018
(Expressed in Canadian dollars)

Suite 488 – 625 Howe Street
Vancouver, BC
Canada V6C 2T6
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, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, 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 auditor considers 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, these consolidated financial statements present fairly, in all material respects, the financial position of THEMAC Resources Group Limited as at June 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about THEMAC Resources Group Limited's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

October 23, 2018

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

		2018		2017
ASSETS				
Current				
Cash	$	259,388	$	128,471
Receivables		7,750		10,046
Prepaid expenses and deposits (Note 4)		27,333		26,827
		294,471		165,344
Property and equipment (Note 5)		3,360,901		3,488,806
Bonds (Note 6)		350,331		362,901
Mineral property (Note 6)		33,983,876		33,494,038
Deferred exploration and evaluation (Note 6)		40,271,607		37,447,731
Total Assets	$	78,261,186	$	74,958,820
LIABILITIES				
Current				
Trade and other payables	$	744,445	$	469,052
Due to related parties (Note 10)		2,454,117		1,984,699
Property obligation (Note 8)		184,331		179,779
Loans payable (Note 7)		90,901,043		78,528,933
		94,283,936		81,162,463
Property obligation (Note 8)		2,041,040		2,173,648
Asset retirement obligation (Note 6)		440,013		470,929
Total Liabilities		96,764,989		83,807,040
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 9)		19,159,411		19,159,411
Warrants (Note 9)		10,072,430		10,072,430
Share-based payment reserve (Note 9)		3,973,465		3,801,786
Foreign currency translation reserve		14,301,636		13,530,836
Deficit		(66,010,745)		(55,412,683)
Total Shareholders' Deficiency		(18,503,803)		(8,848,220)
Total Liabilities and Shareholders' Deficiency	$	78,261,186	$	74,958,820

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

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

"Joel Schneyer"
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

	2018	2017
General Expenses		
Accounting and audit	$ 77,721	$ 125,350
Depreciation (Note 5)	9,645	17,889
Directors' fees (Note 10)	315,000	332,083
Filing fees and transfer agent fees	11,525	13,025
Finance expense (Note 7)	9,039,016	8,450,198
Foreign exchange	27,632	-
Interest on property obligation (Note 8)	126,257	118,352
Legal fees	44,394	12,697
Management fees	285,606	480,302
Office and sundry	449,642	516,028
Share-based payments (Note 9)	171,679	32,834
Travel	39,945	33,513
Loss for the year	(10,598,062)	(10,132,271)
Other comprehensive income		
Exchange differences on translating foreign operations	770,800	258,856
Total comprehensive loss	$(9,827,262)	$(9,873,415)
Net loss per share - basic and diluted	$ (0.13)	$ (0.13)
Weighted average number of outstanding 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

	2018	2017
OPERATING ACTIVITIES		
Loss for the year	$ (10,598,062)	$ (10,132,271)
Add non-cash items:		
Accrued interest expense	126,257	118,352
Accretion of asset retirement obligation	9,496	9,718
Depreciation	9,645	17,889
Finance expense	9,039,016	8,450,198
Share-based payments	171,679	32,834
	(1,241,969)	(1,503,280)
Net change in non-cash working capital items:		
Receivables	2,296	(4,039)
Prepaid expenses and deposits	41,690	58,912
Trade and other payables	(346,134)	52,629
Amounts due to related parties	469,418	394,037
Cash used in operating activities	(1,074,699)	(1,001,741)
INVESTING ACTIVITIES		
Advance payments for purchase of Copper Flat	(286,500)	(291,052)
Deferred exploration and development expenditures	(1,693,891)	(2,288,702)
Cash used in investing activities	(1,980,391)	(2,579,754)
FINANCING ACTIVITIES		
Cash received from loan advances	3,205,401	3,200,831
Cash provided by financing activities	3,205,401	3,200,831
Effect of foreign exchange translation on cash	(19,394)	(16,219)
Net changes in cash position	130,917	(396,883)
Cash position, beginning of year	128,471	525,354
Cash position, end of year	$ 259,388	$ 128,471

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the consolidated financial statements.

