THEMAC Resources Group Limited

Form 51-102F1

Management's Discussion & Analysis (MD&A)

For the six months ended December 31, 2018

Dated: March 1, 2019

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

This report covers financial and technical information related to the six months ended December 31, 2018 and other relevant information available up to the date of this report. This report should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended December 31, 2018 and the audited consolidated financial statements for the year ended June 30, 2018 and the related notes.

Financial results are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to THEMAC Resources Group Limited (“THEMAC” or the “Company”) is available for view on the Company’s website at www.themacresourcesgroup.com and under the Company’s profile on SEDAR at www.sedar.com.

Cautionary Note on Forward-Looking Statements

When used in this document, words such as ‘estimate’, ‘expect’, ‘anticipate’, ‘believe’, and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management’s future plans, objects, and goals for the Company, and, therefore, involve inherent risks and uncertainties.

Shareholders and prospective investors should be aware that the forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risk, and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, projections, and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events, or such factors which affect this information, except as required by law.

Description of business and project update

The Company was incorporated on February 24, 1997, under the Business Corporations Act (Yukon), Canada. The Company is in the business of developing its Copper Flat Mine in New Mexico (“Copper Flat” or the “Mine”) through its subsidiary New Mexico Copper Corporation (“NMCC”).

The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada, and trades its shares on the TSX Venture Exchange (“TSX-V”) under the symbol MAC.

About the Copper Flat Mine

Substantially all of the Company’s business efforts since the acquisition of Copper Flat have been focused on geologic and engineering studies, securing water rights, and re-permitting the Mine with a view to bringing it back into commercial production.

Copper Flat is a former producing polymetallic (copper, molybdenum, gold, and silver) mine located in the Hillsboro Mining District of Sierra County, New Mexico. The mine property is located approximately 150 miles (242 kilometers (km)) south of Albuquerque, New Mexico, and 20 miles (32 km) southwest of Truth or Consequences, New Mexico. The mine property consists of 28 patented lode mining claims, 4 patented placer mining claims, 202 unpatented lode mining claims, 41 unpatented placer mining claims, 9 unpatented mill sites, and 16 fee land parcels in contiguous and non-contiguous land parcels and claim blocks. The Project site is crosscut by numerous dirt roads, power lines, placer and concentrator tailings, and other surface infrastructure dating from prior mine operations and therefore the site can best be characterized as a “brownfields” disturbed site.

A purchase agreement executed in April 2013 with a local rancher (the “Fancher Agreement”) added 1,200 acres to the Company-owned real property in the Project area, increasing the Company’s total contiguous and non-contiguous land parcels and mining claims at Copper Flat to 4,741 acres (1,918 hectares). The Company controls 100% of the property located within the approximate 2,190 acre (886 hectare) mine area.

Quintana Minerals Corporation (“Quintana”) operated the Mine for a short period ending in June 1982 when operations were curtailed due to falling copper prices. During this period, Quintana mined and processed 1.48 million short tons (Mst) of ore to yield 7.4 million pounds (“Mlbs”) of copper, 2,301 ounces (“Oz”) of gold, and 55,966 Oz of silver. A salable molybdenum product was planned but a molybdenum production circuit was not constructed due to the short operating period.

The Copper Flat deposit is a polymetallic porphyry deposit containing copper, molybdenum, gold, and silver. The mineral grade and recovery have been demonstrated by historic production and metallurgical test work, and through additional assays obtained from the Company’s exploration drilling programs. The Company completed a Feasibility Study, with an effective date of October 7, 2013, for restarting the Mine (the “Study”). The Study was prepared by M3 Engineering and Technology Corporation (“M3”) with assistance from Independent Mining Consultants and Golder Associates. The Study is summarized in a Canadian Securities Administrators National Instrument 43-101 (“NI 43-101”) compliant technical report titled “Copper Flat Project – Form 43-101 Technical Report Feasibility Study” that was filed on www.sedar.com (SEDAR) on November 21, 2013.

Existing infrastructure in place at Copper Flat includes a pre-stripped open pit, power lines, water well field and fresh water and pipeline, access roads, diversion channels, site grading, building foundations, and a tailings dam that is planned for replacement. Infrastructure in the region surrounding Copper Flat includes interstate and state highways, railroads, power and communication lines, and several communities. For more information, visit www.themacresourcesgroup.com.

In connection with the completion of the Study, the Company identified the following principal steps needed to bring the Copper Flat Mine into commercial production:

- Secure Water Rights
- Receive Federal EIS Record of Decision from US Bureau of Land Management
- Receive State Discharge Permit and State Mine Permit
- Complete Plant Engineering
- Construct Facilities
- Commence Operations
- Achieve Commercial Production

Permitting

During the six months ending December 31, 2018, the Company's activities continued to focus on securing a sufficient water supply to operate the Mine and obtaining Federal and State operating permits to construct and operate the Mine.

