THEMAC Resources Group Limited

Form 51-102F1

Management's Discussion & Analysis (MD&A)

For the six months ended December 31, 2017

Dated: March 1, 2018

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Vancouver, BC
Canada V6C 2T6

This report covers financial and technical information related to the six months ended December 31, 2017 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, 2017 and the audited consolidated financial statements for the year ended June 30, 2017 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 Project in New Mexico ("Copper Flat" or the "Project") 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 Project

The Company's project is the Copper Flat Project. Substantially all of the Company's business efforts since the acquisition of the Copper Flat Project have been focused on developing Copper Flat with a view to bringing Copper Flat back into production.

Copper Flat is a former producing copper-molybdenum-gold-silver mine located in the Hillsboro Mining District of Sierra County, New Mexico, 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 Project consists of 26 patented mining claims and 231 unpatented mining claims, (202 lode claims and 29 placer claims), 9 unpatented mill sites, and 16 fee land parcels in contiguous and non-contiguous land parcels and claim blocks.

The Company entered into an agreement with a local rancher (the “Fancher Agreement”) in April 2013 to purchase 1,200 acres (485 hectares) in five tracts of land located within or adjacent to the past producing Copper Flat mine bringing the Project’s total contiguous and non-contiguous land parcels and claim blocks to approximately 4,741 acres (1,918 hectares.) Completion of this transaction provides NMCC 100% control of the property contained in the approximate 2,190 acre (886 hectares) mine area, and provides space for future expansion of planned waste rock and tailings storage facilities.

The Copper Flat Mine (“Mine”) was operated by Quintana Minerals Corporation (Quintana) for a short period ending in June 1982 before 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 not produced by Quintana due to the short operating period.

The Copper Flat Deposit is a Laramide-age porphyry copper-molybdenum-gold-silver deposit. The metal content of the deposit is evidenced by historic production and metallurgical test work, as well as additional assays obtained from the Company’s exploration drilling programs. Information regarding property exploration and resource estimation is provided in a 43-101 compliant Mineral Resource Statement, which was posted on SEDAR on February 2, 2012.

Civil infrastructure in place at Copper Flat includes a tailings dam (planned for replacement), largely pre-stripped open pit, power lines, water well field and pipeline, access roads, diversion channels, site grading, and building foundations. For more information, visit www.themacresourcesgroup.com.

The Company has obtained a Feasibility Study 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. In connection with the completion of the Study, the Company identified the following principal steps necessary to advance Copper Flat to 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 ended December 31, 2017, the Company's activities have continued to be directed to obtaining permits from Federal and State agencies, and securing sufficient water rights for the Project. Permitting the Project entails numerous interactions and decisions by Federal and State agencies, which are in turn subject to challenges by opponents of the Project. The Company has engaged in community and government outreach since acquiring the property in order to foster a positive working relationship with the permitting agencies and generate support in the local community. The Company is focused on addressing four major regulatory requirements necessary to obtain permission to operate Copper Flat in New Mexico. These are: securing legal and regulatory approvals needed to pump water for the mine operation; complete the Bureau of Land Management's ("BLM") evaluation of the project through an Environmental Impact Statement ("EIS"); obtain a Discharge Permit (groundwater protection) from the New Mexico Environment Department; and obtain a New Mine Permit (mine operation and reclamation) from the New Mexico Mining and Minerals Division.

Management continues to work towards securing the appropriate consents and permits for water rights for the Project. Water resources are carefully managed and controlled in the Western United States, and appropriation of water rights for use by the Copper Flat Project is managed by the Office of the State Engineer for New Mexico ("NMOSE" or "OSE"). NMCC has secured via purchase or contract 7,481 acre-feet of water per year ("acre-ft/yr") of declared water rights (1,019 acre-ft/yr was purchased in the Options and Purchase Agreement; the remaining 6,462 acre-ft/yr is under contract with a group of private individuals). The majority of water rights secured by NMCC were established before 1980 to support mining at Copper Flat. NMCC is current on water right payments to date; a final water right payment of USD$700,000 is due within 60 days of securing the Mine Permit or August 1, 2018, whichever is earlier.