THEMAC Resources Group Limited
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Amount	Value	Warrants	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance, June 30, 2016	79,400,122	$ 19,159,411	$ 10,072,430	$ 3,680,993	$ 13,271,980	$ (45,280,412)	$ 904,402
Share-based payments	-	-	-	120,793	-	-	120,793
Comprehensive loss for the year	-	-	-	-	258,856	(10,132,271)	(9,873,415)
Balance, June 30, 2017	79,400,122	19,159,411	10,072,430	3,801,786	13,530,836	(55,412,683)	(8,848,220)
Share-based payments	-	-	-	171,679	-	-	171,679
Comprehensive loss for the year	-	-	-	-	770,800	(10,598,062)	(9,827,262)
Balance, June 30, 2018	79,400,122	$ 19,159,411	$ 10,072,430	$ 3,973,465	$ 14,301,636	$ (66,010,745)	$ (18,503,803)

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 #488 – 625 Howe Street, Vancouver, BC, V6C 2T6, Canada.

The Company has one operating segment, which is the exploration and development of its mineral property. The Company's main asset is the Copper Flat Project located in New Mexico, USA.

These 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 $10,598,062 for the year ended June 30, 2018, and had a working capital deficiency of $93,989,465 at June 30, 2018. In addition, the Company's forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company's loan agreements with Tulla Resources Group Pty Ltd. ("Tulla") (Note 7). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to advance the Copper Flat project. Realization values may be substantially different from carrying values, as shown, and these 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

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 supplemental cash flow information.

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company.

These consolidated financial statements were authorized for issuance by the Company's board of directors on October 23, 2018.

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 amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, income and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates and judgments.

Estimates

Accounts that require significant estimates as the basis for determining the stated amounts include the asset retirement obligation and share-based payments. Share-based payments expense is calculated using the Black-Scholes valuation model which requires significant judgment as to the consideration, such as stock option lives, forfeiture rates and stock volatility.

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

Judgments

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

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

An assessment of any impairment indicators for mineral properties, deferred exploration and evaluation costs is dependent upon factors such as resources, economic, and market conditions. The Company has judged that no such impairment indicators exist.

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 available-for-sale 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 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…)

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.

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 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"). The Company determines the classification of its financial assets at initial recognition.

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 profit 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 receivables 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 profit or loss. Transaction costs are expensed for assets classified as FVTPL. The Company's cash is classified as FVTPL.

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 loan payable are classified as other liabilities, which are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial liabilities (cont'd…)

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 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.

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.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

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 standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The Company will adopt IFRS 9 effective July 1, 2018 and report in accordance with the standard in its quarter ending September 30, 2018. The Company has assessed that there will be no material impact to the financial statements.

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's leases has not yet been determined.

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are integrated as follows:

	2018	2017
Advances to vendors and contractors	$ 300	$ 300
Prepaid insurance	14,628	14,295
Lease and rent deposits	12,405	12,232
	$ 27,333	$ 26,827

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Land	Vehicles	Furniture and Equipment	Total
Cost				
Balance, June 30, 2016	$ 3,229,250	$ 77,903	$ 1,072,035	$ 4,379,188
Net exchange differences	15,000	362	4,878	20,240
Balance, June 30, 2017	3,244,250	78,265	1,076,913	4,399,428
Net exchange differences	47,750	1,152	15,535	64,437
Balance, June 30, 2018	$ 3,292,000	$ 79,417	$ 1,092,448	$ 4,463,865
Accumulated Depreciation				
Balance, June 30, 2016	$ -	$ 70,296	$ 396,983	$ 467,279
Depreciation	-	7,814	443,340	451,154
Net exchange differences	-	155	(7,966)	(7,811)
Balance, June 30, 2017	-	78,265	832,357	910,622
Depreciation	-	-	172,900	172,900
Net exchange differences	-	1,152	18,290	19,442
Balance, June 30, 2018	$ -	$ 79,417	$ 1,023,547	$ 1,102,964
Net Book Value				
As at June 30, 2017	$ 3,244,250	$ -	$ 244,556	$ 3,488,806
As at June 30, 2018	$ 3,292,000	$ -	$ 68,901	$ 3,360,901

Depreciation of $163,255 (2017 - $433,265) has been capitalized to deferred exploration and evaluation expenditures.