Water resources are carefully managed and controlled in the Western United States, and appropriation of water rights for use by Copper Flat is managed by the Office of the State Engineer for New Mexico ("NMOSE" or "OSE").

In 2015, the Company filed for court adjudication of nearly 7,500 acre feet of vested and inchoate water rights to operate the mine. On December 28, 2017, the State of New Mexico Third District Court ruled that the majority of the water rights currently controlled by the Company were invalid and extinguished as the result of non-use and the failure to pursue a continuous plan of development by the previous Project owner's; leaving the Company with approximately 862 acre feet of vested water rights, a water element of 34 acre feet associated with the existing open pit, and a stock right in one well. The vested water rights that the Court has determined exist fall far short of the requirements for the Copper Flat Project. The Company filed an appeal of this decision on March 27, 2018. At the same time, parties opposing the Company's water rights filed cross appeals protesting the Court recognized water rights. The appeals have been assigned to the New Mexico Court of Appeals General Calendar. The Company's appeal brief is due on February 27, 2019.

The Company believes that ensuring pumping of the production wells will not impair other water users is critical for obtaining a water permit in New Mexico and has taken the necessary mitigation steps to avoid this potential outcome. Expert hydrologists working for the Company have reviewed all available data and created an extensive and vetted groundwater model to effectively determine how pumping from the Company's wells might deplete the Rio Grande as it flows south toward Texas (the "Hydrogeologic Model"). This Hydrogeologic Model has been meticulously reviewed by NMOSE and the other regulatory agencies and at this time the Company is not aware of any material disagreements regarding the Hydrogeologic Model by any of the reviewing regulatory agencies. To offset those groundwater pumping effects, the Company has acquired a lease from the Jicarilla Nation to release 3,000 acre feet of water per annum into the Rio Grande, and is reviewing additional options for further water offsets. The Jicarilla lease has already been authorized and approved by the United States Department of Interior and the United States Bureau of Reclamation.

The Company has also evaluated the effects on all neighboring wells and there was no evidence given at the water rights adjudication of any injury to any other well. In addition, the Company committed in the EIS process to ensure that any well user with well impairment will be provided with an appropriate water supply, whether through well deepening at the cost of the Company or other appropriate measures. These commitments are known to all regulatory agencies having jurisdiction, including the NMOSE.

In summary, the Company expects that the main concern for NMOSE will be that protections for the river and other water users are in place and will remain in place. The decision as to the inchoate Mendenhall Rights has no effect on the protections of other water users that are in place. Nor does the decision have any effect on other options for the Company.

The Company will continue to advance permitting of Copper Flat while identifying the most effective path forward to secure access to necessary water rights. NMCC made a final $700,000 payment under the water rights purchase and option agreement and the company now owns the water rights remaining from the court's decision in December 2017. The Company is reviewing additional options for water rights. The Company will continue to make appropriate and timely disclosures as developments occur.

Permitting efforts include applications to multiple Federal and State agencies, responding to Agency requests for information, and maintaining compliance with applicable regulations.

The proposed operation is being evaluated by the Bureau of Land Management (BLM) through the development of a National Environmental Policy Act ("NEPA") compliant Environmental Impact Statement (EIS). The BLM released the Draft EIS on the Copper Flat Copper Mine Project in November 2015, hosted two public meetings and allowed 120 days to receive public comment. In early 2018 the BLM indicated its intention to move forward to a Final EIS in 2018 according to a statement posted to the BLM's Copper Flat EIS webpage. As part of the NEPA process, BLM is consulting with the US Fish and Wildlife Service ("USFW") in the development of the Biological Assessment as noted on their website. It is anticipated that this consultation will result in a signed Biological Opinion documenting agreement on voluntary mitigation measures to be funded by the Company. The Company has supported the BLM study by responding to Agency requests for information and the BLM now indicate their information needs have been met. In December 2018 and January 2019, both BLM and USFW were affected by almost five weeks of partial federal government shutdown. Personnel from these agencies were furloughed and no progress was made on the Copper Flat EIS during that time. The agencies returned to work on the 25th of January, 2019, and work to complete the EIS has restarted.

In addition to the Federal process, NMCC has been working to secure two significant state operating permits: a water Discharge Permit (focused on groundwater protection) from the New Mexico Environment Department ("NMED"); and a New Mine Permit (which will regulate mine operation and reclamation) from the New Mexico Mining and Minerals Division ("NMMMD").