In 2015, NMOSE proposed to recognize 890 acre-feet of the Company's water right to have been perfected through historical actual use by the Mine, far below the amount required for the operation. NMCC rejected the NMOSE offer and filed for a court adjudication of water rights based on the Quintana records. At the same time, the Company also petitioned the adjudication court to recognize the Company's un-perfected water rights under the Mendenhall Doctrine, an accepted legal argument in the State of New Mexico regarding pre-water basin claims to water (if a groundwater right was initiated prior to the declaration of a groundwater basin, but not placed to beneficial use at the time of declaration, an appropriator is allowed to place the groundwater to beneficial use after the declaration of a groundwater basin, so long as the appropriator does so pursuant to the original plan of development and with reasonable diligence).

The NMCC case was presented to the court during the week of March 15, 2016 and opposing testimony was heard in June 2016. Post-trial briefs were submitted to the court in January 2017, and on December 28, 2018, the State of New Mexico Third District Court rendered its decision in respect of the water rights associated with the Copper Flat Project.

In its decision, the Court determined that:

1. The previous owners of the Copper Flat Project and other mining companies that were successors in interest had not pursued a continuing plan to bring the property into production. Accordingly, the court determined that the Mendenhall Doctrine did not apply to the water rights because there was no continuous reasonable diligence to place the water rights to use at the mine.

2. Frost and Gray have vested water rights in 861.84 afy, which NMCC has the option to purchase pursuant to the Frost and Gray Agreement

3. NMCC's other assertion of ownership of an additional 696 afy acquired as part of the purchase of the Copper Flat Project from Hydro Resources were found to be extinguished as a result of abandonment, other than a stock right in one well and a water element of the 34 afy associated with the open pit.

4. The inchoate Mendenhall water rights acquired pursuant to the Frost and Gray Agreement and the Hydro Resources Agreement have also been extinguished because of a lack of due diligence by the predecessors in placing the water to beneficial use.

The Company is disappointed with the determination of the Court. The vested water rights that the Court has determined exist fall far short of the requirements for the Copper Flat Project. However, the Mendenhall doctrine as a source of the right to pump from the wells owned by the Company is only one option for the Company to move forward. The Company is considering whether to appeal the decision.

The Company feels that the critical issue in obtaining a water permit in New Mexico is whether pumping the wells for a specified period of time will cause injury to other water users. Those issues have been thoroughly addressed. The expert hydrologists for the Company have worked closely to determine how pumping from the Company's wells might deplete the Rio Grande as it moves south toward Texas. The Company has completed models that have been reviewed by the NMOSE and over which there is no disagreement. These models show the effects on the Rio Grande. To offset those effects, the Company has acquired a lease from the Jicarilla Nation to release water 3000 acre feet into the Rio Grande. This lease has been authorized 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 at the trial of any injury to any other well. Finally, the Company committed in the EIS process to ensure that no existing well user in the area will be denied a water supply. These commitments are known to all regulatory agencies having jurisdiction, including the NMOSE.

In summary, all of the river and environmental protections for other water users are in place and remain in place. This will be the main consideration for the NMOSE. 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 intends to continue to advance permitting of the Copper Flat Project while identifying the most effective path forward to securing access to necessary water rights. In February 2018, the Company filed for an OSE license to pump 5,234 acre-feet per year from the Company's wells and Company discussions with NMOSE over terms and conditions for a permit for the operation water supply are ongoing. The Company will continue to make appropriate and timely disclosures as developments occur.

NMCC also continues the process of securing two necessary State permits regarding water quality protection and mine operation and reclamation requirements: the New Mexico Environment Department (NMED) Discharge Permit; and New Mexico Mining and Mineral Division's (NMMMD) New Mine Permit.

The Company submitted an application for a Groundwater Discharge Permit to NMED in October 2015. The NMED has completed thorough administrative and technical reviews of the application documents, and the Company has responded to all comments and questions received from NMED. The NMED has deemed the permit application to be technically complete and the Agency has issued a proposed Groundwater Discharge Permit for public review and comment. The final permit will consider public comments submitted on the draft and the Agency may include a public hearing as part of the process.

The BLM EIS process remains in progress. The BLM released the Draft EIS on the Copper Flat Copper Mine Project on November 23, 2015. Since its release, the BLM conducted two public meetings and opened the public comment period for a total of 120 days. Subsequently, the BLM conducted the comment analysis and determined all public comments are addressed within the range of alternatives and scope of analysis of the Draft EIS. Therefore, the BLM Las Cruces District will be moving forward with a Final EIS and will not initiate a Supplemental Draft EIS on the Project. The timeline for the Final EIS and a Record of Decision is tentatively scheduled for the summer of 2018, but is subject to the review and approval of the Biological Assessment by the U.S. Fish and Wildlife Service.

