



# **THEMAC Resources Group Limited**

## **Condensed Consolidated Interim Financial Statements**

**For the three months ended September 30, 2023**  
(Expressed in Canadian dollars)

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

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

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

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

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

**THEMAC Resources Group Limited**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian Dollars)*

| <b>As at</b>                                          | <b>September 30<br/>2023</b> | <b>June 30,<br/>2023</b> |
|-------------------------------------------------------|------------------------------|--------------------------|
| <b>ASSETS</b>                                         |                              |                          |
| <b>Current</b>                                        |                              |                          |
| Cash                                                  | \$ 65,730                    | \$ 101,537               |
| Receivables                                           | 1,342                        | 2,387                    |
| Prepaid expenses and deposits                         | 24,436                       | 12,448                   |
|                                                       | 91,508                       | 116,372                  |
| Property and equipment (Note 3)                       | 3,423,108                    | 3,355,186                |
| Bonds (Note 4)                                        | 185,271                      | 181,541                  |
| Mineral property (Note 4)                             | 35,839,423                   | 35,117,330               |
| Deferred exploration and evaluation costs (Note 4)    | 47,798,670                   | 47,012,896               |
| <b>Total Assets</b>                                   | <b>\$ 87,337,980</b>         | <b>\$ 85,783,325</b>     |
| <b>LIABILITIES</b>                                    |                              |                          |
| <b>Current</b>                                        |                              |                          |
| Trade and other payables                              | \$ 674,977                   | \$ 360,553               |
| Due to related parties (Note 8)                       | 2,237,435                    | 3,228,843                |
| Property obligation (Note 6)                          | -                            | 1,701,725                |
| Loans payable - Tulla (Note 5)                        | 163,118,057                  | 157,099,809              |
|                                                       | 166,030,469                  | 162,390,930              |
| Asset retirement obligation (Note 4)                  | 534,068                      | 647,260                  |
| <b>Total Liabilities</b>                              | <b>166,564,537</b>           | <b>163,038,190</b>       |
| <b>SHAREHOLDERS' DEFICIENCY</b>                       |                              |                          |
| Share capital (Note 7)                                | 19,159,411                   | 19,159,411               |
| Warrants                                              | 10,072,430                   | 10,072,430               |
| Share-based payment reserve                           | 3,973,465                    | 3,973,465                |
| Foreign currency translation reserve                  | 15,704,497                   | 14,552,251               |
| Deficit                                               | (128,136,360)                | (125,012,422)            |
| <b>Total Shareholders' Deficiency</b>                 | <b>(79,226,557)</b>          | <b>(77,254,865)</b>      |
| <b>Total Liabilities and Shareholders' Deficiency</b> | <b>\$ 87,337,980</b>         | <b>\$ 85,783,325</b>     |

Nature of operations and going concern (Note 1)  
Contingency (Note 8)  
Subsequent events (Note 13)

*See accompanying notes to the condensed consolidated interim financial statements.*

On behalf of the Board of Directors:

"Barrett Sleeman"  
Director

"Andrew Maloney"  
Director

**THEMAC Resources Group Limited**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
*(Expressed in Canadian Dollars)*  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30,**

|                                                             | 2023                  | 2022              |
|-------------------------------------------------------------|-----------------------|-------------------|
| <b>General Expenses</b>                                     |                       |                   |
| Accounting and audit                                        | \$ 9,769              | \$ 8,776          |
| Depreciation (Note 3)                                       | 1,003                 | 976               |
| Directors' fees (Note 8)                                    | 76,114                | 69,276            |
| Filing fees and transfer agent fees                         | 3,283                 | 534               |
| Finance expense (Note 5)                                    | 3,063,201             | 2,896,602         |
| Foreign exchange                                            | (798)                 | 15,128            |
| Interest on property obligation (Note 6)                    | 12,184                | 19,106            |
| Legal fees                                                  | 16,878                | 4,671             |
| Management fees (Note 8)                                    | 31,288                | 26,503            |
| Office and sundry                                           | 136,029               | 76,199            |
| Travel                                                      | 19,319                | 1,781             |
|                                                             | (3,368,270)           | (3,119,552)       |
| Recovery of accrued amounts due to related parties (Note 8) | <u>244,332</u>        | <u>-</u>          |
| <b>Loss for the period</b>                                  | (3,123,938)           | (3,119,552)       |
| <b>Other comprehensive income</b>                           |                       |                   |
| Exchange differences on translating foreign operations      | <u>1,152,246</u>      | <u>3,811,427</u>  |
| <b>Total comprehensive income/(loss)</b>                    | <u>\$ (1,971,692)</u> | <u>\$ 691,875</u> |
| <b>Net loss per share - basic and diluted</b>               | <u>\$ (0.04)</u>      | <u>\$ (0.04)</u>  |
| Weighted average number of outstanding common shares        |                       |                   |
| - basic and diluted                                         | 79,400,122            | 79,400,122        |