The Company submitted an application for a Groundwater Discharge Permit to NMED in October 2015. Following that submittal, the NMED has conducted technical reviews of the application and requested additional information from NMCC to supplement or clarify the application. NMCC has responded to all requests through technical reports and correspondence, and in August 2017, the Company submitted a revised Discharge Permit Application to reflect the additional information and clarifications. In early February 2018, the NMED issued a letter stating the permit is technically complete and issued a draft Discharge Permit for public review and comment. The initial 30-day public review period was extended in March 2018 for an additional 60 days due to significant public interest. NMED observed a total of a 90-day public review that ended in May 2018 for the draft Discharge Permit. The NMED scheduled and held a public hearing on the proposed Discharge Permit in Truth or Consequences, New Mexico, on September 24 through 28, 2018. Transcripts from the proceedings have been finalized and sent to legal counsel for all participating parties. Each party submitted their own reports on Findings of Fact and Conclusions of Law to the Hearing Officer, who then created and submitted a report to the Secretary of the NMED. The parties were given a brief period of time to comment on the Hearing Officer's report in December 2018. The NMED Secretary issued his decision to grant the Mine a Discharge Permit on December 21, 2018. This decision has been appealed by opposition to the project and the administrative record will be reviewed by the Water Quality Control Commission ("WQCC") in calendar 2019.

The Copper Flat Mine is being permitted as a new operation under Part 6 of the New Mexico Mining Regulations. NMCC began the application for a mine permit with submittal of a Mine Operation and Reclamation Plan in October 2016. Since that time, NMCC and NMMMD have corresponded on numerous technical topics and NMCC has provided additional technical details and reports for NMMMD review. NMCC submitted the final two reports necessary to make the permit application complete in December 2017. NMMMD provided NMCC with technical comments on these reports in March of 2018 and NMCC has fully responded to the MMD comments. MMD held a public hearing to collect public comment on the NMCC New Mine Permit application in Truth or Consequences on October 23rd and 24th, 2018. MMD provided the Company with a status letter on December 21, 2018, which identified the following actions to be completed for a mine permit:

1. Completion of the Hearing Officer's report on the October hearing. This report was completed and submitted to MMD in December 2018, and subsequently posted on the MMD website for public review;
2. Completion of a financial assurance plan with approval and acceptance by MMD, NMED and the BLM;
3. MMD's receipt of the NMED Secretary's Determination "stating that the permit applicant has demonstrated that the activities to be permitted… will be expected to achieve compliance with all applicable air, water quality and other environmental standards if carried out as described in the permit application." The NMED indicated when they issued the Discharge Permit that the NMED's Secretary Determination will be issued after the Financial Assurance amount is agreed by all participating agencies and received; and
4. MMD's receipt of BLM's approval of the proposed mining operation.

The Company has submitted a Financial Assurance estimate, which must be negotiated with NMMD as well as NMED and BLM before the NMMMD would proceed with issuing a New Mine Permit. In December 2018, the Company responded to comments on the Financial Assurance and in January 2019, NMMD and NMED returned comments on the revised estimate. Negotiating the Financial Assurance remains a priority for the Company.

NMCC is considering other necessary permits as time and resources allow, including a permit for the mine's proposed Tailings Storage Facility from the Office of the State Engineer Dam Safety Bureau; a Multi-Sector General Permit for potential storm water discharges at the facility from the Environmental Protection Agency ("EPA"); and a Section 404 Permit administrated by the Army Corps of Engineers ("ACOE") for placing fill material in jurisdictional drainages that connect to a water of the United States ("WOTUS").

The Company prioritizes and fosters positive working relationships with local community members through various outreach initiatives and is taking steps to keep the local public informed of the facts regarding the proposed operation. The Company uses social media, attendance at local events, newspaper articles and op-eds, presentations to local service clubs and governing bodies, public outreach meetings, and tours of the mine site to leaders and interested parties. The City of Elephant Butte, the Village of Williamsburg, and the Sierra County Commission, all representing communities near the proposed mine, have passed resolutions of support for Copper Flat. NMCC maintains an active website and presence on social media platforms such as Facebook (with over 2,000 followers to date), LinkedIn, and Twitter and the Company provides updates through these channels as developments occur.

Company efforts to secure water rights and operating permits are subject to challenge from Project opponents. NMCC is undertaking efforts to understand and address the underlying concerns as challenges develop and the Company will continue to make appropriate and timely disclosures as developments occur.

Metal Prices

Copper Flat is a past producing copper, gold, silver project with additional molybdenum resources, and project economics may be affected by fluctuations in the price of those commodities. The Company continues to monitor copper prices as the material commodity of the Copper Flat Project while it works through the permitting process. The Company published its NI 43-101 Feasibility Study in 2013. Average annual prices of copper, gold, molybdenum and silver for the period from the publication of the Study as well as the average prices through December 2018 are provided in the table below:

Year	Copper (US$/lb)	(Gold US$/oz)	Silver (US$/oz)	(Molybdenum US$/lb)
Feasibility Study(2)	3.00	1,350	22.00	9.50
2013	3.32	1,411	23.83	9.97
2014	3.23	1,266	19.08	11.07
2015	2.49	1,160	15.70	6.52
2016	2.20	1,248	17.10	6.33
2017	2.61	1,236	17.14	6.95
2018	2.96	1,269	15.71	10.89

1. Source: Copper and molybdenum prices - LME Official Cash Price as provided at www.lme.com. Gold and silver prices – LME Official Cash Price as provided at http://www.lbma.org.uk/pricing-and-statistics.
2. Feasibility Study base case prices. Sensitivity upside and downside in Feasibility Study as follows:
   Base Case: Copper $3.00/lb, Moly $9.50/lb, Gold $1,350/oz and Silver $22.00/oz
   Upside Sensitivity: Copper $3.25/lb, Moly $9.50/lb, Gold $1,350/oz and Silver $22.00/oz
   Downside Sensitivity: Copper $2.75/lb, Moly $9.50/lb, Gold $1,350/oz and Silver $22.00/oz

Negative trends in metals prices can adversely impact the Company’s ability to finance development of the Copper Flat Mine.