6. MINERAL PROPERTY

Copper Flat Project

	Mineral property	Deferred exploration and evaluation	Total
Balance, June 30, 2016	$ 33,339,054	$ 34,111,007	$ 67,450,061
Additions	-	3,250,774	3,250,774
Net exchange differences	154,984	85,950	240,934
Balance, June 30, 2017	33,494,038	37,447,731	70,941,769
Additions	-	2,439,780	2,439,780
Net exchange differences	489,838	384,096	873,934
Balance, June 30, 2018	$ 33,983,876	$ 40,271,607	$ 74,255,483

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

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY (cont'd…)

Copper Flat Project (cont'd…)

The property is subject to a 3.25% net smelter return royalty, and quarterly advance royalty payments of US$50,000 (for copper prices under US$2.00/lb) or US$112,500 (for copper prices greater than US$2.00/lb).

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat. The Company has paid US$1,500,000 in connection with the agreement and paid a final amount of US$700,000 subsequent to June 30, 2018.

Bonds and deposits

As at June 30, 2018, the Company has posted bonds of $349,605 (US$265,496) (2017 – $343,686 (US$264,842)) in connection with the drilling permits for Copper Flat and deposits of $726 (US$551) (2017 - $19,215 (US$14,807)) posted with the Bureau of Land Management pursuant to a cost recovery agreement.

Asset Retirement Obligation

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

	2018	2017
Balance, beginning of the year	$ 470,929	$ 459,290
Finance expense	9,496	9,718
Change in estimates	(46,002)	-
Net exchange differences	5,590	1,921
Balance, end of the year	$ 440,013	$ 470,929

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is US$406,442 (2017 - US$406,442) which has been discounted using a pre-tax risk-free rate of 3.03% (2017 – 2.06%) and an inflation rate of 1.80% (2017 – 1.10%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

(Expressed in Canadian Dollars)

7. LOANS PAYABLE

	Principal	Finance Expense	Total
Balance, June 30, 2016	$ 40,637,246	$ 26,240,658	$ 66,877,904
Additions	3,200,831	8,450,198	11,651,029
Balance, June 30, 2017	43,838,077	34,690,856	78,528,933
Additions - CAD Loan	-	8,767,616	8,767,616
Additions - USD Loan	3,205,401	271,400	3,476,801
Net exchange differences	117,725	9,968	127,693
Balance, June 30, 2018	$ 47,161,203	$ 43,739,840	$ 90,901,043

The Company has a loan agreement (the “CAD Loan”) with Tulla, a firm that invests in natural resources. Mr. Kevin Maloney, who is Chairman of THEMAC is also director of Tulla. The CAD Loan 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.

During the year ended June 30, 2017, the Company and Tulla extended the CAD Loan to a maximum facility of $44,500,000, of which $43,838,077 was drawn at June 30, 2017. During the year ended June 30, 2018, the Company incurred an additional $8,767,616 in finance expense on the CAD Loan.

On June 30, 2017, the Company assigned the CAD Loan to its subsidiary, NMCC. Concurrently, NMCC entered into a separate loan agreement with Tulla (the “USD Loan”). During the year ended June 30, 2018, the Company drew down $3,205,401 (US$2,523,638) on the USD Loan. The Company has provided a guarantee of the repayment of the CAD and USD Loans on behalf of NMCC. The USD Loan has a maximum facility of US$4,775,000 and bears interest at 20% per annum. The USD Loan is unsecured and is payable on demand which demand cannot be made before June 30, 2019.

8. PROPERTY OBLIGATION

During the year ended June 30, 2013, the Company entered into an agreement, as subsequently amended, (“Fancher Agreement”) with a local rancher to purchase 1,220 acres of land within the Copper Flat Project area.

The total purchase price of the land is US$2,500,000 (“Purchase Price”) of which US$325,000 (the “Initial Payment”) was paid during the year ended June 30, 2013. The Purchase Price was scheduled by installments of US$125,000 on the second, third and fourth anniversaries of the Initial Payment and the balance of US$1,800,000 (“Final Payment”) on or before the fifth anniversary of the Initial Payment. During the years ended June 30, 2015, 2016 and 2017, the Company paid US$125,000 plus accrued interest pursuant to the second, third and fourth anniversary payments, respectively.