NMCC submitted the Mine Operation and Reclamation Plan, a necessary component of the application for the NMMMD New Mine Permit in October 2016 and NMMMD returned technical comments on this application in April 2017. NMCC has responded to all NMMMD comments received to date. NMCC completed and submitted the final two reports necessary to make the permit application complete in December 2017. NMMMD is reviewing the final two reports and the Company expects to receive technical comments in early 2018.

NMCC continues preparation of applications for other necessary permits, including a 404 permit from the Army Corps of Engineers regarding a small footprint of mine facilities in drainages, a Multi-Sector General Permit for potential storm water discharges at the facility from the Environmental Protection Agency (EPA), and a dam permit for the mine's proposed Tailings Storage Facility from the Office of the State Engineer Dam Safety Bureau.

The Company is actively building and maintaining community relationships through public outreach meetings and through communication and education efforts such as interviews and Op-Ed articles in local newspapers, presentations to the local governing bodies and service organizations, and participation in local events. As a result of this and other related efforts, the Company has received resolutions of support from several of communities in the vicinity of the mine. NMCC maintains an active website and presence on social media platforms such as Facebook, LinkedIn, and Twitter and the Company provides updates through these channels as developments occur.

Metal Prices

The Copper Flat Project is a past producing Copper, Molybdenum, Gold, Silver project, and project economics may be effected 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 2017 are provided in the table below:

Year	Copper (US$/lb)	(Gold US$/oz)	(Molybdenum US$/lb)	Silver (US$/oz)
2013	3.32	1,411	9.97	23.83
2014	3.23	1,266	11.07	19.08
2015	2.49	1,160	6.52	15.70
2016	2.20	1,248	6.33	17.10
2017	2.79	1,257	6.98	16.97

1. Source: Copper and molybdendum 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.

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

Project Expenditures

To date, the Company's project development has been funded by a loan 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 Project are as follows:

	Six months ended December 31, 2017	Year ended June 30, 2017
Deferred exploration expenditures, beginning of the period	$ 37,447,731	$ 34,111,007
Asset retirement obligation	-	-
Depreciation	162,263	433,265
Engineering	139,349	-
Exploration	2,026	25,979
Feasibility	-	-
Legal	63,074	272,294
Permitting	608,429	1,426,945
Prefeasibility	134,139	-
Share-based payments	-	87,959
Site maintenance	-	1,004,332
Additions for the period	1,109,280	3,250,774
Cumulative foreign currency translation adjustment	(1,496,870)	85,950
Deferred exploration expenditures, end of the period	$ 37,060,141	$ 37,447,731

The Company's efforts are driven by the water rights and permitting process at this time and are subject to third party timelines. The Company's progress toward its objectives has been estimated in the Permitting discussion above. Material changes will be communicated as available.

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. Direct site expenses are now identified as a separate cost category in the current year to capture holding costs and activities specific to the Copper Flat property.

Financings and Working Capital

Financings

The Company holds a loan (the “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. On June 30, 2017, the Company assigned the Loan to its subsidiary, NMCC. The Company has provided a guarantee of the repayment of the Loan on behalf of NMCC. As at December 31, 2017, the Company has received funds in excess of the Loan facility.

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, 2017, the Company had working capital deficiency of $86,994,613 (June 30, 2017 - $80,997,119). The significant decrease in working capital relates primarily to the accumulation of amounts due on the Loan.

As at December 31, 2017, the Company had prepaid expenses and deposits of $49,774 (June 30, 2016 - $26,827) consists of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

As at December 31, 2017, the Company had trade and other payables of $759,504 (June 30, 2017 - $469,052) not including amounts to related parties of $2,001,568 (June 30, 2017 - $1,984,699). 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.

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 (“Purchase Price”) of which US$325,000 (the “Initial Payment”) was paid during the year ended June 30, 2013. On the second anniversary of the agreement, which occurred in the year ended June 30, 2015, the Company paid an installment of US$277,250 (US$125,000 plus accrued interest). On the third anniversary of the agreement, which occurred in the year ended June 30, 2016, the Company paid an installment of US$206,693 (US$125,000 plus accrued interest). On the fourth anniversary of the agreement, which occurred in the year ended June 30, 2017, the Company paid an installment of US$213,069 (US$125,000 plus accrued interest). 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 Project 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 such permits and approvals have not yet been obtained nor does the Company anticipate such obtainment before the fifth anniversary (May 1, 2018), the Company intends to defer the Final Payment by making the annual installments of US$125,000 by the fifth anniversary and subsequent anniversaries, until the earlier of the expiration of the Fancher Agreement, or such time that the permits and approvals are obtained. 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, 2017, the carrying value of the property obligation was $2,327,161 (June 30, 2017 - $2,353,427), of which $225,873 is due within one year of December 31, 2017. As of April 30, 2017, the date of the most recent installment payment to Fancher, the interest rate applied was 4.575%.