Project Expenditures

To date, the Company’s project development has been funded by loans from the Company’s controlling shareholder and has not been generally affected by industry or other economic conditions. However, project finance may be affected by variable commodity prices as the project is advanced.

Expenditures on the Copper Flat Mine are as follows:

	Six months ended December 31, 2018	Year ended June 30, 2018
Deferred exploration expenditures, beginning of the period	$ 40,271,607	$ 37,447,731
Asset retirement obligation	-	(46,002)
Depreciation	-	163,256
Engineering	52,609	166,709
Exploration	-	2,039
Legal	529,015	300,101
Permitting	725,778	1,360,430
Share-based payments	-	-
Site maintenance	120,862	493,247
Additions for the period	1,428,264	2,439,780
Cumulative foreign currency translation adjustment	1,465,380	384,096
Deferred exploration expenditures, end of the period	$ 43,165,251	$ 40,271,607

The Company's efforts are driven by the water rights and permitting process at this time and are subject to third party timelines, such as regulatory agency review and decisions. The Company's progress toward its objectives has been estimated in the Permitting discussion above. When material changes occur, they will be communicated.

Material expenditures with respect to permitting relate to the pursuit of the permits as discussed above. This entails legal support, third party specialists in environmental assessments, additional biological assessment and other field work, cost recovery by the BLM and internal staff salaries and benefits.

Legal costs relate materially to legal fees for water rights and permitting activities detailed above, and mining claim/property rights activities.

Direct site expenses relate to salaries of personnel assigned to the mine site and general holding and maintenance costs for the mine site while the Company works through the permitting process.

Financings and Working Capital

Financings

The Company's subsidiary, NMCC, has a loan agreement (the "CAD Loan") with Tulla Resources Group Pty Ltd. ("Tulla"), a mining and natural resource-focused investment firm with a proven track record in the natural resource space. 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. The Company has drawn $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$5,250,000 (extended from US$4,775,000 subsequent to December 31, 2018) 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. The Company has drawn USD$4,521,109 against the USD Loan facility as at December 31, 2018 and a further US$522,060 subsequent to December 31, 2018.

The Company has provided a guarantee of the repayment of the CAD Loan and USD Loan (together, the “Tulla Loans”) on behalf of NMCC.

Mr. Kevin Maloney, Chairman of THEMAC, is a director of Tulla. Refer to “Capital resources” and “Transactions with Related Parties” for additional discussion.

Working Capital

As at December 31, 2018, the Company had working capital deficiency of $102,234,793 (June 30, 2018 - $93,989,465). The significant decrease in working capital relates primarily to the accumulation of amounts due on the Loans.

As at December 31, 2018, the Company had prepaid expenses and deposits of $47,580 (June 30, 2018 - $27,333) consists of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

As at December 31, 2018, the Company had trade and other payables of $964,860 (June 30, 2018 - $744,445) not including amounts to related parties of $2,487,159 (June 30, 2018 - $2,454,117). The increase in trade payables was largely attributable to the timing of payments. Amounts due to related parties consist of amounts due for expense reimbursement and accrued fees and bonus’ for directors and officers, and are unsecured and are non-interest bearing.

Fancher Agreement

The Company has acquired 1,200 acres of land pursuant to the Fancher Agreement within the Copper Flat project area. The total purchase price of the land is US$2,500,000 (the “Purchase Price”). The Company has paid an accumulated US$825,000 against the principal, and accrued interest, in the years ended June 30, 2013 through 2018.

The balance of US$1,800,000 (“Final Payment”) is due on or before the fifth anniversary of the Initial Payment with applicable interest charges, subject to exercise of any extension terms. The agreement provides for the deferral of the Final Payment for an additional five years if the permits and approvals deemed necessary for the commercial operation of the Copper Flat Mine have not yet been obtained, with the condition that annual payments of US$125,000 continue to be made on the fifth and subsequent anniversaries, to be credited against the Final Payment. As the defined permits and approvals were not obtained before the fifth anniversary (May 1, 2018), the Company has elected to defer the Final Payment by making the fifth anniversary payment of US$125,000 and on subsequent anniversaries, until the earlier of the expiration of the Fancher Agreement, or such time that the defined permits and approvals are obtained.