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

(Expressed in Canadian Dollars)

8. PROPERTY OBLIGATION (cont'd…)

If the Company has not, before the fifth anniversary of the Initial Payment, obtained all permits and approvals it deems necessary for the commercial operation of the Copper Flat Project, the Final Payment may be deferred for not more than five additional years if the Company makes ongoing annual installments of US$125,000 until the Final Payment (which will be reduced by the additional installments) and is making satisfactory progress toward obtaining such permits. As the Company has not currently obtained all permits and approvals deemed necessary for the commercial operation of the Copper Flat Project, nor has the Company obtained such permits and approvals by the fifth anniversary date (May 1, 2018), the Company has elected to defer the Final Payment by making the annual installments of US$125,000 by the fifth anniversary and subsequent anniversaries, until the earlier of the expiration of the Fancher Agreement, or such time that the permits and approvals are obtained.

		2018		2017
Balance, beginning of the year	$	2,353,427	$	2,502,542
Payment		(286,500)		(291,052)
Accrued interest		126,257		118,352
Net exchange differences		32,187		23,585
Balance, end of the year		2,225,371		2,353,427
Payable within the next fiscal year		(184,331)		(179,779)
Long-term portion	$	2,041,040	$	2,173,648

If the Company fails to make any payment under the terms of the Fancher Agreement, the vendors may issue notice of default which allows for a 30 day remedy period. If the period lapses without remedy, the vendors may elect to terminate the agreement, retain all payments made to date under the agreement and retain the land.

9. EQUITY

a) Authorized share capital

Unlimited common shares without par value.

b) Issued and fully paid

The Company did not complete any private placements during the years ended June 30, 2018 or 2017.

c) Stock options

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

(Expressed in Canadian Dollars)

9. EQUITY (cont'd…)

c) Stock options (cont'd…)

The continuity of stock options is as follows:

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

Stock options outstanding and exercisable as at June 30, 2018 are as follows:

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

During the year ended June 30, 2018, the Company granted 4,448,000 stock options to directors, employees, officers and consultants; each option is exercisable at a price of $0.05 per share until September 12, 2022. The Company has recognized share-based payments expense of $171,679. The weighted average assumptions used for the Black-Scholes valuation of the options were annualized volatility of 190%, risk-free interest rate of 1.75%, expected life of 5.0 years and a dividend rate of Nil%

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

10. RELATED PARTY TRANSACTIONS

Management Compensation

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

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd…)

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the years ended June 30, 2018 and 2017 consist of the following:

		2018		2017
Amounts paid or accrued to key management personnel:				
Cash compensation and accrued bonuses – expensed	$	252,518	$	444,490
Cash compensation and accrued bonuses – capitalized to deferred exploration and evaluation assets		453,426		985,199
Directors' fees		315,000		332,083
Fair value of stock options granted to senior management and directors		125,440		97,927
Related party transactions:				
Advances received on Tulla loans (Note 7)		3,205,401		3,200,722
Interest accrued on Tulla loans (Note 7) (unpaid)		9,039,016		8,450,026
Fees paid or accrued to Peacock Law, P.C., a law firm owned by a director		42,404		-

Amounts due to related parties consist of amounts due for expense reimbursements and accrued fees for compensation disclosed above. Amounts are non-interest bearing and due on demand.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the years ended June 30, 2018 and 2017, the Company entered into the following non-cash transactions:

- Incurred $411,661 (2017 - $129,793) of deferred Copper Flat exploration and evaluation expenditures through trade and other payables and $944,124 (2017 - $614,633) through due to related parties.

- Incurred $Nil (2017 - $87,959) of deferred Copper Flat exploration and evaluation expenditures through share-based payments.

- Recognized depreciation of $163,256 (2017 - $433,265) in deferred Copper Flat exploration and evaluation expenditures.

- Recognized a recovery of $46,002 (2017 - $Nil) against deferred Copper Flat exploration and evaluation expenditures for the adjustment of asset retirement obligations.