*See accompanying notes to the condensed consolidated interim financial statements.*

**THEMAC Resources Group Limited**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian Dollars)*  
**FOR THE PERIOD ENDED SEPTEMBER 30,**

|                                                       | 2023               | 2022              |
|-------------------------------------------------------|--------------------|-------------------|
| <b>OPERATING ACTIVITIES</b>                           |                    |                   |
| Loss for the period                                   | \$ (3,123,938)     | \$ (3,119,552)    |
| Add non-cash items:                                   |                    |                   |
| Interest on property obligation                       | 12,184             | 19,106            |
| Accretion of asset retirement obligation              | -                  | -                 |
| Depreciation                                          | 1,003              | 976               |
| Increase in loan payable                              | 3,063,201          | 2,896,602         |
| Recovery of accrued amounts due to related parties    | (244,332)          |                   |
|                                                       | <u>(291,882)</u>   | <u>(202,868)</u>  |
| Net change in non-cash working capital items:         |                    |                   |
| Receivables                                           | 1,045              | (508)             |
| Prepaid expenses and deposits                         | (16,687)           | (11,422)          |
| Trade and other payables                              | 8,675              | (107,581)         |
| Amounts due to related parties                        | 78,804             | 125,899           |
| <b>Cash used in operating activities</b>              | <u>(220,045)</u>   | <u>(196,480)</u>  |
| <b>INVESTING ACTIVITIES</b>                           |                    |                   |
| Payments for purchase of Copper Flat                  | (1,708,365)        | -                 |
| Deferred exploration and evaluation expenditures      | (479,089)          | (345,220)         |
| <b>Cash used in investing activities</b>              | <u>(2,187,454)</u> | <u>(345,220)</u>  |
| <b>FINANCING ACTIVITY</b>                             |                    |                   |
| Cash received from Tulla loan advances                | 2,397,395          | 560,420           |
| <b>Cash provided by financing activity</b>            | <u>2,397,395</u>   | <u>560,420</u>    |
| <b>Effect of foreign exchange translation on cash</b> | <u>(25,703)</u>    | <u>7,288</u>      |
| <b>Net changes in cash position</b>                   | (35,807)           | 26,008            |
| Cash position, beginning of period                    | 101,537            | 87,075            |
| <b>Cash position, end of period</b>                   | <u>\$ 65,730</u>   | <u>\$ 113,083</u> |

Supplemental disclosures with respect to cash flows (Note 9)

*See accompanying notes to the condensed consolidated interim financial statements.*

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

|                                     | Share capital |               |               | Share-based<br>payment<br>reserve | Foreign<br>currency<br>translation<br>reserve | Deficit          | Total           |
|-------------------------------------|---------------|---------------|---------------|-----------------------------------|-----------------------------------------------|------------------|-----------------|
|                                     | Amount        | Value         | Warrants      |                                   |                                               |                  |                 |
| Balance, June 30, 2022              | 79,400,122    | \$ 19,159,411 | \$ 10,072,430 | \$ 3,973,465                      | \$ 12,895,225                                 | \$ (112,114,367) | \$ (66,013,836) |
| Comprehensive income for the period | -             | -             | -             | -                                 | 3,811,427                                     | (3,119,552)      | 691,875         |
| Balance, September 30, 2022         | 79,400,122    | \$ 19,159,411 | \$ 10,072,430 | \$ 3,973,465                      | 16,706,652                                    | (115,233,919)    | (65,321,961)    |
| Comprehensive loss for the period   | -             | -             | -             | -                                 | (2,154,401)                                   | (9,778,503)      | (11,932,904)    |
| Balance, June 30, 2023              | 79,400,122    | \$ 19,159,411 | \$ 10,072,430 | \$ 3,973,465                      | \$ 14,552,251                                 | \$ (125,012,422) | \$ (77,254,865) |
| Comprehensive loss for the period   |               |               |               |                                   | 1,152,246                                     | (3,123,360)      | (1,971,692)     |
| Balance, September 30, 2023         | 79,400,122    | \$ 19,159,411 | \$ 10,072,430 | \$ 3,973,465                      | \$ 15,704,497                                 | \$ (128,136,360) | \$ (79,226,557) |