Interest accrues at a rate of 3.5%, adjusted to changes in LIBOR, per year on the Purchase Price less installments paid to date. As at December 31, 2018, the carrying value of the property obligation was $2,365,681 (June 30, 2018 - $2,225,371), of which $253,431 is due within one year of December 31, 2018. The remaining principal balance under the Final Payment is US$1,675,000.

The Company has or will secure via purchase or contract water rights in sufficient quantity to operate the mine. NMCC completed water right payments under a purchase and option agreement having made a final water right payment of USD$700,000 in August 2018. However, some of these water rights have been deemed invalid by the State of New Mexico Third District Court on December 28, 2017, as discussed above. As a result of the Court's decision, the Company is taking steps to acquire additional water rights to replace those water rights that the Court has deemed invalid and is also reviewing mineral processing options that could result in a diminished requirement for process water to run the operation. The Company is also appealing the Court's decision.

Debt

As at December 31, 2018, the Company had Loans payable of $98,680,581 (June 30, 2018 - $90,901,043), including interest, relates to the loan agreements with Tulla detailed in the accompanying condensed consolidated interim financial statements. The amounts are due on demand (with exception to the amounts drawn under the USD Loan which may not be demanded until June 30, 2019) and accrue interest at a simple interest rate of 20% per annum. During the period ended December 31, 2018, the Company drew down $2,624,813 (US$1,997,472) on the USD Loan. A further US$522,060 has been drawn subsequent to December 31, 2018. The Company has provided a guarantee of the repayment of the Loans on behalf of NMCC.

Selected Annual Information

		Years ended June 30 ($)		
		2018	**2017**	**2016**
a)	Loss for the year	(10,598,062)	(10,132,271)	(9,397,405)
	➢ Per share - basic & diluted	(0.13)	(0.13)	(0.12)
b)	Comprehensive income (loss) for the year	(9,827,262)	(9,873,415)	(7,275,324)
	Per share - basic & diluted	(0.12)	(0.12)	(0.10)
c)	Long term liabilities*	2,481,053	2,644,577	2,784,081
d)	Total assets	78,261,186	74,958,820	72,337,667
e)	Cash dividends per share	Nil	Nil	Nil

The loss per year has increased over the periods presented due to the interest expense accruing on the Loans. The difference between the comprehensive loss and loss relates to the foreign currency translation of the assets and liabilities of NMCC denominated in US dollars at each reporting period.

Summary of quarterly results:

	Quarter ended (three-month unaudited figures, unless otherwise specified)			
	Dec 31, 2018 $	Sept 30, 2018 $	Jun 30, 2018 $	Mar 31, 2018 $
Net loss for the period	(2,847,342)	(2,752,183)	(2,742,611)	(2,569,713)
Per share basic & diluted	(0.04)	(0.03)	(0.03)	(0.03)
Total comprehensive income (loss) for the period	1,074,685	(4,215,310)	(1,238,058)	(696,120)
Per share basic & diluted	0.01	(0.05)	(0.02)	(0.01)
Total assets	83,316,206	78,150,560	78,261,186	75,652,921
Total liabilities	104,960,634	100,869,673	96,764,989	92,918,666
Shareholders' deficiency	(21,644,428)	(22,719,113)	(18,503,803)	(17,265,745)
Cash dividends declared	Nil	Nil	Nil	Nil

	Quarter ended (three-month unaudited figures, unless otherwise specified)			
	Dec 31, 2017 $	Sept 30, 2017 $	Jun 30, 2017 $	Mar 31, 2017 $
Net loss for the period	(2,573,825)	(2,711,913)	(2,559,650)	(2,621,378)
Per share basic & diluted	(0.03)	(0.03)	(0.03)	(0.03)
Total comprehensive income (loss) for the period	(2,135,273)	(5,757,811)	(4,378,087)	(3,257,150)
Per share basic & diluted	(0.03)	(0.07)	(0.06)	(0.04)
Total assets	73,184,504	72,207,319	74,958,820	76,313,030
Total liabilities	89,754,129	86,641,671	83,807,040	80,903,957
Shareholders' deficiency	(16,569,625)	(14,434,352)	(8,848,220)	(4,590,927)
Cash dividends declared	Nil	Nil	Nil	Nil

The trend presented by the tables above demonstrates continued investment in the Copper Flat Mine which is predominantly financed by drawing on the Loans. The difference between net loss and comprehensive loss reflects the foreign exchange translation of the holdings of the Company's subsidiary NMCC which holds title to the Copper Flat Mine.