(Expressed in Canadian Dollars)

12. 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, 2018 and 2017 is as follows:

	2018	2017
Statutory tax rate	26.50%	26.00%
Loss before income taxes	$ (10,598,062)	$ (10,132,271)
Expected income tax recovery	$ (2,808,000)	$ (2,634,000)
Foreign income tax rate difference	1,035,000	(807,000)
Non-deductible items and other	3,051,000	4,223,000
Change in estimates	181,000	(1,943,000)
Changes in benefits not recognized	(1,459,000)	1,161,000
Income tax expense (recovery)	$ -	$ -

The components of deferred income tax assets and liabilities are:

	2018	2017
Non-capital losses	$ 4,148,000	$ 5,613,000
Start-up costs	1,142,000	1,696,000
Asset retirement obligation	126,000	184,000
Deferred exploration and evaluation	(5,493,000)	(7,544,000)
Equipment	77,000	51,000
	$ -	$ -

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.

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:

	2018	2017
Non-capital losses	$ 4,288,000	$ 6,344,000
Mineral property	590,000	568,172
Other	7,000	4,000
	$ 4,885,000	$ 6,916,172

The Company has approximately $2,185,000 in foreign exploration development expenses in the Canadian entity, and $16,784,000 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 $34,974,000 in non-capital losses available for carry-forward which expire through 2038.

12. INCOME TAXES (cont'd…)

The Company has recognized a provision of $112,000 (2017 - $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.

13. 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.

14. 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, 2018, the Company had cash of $259,388 (2017 - $128,471).

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended June 30, 2018.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, bonds, trade and other payables, amounts due to related parties, loans payable and property obligation. The fair value of cash, receivables, bonds, trade and other payables, due to related parties and loans payable approximate their carrying values due to their short-term nature.

The property obligation is carried at amortized cost. The fair value of the property obligation approximates its carrying value as it reflects the amount payable as at the reporting date to discharge the liability.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Currency Risk

The Company is subject to currency risks. The Company's Copper Flat project is located in the United States of America, and many of the Company's expenditures on this project are denominated in US dollars. The Company maintains its principal office in Canada, and has monetary assets and liabilities in Canadian and US dollars. The currency exchange rate between the US and Canadian dollars fluctuated from a low of US$0.76 to a high of US$0.81 for CAD$1 during the year ended June 30, 2018. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $1,686,000. 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.

15. FINANCIAL INSTRUMENTS (cont'd…)

Interest rate and credit risk

The Company has a cash balance, receivables, trade and other payables, amounts due to related parties, loans payable (Note 7) and property obligation (Note 8). Amounts owed to related parties, excluding the loans payable, do not bear interest, and, therefore, these amounts are not exposed to interest rate variations. The loans payable bear an interest rate of 20% per annum on outstanding amounts. The property obligation bears interest at a rate of 3.5% per annum adjusted for fluctuations in LIBOR. While changes in LIBOR were insignificant in the period presented, it is possible that adjustments in the future could be significant.

Receivables typically consist of Canadian Goods and Services Tax ("GST") due from the Federal Government of Canada. Management believes that the credit risk with respect to receivables is remote. In addition, the Company is satisfied with the credit rating of the banks where the cash is held.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of trade and other payables, due to related parties, loans payable and property obligation. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and future obligations compared to the Company's current cash position and expected cash receipts. The objective of the Company is to manage its liquidity risk by maintaining sufficient cash to meet its anticipated operational needs. Due to the relatively low cash position of the Company, the Company is exposed to liquidity risk.

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.

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, the Company:

- Drew down a further US$1,558,797 on the USD Loan (Note 7) and extended the facility to US$4,775,000 from the original facility of US$3,000,000.

- Paid the final amount of US$700,000 on the option agreement to acquire the water rights related to Copper Flat (Note 6). However, some of these water rights have been deemed invalid by the State of New Mexico Third District Court. The Company is appealing the Court's decision and is reviewing additional options for water rights.

- Entered into settlement agreements with the CEO, COO and key employees with respect to past bonuses accrued and owing. The Company has approved long term bonus agreements which allow for the settlement of US$917,406 of accrued bonuses with an immediate cash payment of US$38,034 and the balance of US$879,372, in a combination of cash and shares, in the event the Company completes an equity financing of not less than US$10,000,000 or a sale transaction of not less than 50% of the Company's equity, interest in NMCC or assets. The agreements expire in 5 years at which time any unpaid obligations will also expire.