*See accompanying notes to the condensed consolidated interim financial statements.*

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

THEMAC Resources Group Limited ("THEMAC" or the "Company") was incorporated on February 24, 1997 under the Business Corporations Act (Yukon) by registration of its Articles of Incorporation. The company is listed on the TSX Venture Exchange (the "TSX-V") under the symbol MAC. The Company is in the business of acquiring, exploring, and developing natural resource properties. The address of the Company's registered office is #1500 – 409 Granville Street, Vancouver, BC, V6C 1T2, Canada.

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

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company incurred a loss of \$3,123,938 for the period ended September 30, 2023, and had a working capital deficiency of \$165,938,961 at September 30, 2023. In addition, the Company's forecast cash requirements for the next twelve months exceeds the undrawn amount available under the Company's loan agreements with Tulla Resources Group Pty Ltd. ("Tulla") (Note 5). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to advance the Copper Flat project. Realization values may be substantially different from carrying values, as shown, and these condensed consolidated interim financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

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

## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

These condensed consolidated interim financial statements were authorized for issuance by the Company's board of directors on November 29, 2023.

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

### **Significant accounting judgments and estimates**

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

#### ***Estimates***

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

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

#### ***Judgments***

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

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

An assessment of any impairment indicators for mineral properties, deferred exploration and evaluation costs is dependent upon factors such as resources, economic, and market conditions.



**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Expressed in Canadian Dollars)*  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2023**

**3. PROPERTY AND EQUIPMENT**

|                                 | Land |           | Vehicles |        | Furniture and Equipment |           | Total        |
|---------------------------------|------|-----------|----------|--------|-------------------------|-----------|--------------|
| <b>Cost</b>                     |      |           |          |        |                         |           |              |
| Balance, June 30, 2022          | \$   | 3,222,815 | \$       | 47,228 | \$                      | 1,069,938 | \$ 4,339,981 |
| Net exchange differences        |      | 89,135    |          | 1,306  |                         | 29,000    | 119,441      |
| Balance, June 30, 2023          | \$   | 3,311,950 | \$       | 48,534 | \$                      | 1,098,938 | \$ 4,459,422 |
| Net exchange differences        |      | 68,050    |          | 997    |                         | 22,140    | 91,187       |
| Balance, September 30, 2023     | \$   | 3,380,000 | \$       | 49,531 | \$                      | 1,121,078 | \$ 4,550,609 |
| <b>Accumulated Depreciation</b> |      |           |          |        |                         |           |              |
| Balance, June 30, 2022          | \$   | -         | \$       | 47,228 | \$                      | 1,024,000 | \$ 1,071,228 |
| Depreciation                    |      | -         |          | -      |                         | 4,006     | 4,006        |
| Net exchange differences        |      | -         |          | 1,306  |                         | 27,696    | 29,002       |
| Balance, June 30, 2023          | \$   | -         | \$       | 48,534 | \$                      | 1,055,702 | \$ 1,104,236 |
| Depreciation                    |      | -         |          | -      |                         | 1,003     | 1,003        |
| Net exchange differences        |      | -         |          | 997    |                         | 21,265    | 22,262       |
| Balance, September 30, 2023     | \$   | -         | \$       | 49,531 | \$                      | 1,077,970 | \$ 1,127,501 |
| <b>Net Book Value</b>           |      |           |          |        |                         |           |              |
| As at June 30, 2023             | \$   | 3,311,950 | \$       | -      | \$                      | 43,236    | \$ 3,355,186 |
| As at September 30, 2023        | \$   | 3,380,000 | \$       | -      | \$                      | 43,108    | \$ 3,423,108 |