The Company secured via purchase or contract water rights in sufficient quantity to operate the mine. NMCC is current on water right payments to date; a final water right payment of USD$700,000 is due within 60 days of securing the Mine Permit or August 1, 2018, whichever is earlier. The Company does not anticipate securing a final Mine Permit before August 1, 2018, and therefore expects to complete the final payment on or before that date.

Debt

As at December 31, 2017, the Loan payable of $84,208,300 (June 30, 2017 - $78,528,933), including interest, relates to the loan agreements with Tulla detailed in the accompanying condensed consolidated interim financial statements. The amounts are due on demand and accrue interest at a simple interest rate of 20% per annum. On June 30, 2017, the Company assigned the Loan to NMCC; concurrently, NMCC entered into a separate loan agreement with Tulla. During the six months ended December 31, 2017, the Company drew down $1,210,148 (US$955,300) on the Loan; a further $351,319 (US$280,000) has been drawn subsequent to December 31, 2017. The Company has provided a guarantee of the repayment of the Loan on behalf of NMCC.

Selected Annual Information

	Years ended June 30 ($)		
	2017	**2016**	**2015**
a) Loss for the year	(10,132,271)	(9,397,405)	(8,603,344)
➢ Per share - basic & diluted	(0.13)	(0.12)	(0.11)
b) Comprehensive income (loss) for the year	(9,873,415)	(7,275,324)	424,112
Per share - basic & diluted	(0.12)	(0.10)	0.01
c) Long term liabilities*	2,644,577	2,784,081	2,819,535
d) Total assets	74,958,820	72,337,667	67,390,735
e) Cash dividends per share	Nil	Nil	Nil

The loss per year has increased over the period presented due to the interest expense accruing on the Loan. 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, 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' equity (deficiency)	(16,569,625)	(14,434,352)	(8,848,220)	(4,590,927)
Cash dividends declared	Nil	Nil	Nil	Nil

	Quarter ended (three-month unaudited figures, unless otherwise specified)			
	Dec 31, 2016 $	Sept 30, 2016 $	Jun 30, 2016 $	Mar 31, 2016 $
Net loss for the period	(2,528,463)	(2,422,780)	(2,538,445)	(2,246,917)
Per share basic & diluted	(0.03)	(0.03)	(0.03)	(0.03)
Total comprehensive income (loss) for the period	(870,756)	(1,367,422)	(2,893,154)	(6,707,431)
Per share basic & diluted	(0.01)	(0.02)	(0.04)	(0.08)
Total assets	76,186,146	73,634,073	72,337,667	71,885,947
Total liabilities	77,519,923	74,097,093	71,433,265	68,088,392
Shareholders' equity	(1,333,777)	(463,020)	904,402	3,797,555
Cash dividends declared	Nil	Nil	Nil	Nil

The trend presented by the tables above demonstrates continued investment in the Copper Flat Project which is predominantly financed by drawing on the Tulla Loan. 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 Project.

Results of Operations

Six months ended December 31, 2017 and 2016

Six months ended December 31	**2017**		2016		
	$	**% of expenses**	$	% of expenses	% change
Accounting and audit	**25,322**	**0.48%**	31,489	0.64%	-19.58%
Depreciation	**4,794**	**0.09%**	34,222	0.69%	-85.99%
Director's fees	**157,500**	**2.98%**	169,583	3.43%	-7.13%
Filing fees and transfer agent fees	**4,699**	**0.09%**	3,381	0.07%	38.98%
Finance expenses	**4,481,329**	**84.78%**	4,186,985	84.56%	7.03%
Interest on property obligation	**52,408**	**0.99%**	51,028	1.03%	2.70%
Legal fees	**33,643**	**0.64%**	2,346	0.05%	1334.06%
Management fees	**108,774**	**2.06%**	130,210	2.63%	-16.46%
Office and sundry	**236,223**	**4.47%**	312,310	6.31%	-24.36%
Share-based payments	**171,679**	**3.25%**	—	0.00%	n/a
Travel	**9,367**	**0.18%**	29,689	0.60%	-68.45%
Loss for the period	**(5,285,738)**	**100%**	(4,951,243)	100%	6.76%
Exchange differences on translating foreign operations	**(2,607,346)**		2,713,064		
Comprehensive loss for the period	**(7,893,084)**		(2,238,179)		