Results of Operations

Six months ended December 31, 2018 and 2017

Period ended Dec 31	2018		2017		
	$	% of expenses	$	% of expenses	% change
Accounting and audit	**43,407**	**0.78%**	25,322	0.48%	71.42%
Depreciation	**4,990**	**0.09%**	4,794	0.09%	4.09%
Director's fees	**157,500**	**2.81%**	157,500	2.98%	0.00%
Filing fees and transfer agent fees	**6,351**	**0.11%**	4,699	0.09%	35.16%
Foreign exchange	**25,603**	**0.46%**	—	0.00%	n/a
Finance expenses	**4,912,157**	**87.72%**	4,481,329	84.78%	9.61%
Interest on property obligation	**60,383**	**1.08%**	52,408	0.99%	15.22%
Legal fees	**4,363**	**0.08%**	33,643	0.64%	-87.03%
Management fees	**125,706**	**2.24%**	108,774	2.06%	15.57%
Office and sundry	**241,848**	**4.32%**	236,223	4.47%	2.38%
Share-based payments	**—**	**0.00%**	171,679	3.25%	-100.00%
Travel	**17,217**	**0.31%**	9,367	0.18%	83.80%
Loss for the period	**(5,599,525)**	**100%**	(5,285,738)	100%	5.94%
Exchange differences on translating foreign operations	**2,458,900**		(2,607,346)		
Comprehensive loss for the period	**(3,140,625)**		(7,893,084)		

For the six months ended December 31, 2018, the Company recognized a comprehensive loss of $3,140,625 (2017 - $7,893,084), inclusive of the exchange differences on translating foreign operations. The operating loss for the six months ended December 31, 2018 was $5,599,525 (2017 - $5,285,738).

- For the six months ended December 31, 2018, finance expense of $4,912,157 (2017 - $4,481,329) increased over the prior period as the principal of the Loans has increased. No payments have been made against the accrued Loans and interest.
- For the six months ended December 31, 2018, accounting and audit of $43,407 (2017 - $25,322) increased due to the timing of ongoing tax and audit expenditures.
- For the six months ended December 31, 2018, legal fees decreased to $4,363 (2017 - $33,643) due to additional work in the prior period for regulatory compliance.
- For the six months ended December 31, 2018, management fees increased to $125,706 (2017 - $108,774) due to the allocation of the COO’s time for general administrative and management work.
- For the six months ended December 31, 2018, office and sundry costs increased to $241,848 (2017 - $236,223) for ongoing and regular expenditures which have been impacted by the relocation of the New Mexico office.
- For the six months ended December 31, 2018, travel has increased to $17,217 (2017 - $9,367) as the timing and expense of such costs are relative to the number of in person Board meetings and pursuit of corporate opportunities.

Three months ended December 31, 2018 and 2017

Three months ended Dec 31	**2018**		2017		
	$	**% of expenses**	$	% of expenses	% change
Accounting and audit	**26,352**	**0.93%**	16,690	0.65%	57.89%
Depreciation	**2,510**	**0.09%**	2,415	0.09%	3.93%
Director's fees	**78,750**	**2.77%**	78,750	3.06%	0.00%
Filing fees and transfer agent fees	**2,407**	**0.08%**	2,425	0.09%	-0.74%
Foreign exchange	**37,475**	**1.32%**	—	0.00%	n/a
Finance expenses	**2,489,960**	**87.45%**	2,253,865	87.57%	10.48%
Interest on property obligation	**30,363**	**1.07%**	26,393	1.03%	15.04%
Legal fees	**846**	**0.03%**	16,305	0.63%	-94.81%
Management fees	**52,199**	**1.83%**	53,812	2.09%	-3.00%
Office and sundry	**111,141**	**3.90%**	121,445	4.72%	-8.48%
Travel	**15,339**	**0.54%**	1,725	0.07%	789.22%
Loss for the period	**(2,847,342)**		(2,573,825)		
Exchange differences on translating foreign operations	**3,922,027**		438,552		
Comprehensive income (loss) for the period	**1,074,685**		(2,135,273)		

For the three months ended December 31, 2018, the Company recognized a comprehensive income of $1,074,685 (2017 - $2,135,273 loss), inclusive of the exchange differences on translating foreign operations. The operating loss for the three months ended December 31, 2018 was $2,847,342 (2017 - $2,573,825).

- For the three months ended December 31, 2018, finance expense of $2,489,960 (2017 - $2,253,865) increased over the prior period as the principal of the Loans has increased. No payments have been made against the accrued Loans and interest.
- For the three months ended December 31, 2018, accounting and audit of $26,352 (2017 - $16,690) increased due to the timing of ongoing tax and audit expenditures.
- For the three months ended December 31, 2018, legal fees decreased to $846 (2017 - $16,305) due to additional work in the prior period for regulatory compliance.
- For the three months ended December 31, 2018, management fees increased to $52,199 (2017 - $53,812) due to the allocation of the COO’s time for general administrative and management work.
- For the three months ended December 31, 2018, office and sundry costs decreased to $111,141 (2017 - $121,445) for ongoing and regular expenditures.
- For the three months ended December 31, 2018, travel has increased to $15,339 (2017 - $1,725) as the timing and expense of such costs are relative to the number of in person Board meetings and pursuit of corporate opportunities.

Liquidity

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, property obligation 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.

For the six months ended December 30, 2018, the Company used cash of $641,352 (2017 - $447,171) in operating activities. The adjusted net loss for the periods is relatively consistent with the variance in cash use influenced by the timing of working capital changes.