**4. MINERAL PROPERTY**

**Copper Flat Project**

|                             | Mineral property |            | Deferred exploration and evaluation |            | Total         |
|-----------------------------|------------------|------------|-------------------------------------|------------|---------------|
| Balance, June 30, 2022      | \$               | 34,171,499 | \$                                  | 44,900,201 | \$ 79,071,700 |
| Additions                   |                  | -          |                                     | 885,197    | 885,197       |
| Net exchange differences    |                  | 945,831    |                                     | 1,227,498  | 2,173,329     |
| Balance, June 30, 2023      | \$               | 35,117,330 | \$                                  | 47,012,896 | \$ 82,130,226 |
| Additions                   |                  | -          |                                     | (172,155)  | (172,155)     |
| Net exchange differences    |                  | 722,093    |                                     | 957,929    | 1,680,022     |
| Balance, September 30, 2023 | \$               | 35,839,423 | \$                                  | 47,798,670 | \$ 83,638,093 |

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

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

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

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat. The Company paid US\$1,500,000 at the time of the agreement and paid a final amount of US\$700,000 in the year ended June 30, 2019. All amounts paid to date relate to vested water rights only; at the time of purchase certain inchoate water rights were included in the transaction with no attributable value. The State of New Mexico Court of Appeals deemed the inchoate water rights as extinguished.

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

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

#### **Bonds**

As at September 30, 2023, the Company has posted bonds of \$185,271 (US\$137,035) (June 30, 2023 – \$181,541 (US\$137,035)) on the Copper Flat claims.

#### **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.

|                                  | September 30,<br>2023 | June 30,<br>2023 |
|----------------------------------|-----------------------|------------------|
| Balance, beginning of the period | \$ 647,260            | \$ 688,480       |
| Additions                        | -                     | -                |
| Finance expense                  | -                     | 54,331           |
| Change in estimates              | (125,539)             | (115,253)        |
| Net exchange differences         | 12,347                | 19,702           |
| Balance, end of the period       | \$ 534,068            | \$ 647,260       |

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is US\$500,000 (June 30, 2023 – US\$500,000) which has been discounted using a pre-tax risk-free rate of 3.98% (June 30, 2023 – 3.98%) and an inflation rate of 2.00% (June 30, 2023 – 2.00%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Expressed in Canadian Dollars)*  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2023**

**5. LOANS PAYABLE**

*Tulla Loans*

|                             | Principal     | Finance Expense | Total          |
|-----------------------------|---------------|-----------------|----------------|
| Balance, June 30, 2022      | \$ 56,990,278 | \$ 86,051,453   | \$ 143,041,731 |
| Additions - USD Loan        | 1,852,953     | 11,685,698      | 13,538,651     |
| Net exchange differences    | 343,671       | 175,756         | 519,427        |
| Balance, June 30, 2023      | \$ 59,186,902 | \$ 97,912,907   | \$ 157,099,809 |
| Additions - USD Loan        | 2,397,395     | 3,063,201       | 5,460,596      |
| Net exchange differences    | 333,544       | 224,108         | 557,652        |
| Balance, September 30, 2023 | \$ 61,917,841 | \$ 101,200,216  | \$ 163,118,057 |

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

NMCC has entered into an additional loan agreement with Tulla (the "USD Loan") denominated in US dollars. The USD Loan has a maximum facility of US\$14,000,000 and bears interest at 20% per annum. The USD Loan is unsecured and is payable on demand, such demand not to be made before June 30, 2024. The Company has drawn US\$13,372,607 (June 30, 2023 - US\$11,585,943) against the USD Loan facility as at September 30, 2023.

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

**6. PROPERTY OBLIGATION**

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 was US\$2,500,000 ("Purchase Price") with interest accruing at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date.

The Purchase Price has been scheduled by installments. During the three months ended September 30, 2023, the Company made a final payment of US\$1,279,195 (CAD\$1,708,365), settling the remaining debt obligations.

|                                  | September 30,<br>2023 | June 30,<br>2023 |
|----------------------------------|-----------------------|------------------|
| Balance, beginning of the period | \$ 1,701,725          | \$ 1,531,359     |
| Payment                          | (1,708,365)           | -                |
| Accrued interest                 | 12,184                | 133,461          |
| Net exchange differences         | (5,544)               | 36,905           |
| Balance, end of the period       | -                     | 1,701,725        |

**THEMAC Resources Group Limited**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Expressed in Canadian Dollars)*  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2023**

**7. EQUITY**

**a) Authorized share capital**

Unlimited common shares without par value.