For the six months ended December 31, 2017, the Company recognized a comprehensive loss of $7,893,084 (2016 - $2,238,179), inclusive of the exchange differences on translating foreign operations. The operating loss for the six months ended December 31, 2017 was $5,285,738 (2016 - $4,951,243).

- For the six months ended December 31, 2017, finance expense of $4,481,329 (2016 - $4,186,985) increased over the prior period as the principal of the Loan has increased. No payments have been made against the accrued Loan and interest.

- For the six months ended December 31, 2017, legal fees increased to $33,643 (2016 - $2,346) due to work around the Loan assignment and other corporate activity.
- For the six months ended December 31, 2017, office and sundry costs decreased to $236,223 (2016 - $312,310) due to lower staff salaries and payroll costs.
- For the six months ended December 31, 2017, travel has decreased to $9,367 (2016 - $29,689) 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, 2017 and 2016

Three months ended December 31	**2017**		2016		
	$	**% of expenses**	$	% of expenses	% change
Accounting and audit	**16,690**	**0.65%**	20,712	0.82%	-19.42%
Depreciation	**2,415**	**0.09%**	28,839	1.14%	-91.63%
Director's fees	**78,750**	**3.06%**	82,083	3.25%	-4.06%
Filing fees and transfer agent fees	**2,425**	**0.09%**	2,278	0.09%	6.45%
Finance expenses	**2,253,865**	**87.57%**	2,106,310	83.30%	7.01%
Interest on property obligation	**26,393**	**1.03%**	25,793	1.02%	2.33%
Legal fees	**16,305**	**0.63%**	1,612	0.06%	911.48%
Management fees	**53,812**	**2.09%**	79,343	3.14%	-32.18%
Office and sundry	**121,445**	**4.72%**	160,211	6.34%	-24.20%
Share-based payments	**—**	**0.00%**	—	0.00%	n/a
Travel	**1,725**	**0.07%**	21,282	0.84%	-91.89%
Loss for the period	**(2,573,825)**		(2,528,463)		
Exchange differences on translating foreign operations	**438,552**		1,657,707		
Comprehensive loss for the period	**(2,135,273)**		(870,756)		

For the three months ended December 31, 2017, the Company recognized a comprehensive loss of $2,135,273 (2016 - $870,756), inclusive of the exchange differences on translating foreign operations. The operating loss for the three months ended December 31, 2017 was $2,573,825 (2016 - $2,528,463).

- For the three months ended December 31, 2017, finance expense of $2,253,865 (2016 - $2,106,310) increased over the prior period as the principal of the Loan has increased. No payments have been made against the accrued Loan and interest.
- For the three months ended December 31, 2017, legal fees increased to $16,305 (2016 - $1,612) due to work around the Loan assignment and other corporate activity.
- For the three months ended December 31, 2017, office and sundry costs decreased to $121,445 (2016 - $160,211) due to lower staff salaries and payroll costs.
- For the three months ended December 31, 2017, travel has decreased to $1,725 (2016 - $21,282) 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 loan 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 31, 2017, the Company used cash of $447,171 (2016 - $847,294) in operating activities. Major expenditure changes discussed in the results of operations were largely non-cash. The increased rate of cash use is largely attributable to the timing of payment of trade payables.

For the six months ended December 31, 2017, the Company used cash of $654,558 (2016 - $1,117,599) in investing activities for the six months ended December 31, 2017, primarily in deferred exploration and development expenditures (investing activities) on the Copper Flat project. The spend rate has decreased as the Company completed major documents needed to support the EIS and State Permit efforts in the prior periods and is incurring a lower spend rate while working through comments and awaiting the decision of the court in the water rights legal process.

For the six months ended December 31, 2017, cash generated from financing activities of $1,210,148 (2016 - $1,807,514) relates to draws on the Tulla 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 Loan 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 Project. Realization values may be substantially different from carrying values, as shown, and the 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.