For the six months ended December 31, 2018, the Company used cash of $2,144,384 (2017 - $654,558) in investing activities for the six months ended December 31, 2018, including $919,847 (2017 - $nil) as the final payment toward water rights and $1,224,537 (2017 - $654,558) in deferred exploration and development expenditures (investing activities) on the Copper Flat Mine. The cash spend is increased from prior period as the Company has incurred higher legal costs of permitting and associated proceedings.

For the six months ended December 31, 2018, cash generated from financing activities of $2,624,813 (2017 - $1,210,148) relates to draws on the USD Loan and is proportionate to the spend rate and approved draw requests.

The Company will depend on future financings from its majority shareholder (Tulla) and other alternatives to continue its operations.

The condensed consolidated interim financial statements of the Company were 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's forecast cash requirements for the next 12 months exceeds the current amount available under the Company's Loans with Tulla. 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 Mine. Realization values may be substantially different from carrying values, as shown, and the 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.

Transactions with related parties

During the six months ended December 31, 2018 and 2017, the Company incurred the following expenditures in respect of transactions with related parties:

	2018	2017
Management fees paid or accrued to Mr. Andrew Maloney, CEO	88,750	85,836
Salary paid to Mr. Jeffrey Smith, COO (Note 1)	169,206	157,813
Directors fees paid or accrued to:		
Mr. Kevin W. Maloney	40,000	40,000
Mr. Barrett Sleeman	25,000	25,000
Mr. Joel Schneyer	35,000	35,000
Mr. Andrew Maloney	27,500	27,500
Ms. Deborah Peacock	30,000	30,000
Fair value of stock options granted to senior management and directors	-	106,142
Loan advances received from Tulla (Note 2)	2,624,813	1,210,148
Interest incurred on loans payable to Tulla (Note 2)	4,912,157	4,481,329
Fees paid or accrued to Peacock Law, P.C., a firm owned by Ms. Deborah Peacock	87,797	-

Note 1: Compensation paid to Mr. Smith is partially capitalized to the Copper Flat Mine.

Note 2: Tulla is an Australian based mining investment company of which Kevin Maloney, the Chairman of the Company, is a director, and in which Andrew Maloney, the CEO of the Company, has a financial interest. Tulla also owns 47,950,000 common shares of the Company, and together with shareholdings held directly or indirectly by Mr. Maloney represents 76% of the outstanding shares of the Company. The material terms of the Loans are set out under the heading “Debt” above. The Loans are repayable on demand. The Loans have provided the only source of financing, other than the accrual or settlement of director and management fees for shares, for the Company since 2010.

Capital resources and outlook

The Company's ability to raise further funds from the equity markets will largely depend upon general market conditions. The CAD Loan with Tulla has a maximum facility of $44,500,000, of which $43,838,077 had been drawn as at December 31, 2018. The USD Loan has a maximum facility of US$4,775,000, of which US$4,521,109 had been drawn as at December 31, 2018 and a further US$203,952 subsequent to December 31, 2018. The Loans are due on demand (with exception to amounts drawn under the USD Loan which cannot be demanded until June 30, 2019) and accrue interest at 20% per annum.

Due to challenging market conditions, the Company is considering all potential opportunities for financing and development partnerships.

Commitments and Off-balance sheet arrangements

The Company does not have any commitments other than as disclosed in the financial statements and MD&A. The Company does not have any off-balance sheet arrangements.

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 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 Mine 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$0.73 to a high of US$0.78 for CAD$1 during the period ended December 31, 2018. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $6,136,800. 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, trade and other payables, amounts due to related parties, loans payable (i.e. the Tulla Loans) and property obligation. 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 Tulla Loans 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

Please see above under "Liquidity."

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the audited consolidated financial statements for the year ended June 30, 2018, except for the following:

IFRS 9 *Financial instruments*

On July 1, 2018, the Company adopted IFRS 9 – *Financial Instruments* ("IFRS 9") which replaced IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. The Company's financial assets previously carried as loans and receivables are now classified as amortized cost. Prior periods were not restated and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date. The Company's receivables are materially recoverable input tax credits receivable from the government of Canada.

New standards not yet adopted

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.

Risk elements

Forward-Looking Statements

Certain statements made and information contained in this MD&A and elsewhere constitutes "forward-looking information" within the meaning of the British Columbia Securities Act and the Alberta Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis, and other risks and uncertainties, including those described under Risk Factors.

In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term-price of copper, gold, silver and molybdenum, that the Company will receive required permits and access to surface and water rights, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within the jurisdictions where the company operates or is planning to operate will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Risk Factors

Companies in the development stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, grant of mining permits, commodities prices, changes in laws and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

THEMAC will require additional funding.

At December 31, 2018 the Company held cash of $93,731 and had current liabilities of $102,386,031. The Company has historically relied upon extensions to its loans with Tulla to satisfy its capital requirements and will likely continue to depend upon these sources to finance its activities. There can be no assurances that the Company will be successful in securing additional funding from Tulla, or other parties, on acceptable terms.