**b) Issued and fully paid**

The Company did not complete any private placements during the period ended September 30, 2023, or the year ended June 30, 2023.

**c) Stock options**

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

The continuity of stock options is as follows:

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

**8. RELATED PARTY TRANSACTIONS**

**Management Compensation**

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

The aggregate of amounts paid or accrued to parties not at arm's length to the Company for the periods ended September 30, 2023, and 2022 consist of the following:

|                                                                                                   | 2023      | 2022      |
|---------------------------------------------------------------------------------------------------|-----------|-----------|
| Amounts paid or accrued to key management personnel:                                              |           |           |
| Cash compensation and accrued bonuses – expensed to management fees                               | \$ 30,488 | \$ 16,803 |
| Cash compensation and accrued bonuses – capitalized to deferred exploration and evaluation assets | 121,951   | 67,213    |
| Directors' fees                                                                                   | 76,114    | 69,275    |
| Related party transactions:                                                                       |           |           |
| Advances received on Tulla loans (Note 5)                                                         | 2,397,395 | 560,420   |
| Interest accrued on Tulla loans (Note 5) (unpaid)                                                 | 3,063,201 | 2,896,602 |

## **8. RELATED PARTY TRANSACTIONS (cont'd...)**

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

In 2018, the Company has approved long term bonus agreements which allow for the settlement of US\$888,594, in a combination of cash and shares, in the event the Company completes an equity financing of not less than US\$10,000,000. In the event the Company completes a sale transaction of not less than 50% of the Company's equity or interest in NMCC, the amount will be settled in cash. These original long term bonus agreements expired in July 2023, at which time the Company recorded a recovery of amounts accrued due to related parties of \$1,070,196, of which \$244,332 was recorded to the net income (loss) for the period and \$825,864 was recorded to deferred exploration and evaluation costs, for amounts previously accrued. During the period ended September 30, 2023, the agreements were amended to a potential settlement and bonus of US\$3,671,084 contingent on the same equity financing and sale transaction conditions payable to the CEO and former COO. The contingent bonus and settlement payable expires in October 2028. Contingent payments are not recorded to the financial accounts of the Company.

As at September 30, 2023, the Company owes various parties not at arm's length \$2,237,435 (June 30, 2023 - \$3,228,843). All amounts are included in due to related parties.

## **9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

During the three months period ended September 30, 2023 and 2022, the Company entered into the following non-cash transactions:

- Investing cashflows on the Copper Flat exploration and evaluation expenditures have been adjusted for amounts included in accounts payable and accrued liabilities of \$310,111 (2022 - \$247,722) and \$nil (2022 - \$845,580) included in due to related parties.
- A change to the estimate of to asset retirement obligations of \$125,539 (2022 - \$nil) to deferred exploration and evaluation costs.
- A recovery of amounts accrued due to related parties of \$825,864 (2022 - \$nil) to deferred exploration and evaluation costs.

## **10. SEGMENTED INFORMATION**

The Company operates in one business segment which is the exploration of its mineral property in New Mexico, USA. The Company's non-current assets are located in the United States of America.

## **11. CAPITAL DISCLOSURES**

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

The Company keeps its cash only in chequing accounts with major Canadian, Australian and US institutions of high credit worthiness. At September 30, 2023, the Company had cash of \$65,730 (June 30, 2023 - \$101,537).

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period ended September 30, 2023.

## **12. FINANCIAL INSTRUMENTS**

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The fair value of the loan payable to Tulla 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\$0.74 to a high of US\$0.76 for CAD\$1 during the three-month period ended September 30, 2023. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income by approximately \$11,242,000. 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, receivables, bonds, trade, and other payables, amounts due to related parties, and loans payable (Note 5). 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.

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.

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

### *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, and loans payable. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and future obligations compared to the Company's current cash position and expected cash receipts. The objective of the Company is to manage its liquidity risk by maintaining sufficient cash to meet its anticipated operational needs. Due to the relatively low cash position of the Company, the Company is exposed to liquidity risk.

The Company has identified the outstanding Tulla Loans and negative working capital position as a significant liquidity risk to the Company. Tulla has not made demand for payment of the Loans to date.

### *Price risk*

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

## **13. SUBSEQUENT EVENT**

Subsequent to September 30, 2023 the Company drew down a further US\$50,000 on the USD Loan.