Transactions with related parties

During the six months ended December 31, 2017 and 2016, the Company incurred the following expenditures in respect of transactions with related parties:

	2017	**2016**
Management fees paid or accrued to Mr. Andrew Maloney, CEO	85,836	88,673
Bonus paid or accrued to Mr. Andrew Maloney, CEO	-	21,787
Salary paid to Mr. Jeffrey Smith, COO (Note 3)	157,813	164,952
Directors fees paid or accrued to:		
Mr. Kevin W. Maloney	40,000	40,000
Mr. Barrett Sleeman	25,000	25,000
Mr. Kenneth Pickering (resigned December 7, 2016)	-	27,083
Mr. Joel Schneyer	35,000	35,000
Mr. Andrew Maloney	27,500	27,500
Ms. Deborah Peacock (appointed July 1, 2014 to NMCC board, December 7, 2016 to THEMAC board)	30,000	15,000
Loan advances received from Tulla(Note 4)	1,210,148	1,807,514
Interest incurred on loan payable to Tulla (Note 4)	4,481,329	4,186,985

Note 1: Bonus payments are made at the discretion of the board of directors. Timing and form of payment of these bonuses remains subject to the board's discretion. The form and timing is being designed to reflect the Company's financial capacity and long-term incentive nature of the compensation. Due to ongoing capitalization constraints, the Board has determined that management and staff will not be adequately compensated by the granting of stock options and has recognized bonuses for past service in the current period.

Note 2: Bonus accrued to Mr. Maloney is included in management fees expense.

Note 3: Compensation paid to Mr. Smith is partially capitalized to the Copper Flat Project.

Note 4: 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 Loan are set out under the heading "Debt" above. The Loan is repayable on demand. The Loan has 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 Loan with Tulla has a maximum facility of $44,500,000, of which $43,838,077 had been drawn as at June 30, 2017. In the six months ended December 31, 2017, the Company drew down US$955,300 and a further US$280,000 subsequent to December 31, 2017. The Loans are due on demand 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

The Company had engaged a third party to act as its exclusive financial advisor in connection with financing requirements for the Copper Flat Project. That relationship was terminated in October 2016 and has a twelve-month tail (the “Tail Period”). During the Tail Period, the fee payable on completion of a financing transaction will be US$100,000 if completed with certain listed parties, or 2.5% of the aggregate gross proceeds with a minimum fee of US$250,000 if completed with unlisted parties.

Off-balance sheet arrangements

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, loan payable and property obligation. The fair value of cash is measured on the statement of financial position using Level 1 of the fair value hierarchy as it is based on unadjusted quoted prices in active market. The fair value of receivables, bonds, trade and other payables and loan payable approximate their carrying values due to their short-term nature.

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

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

Currency Risk

The Company is subject to currency risks. The Company's Copper Flat project is located in the United States of America, and many of the Company's expenditures on this project are denominated in US dollars. The Company maintains its principal office in Canada, and has monetary assets and liabilities in Canadian and US dollars. The currency exchange rate between the US and Canadian dollars fluctuated from a low of US$0.77 to a high of US$0.82 for CAD$1 during the six months ended December 31, 2017. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $6,900,000. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate foreign currency risk at this time, and does not use derivative instruments to reduce its exposure to currency risk.

Interest rate and credit risk

The Company has a cash balance, taxes recoverable, trade and other payables, amounts due to related parties, Tulla Loan and Fancher property obligation. Amounts owed to related parties, excluding the loan payable, do not bear interest, and, therefore, these amounts are not exposed to interest rate variations. The loan payable bears an interest rate of 20% per annum on outstanding amounts. 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. As of April 30, 2017, the date of the last payment to Fancher, the interest rate applied was 4.575%.

Receivables typically consist of Canadian Goods and Services Tax ("GST") due from the Federal Government of Canada and bonds for the Project refunded after period end. 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."

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, 2017 the Company held cash of $140,387 and had current liabilities of $87,195,245. The Company has historically relied upon extensions to its loan 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 raising the desired level of financing 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 Project 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 concessions and permits 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 concessions and permits, the withdrawal, expiry or non-renewal of existing concessions and permits, or failure to comply with the terms of such concessions and permits could have a material adverse impact on the Company.

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

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 condensed consolidated interim 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 condensed consolidated interim 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: 14,025,194 with a weighted average exercise price of $0.05 with a weighted average remaining life of 4.5 years.

The fully diluted capital of the Company as at the date of this MD&A is 93,425,316.

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