THEMAC will require various permits and title agreements to enable it to conduct its current and anticipated future operations.

The Company's current and anticipated future operations, including further exploration and development activities and the commencement of production from the Company's Copper Flat Mine in New Mexico, USA requires the granting of the necessary permits and right of ways from various federal, state and local authorities and private property holders. The granting, continuing validity and enforcement of the terms of such permits are, as a practical matter, often subject to the discretion of government officials. There can be no assurance that all permits and right of ways that the Company requires will be obtainable on reasonable terms, or at all, or will continue to be valid. Further, delays or failure to obtain such permits and right of ways, the withdrawal, expiry or non-renewal of existing permits and right of ways, or failure to comply with the terms of such permits and right of ways could have a material adverse impact on the Company.

THEMAC must obtain certainty of water rights in order to successfully develop the Copper Flat Mine

Negotiating rights to water involves certain inherent risks. Management continues to engage with the NMOSE to secure the appropriate consents and permits for project water rights. Specifically, the NMOSE has provided confirmation to some of the project's water rights, and the Company is in legal proceedings regarding the balance of the water rights. The basis of the Company's position is the Mendenhall Doctrine, an accepted legal argument in the State of New Mexico regarding pre-water basin claims. As the Company progresses in this regard, the appropriate disclosures will be made. Despite the Company's efforts, there can be no guarantee that the Company will be able to secure surface access, water rights, or the other permits necessary to re-start operations at Copper Flat.

THEMAC is subject to government regulation

The Company's mineral exploration is, and any development activities will be, subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, mine safety, environmental protection, toxic substances, land use, water use and other matters. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory authorities curtailing the Company's operations or requiring corrective measures, any of which could result in the Company incurring substantial expenditures. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

Exploration, development and mining activities can be hazardous and involve a high degree of risk.

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of base metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

THEMAC may be adversely affected by fluctuations in commodity prices.

The value and price of the Company's common shares, the Company's financial results, and exploration, development and mining activities of the Company, if any, may be significantly adversely affected by declines in the price of copper and other key commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

THEMAC may be subject to changes in federal government royalty rates.

Recent activity of the 115th U.S. Congress may modify the requirements applicable to locatable minerals on public domain land, and for other purposes through the ''Hardrock Mining and Reclamation Act of 2017''; which may include the payment of additional royalties for minerals extracted on land owned by the United States. If enacted, the majority of the mineral to be extracted is under private ownership and therefore not subject to this legislation if passed. Similar legislation introduced in the past has not been approved by the U.S. Congress.

Market volatility during the current reporting period

The capital markets around the world are subject to significant volatility, which could affect the Company's ability to secure financing, as well as adversely affect the market price of its common shares.

Given the Company's present situation, while it may affect the trading price of its common shares, it is not expected that this volatility will have an effect on the Company's operations or on its financial statements for the next few months. The Company has depended on financing from its majority shareholder in the past, but with the expansion of operations at Copper Flat, it will be more dependent on public markets, in addition to the support from controlling shareholders.

Management's responsibility over financial information

The Company's management is responsible for presentation and preparation of the financial statements and the MD&A. The consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks, and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

Cautionary note for USA readers

As a corporation, the Company is subject to certain rules and regulations issued by the British Columbia Securities Commission; the Company is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, on security of samples and mineral reserve estimates. Further, the Company describes any mineral resources associated with its properties utilizing terminology such as "inferred" or "indicated" which are terms recognized by Canadian regulators but not recognized by the United States' Securities and Exchange Commission ("SEC").

Other MD&A requirements

a) Copies of all previously published financial statements, management discussions, meeting materials, etc., are available on the SEDAR website at www.sedar.com.

b) Information pursuant to sections of National Instrument 51-102:

   i) Section 5.3: The Company's continued operations are dependent on its ability to raise adequate funds from the capital markets or other sources of financing.

   ii) Section 5.4: Outstanding share data as at the date of this MD&A:

   - Common shares:
     - Authorized: unlimited number, without par value.
     - Issued and outstanding: 79,400,122.

   - Stock options: 13,962,433 with a weighted average exercise price of $0.05 with a weighted average remaining life of 3.75 years.

The fully diluted capital of the Company as at the date of this MD&A is 93,362,555.

Directors and officers

The qualified person under NI 43-101 responsible for the review of the technical content of this MD&A is Mr. Jeffrey Smith, P.E.

Directors	Officers
Kevin W. Maloney (Chairman)	Andrew Maloney, Chief Executive Officer
Andrew Maloney	Mark McIntosh, Chief Financial Officer
Barrett Sleeman	Jeffrey Smith, Chief Operating Officer
Joel Schneyer	Stephen L. Law, Secretary
Deborah Peacock	

On behalf of the Board of Directors:

"*Andrew Maloney*"

Andrew Maloney
Chief Executive Officer