



# **THEMAC Resources Group Limited**

**Form 51-102F1**

**Management's Discussion & Analysis (MD&A)**

**For the period ended March 31, 2013**

**Dated: May 29, 2013**

This report covers financial and technical information related to the nine-month period ended March 31, 2013 (“the Period”) and other relevant information available up to the date of this report. This report should be read in conjunction with the condensed consolidated interim financial statements for the period ended March 31, 2013 and the related notes (the “Financial Statements”) and the audited consolidated financial statements for the year ended June 30, 2012.

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](http://www.themacresourcesgroup.com) and under the Company’s profile on SEDAR at [www.sedar.com](http://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 acquiring, exploring and developing natural resource properties in various parts of the world.

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

### **About the Copper Flat Project**

Copper Flat is a former producing copper-molybdenum mine located in the Las Animas 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 (“Copper Flat” or the “Project”) The Project consists of 26 wholly-owned patented mining claims, 184 unpatented mining claims, and 29 placer mining claims totalling 4,241.2 acres (1,717 hectares (ha)).

An additional 1,200 acres in five tracts of land located within or adjacent the property described above were acquired through a binding Letter of Intent with a local rancher in April 2013, for which a definitive agreement is currently being prepared, bringing the Project's contiguous and non-contiguous land parcels and claim blocks to approximately 5,441 total acres. It is important to note that the acquisition of three of the five tracts was critical for the development of the mine as they provide the needed ground for the eventual expansion of the tailings dam and ground for additional waste rock storage.

Technical information concerning the land description and geology in this MD&A has been reviewed and approved by Mr. Raymond Irwin, P. Geo.

The Copper Flat mine was operated for a short period of time in 1982 (March to June 1982) by Quintana Minerals Corporation before operations were curtailed due to falling copper prices. During this brief period of production, the Copper Flat mine produced 1.48 million short tons (Mst) of ore yielding 7.4 million pounds (Mlbs.) of copper, 2,301 ounces (Oz) of gold, and 55,966 Oz of silver. Permitting for a return of the Project to production is at an advanced stage. A technical report prefeasibility study entitled "Copper Flat Project – Form 43-101 Technical Report Pre-Feasibility Study" ("prefeasibility study") prepared by M3 Engineering and Technology Corporation (M3) was completed and filed on [www.sedar.com](http://www.sedar.com) (SEDAR) on August 22, 2012. The Company has now started its definitive feasibility study, which is scheduled to be completed by the third quarter of 2013.

Copper Flat is a Laramide-age porphyry copper-molybdenum-gold-silver deposit. The gold and silver content of the deposit is evidenced by historic production and metallurgical test work, and gold and silver assay values are included in the deposit's NI 43-101 Mineral Resource statement.

Civil infrastructure in place at Copper Flat includes a tailings dam, largely pre-stripped open pit, power lines, water well field and pipeline, access roads, diversion channels, and building foundations. The Project's land package comprises in excess of 1,200 ha. For more information, visit [www.themacresourcesgroup.com](http://www.themacresourcesgroup.com).

## **Permitting**

Permitting the many aspects of 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 permitting, and government and community outreach efforts that have been conducted over the past two years have resulted in positive working relationships with the agencies and members of the local communities. The regulations enforced by the agencies are demanding but have been administered fairly and the permitting process has progressed more-or-less within the targeted schedule.

Community relationships continue to build through the quarterly outreach meetings that have been held over the past two years, as well as communication and education efforts through a series of Op-Ed articles in the local newspapers, interviews with the newspaper editors, presentations to the local governing bodies and service organizations, and participation in local events. These efforts resulted in resolutions of support passed unanimously by three of the four local governing bodies, and by majority vote of the fourth body.

The Environmental Impact Statement (EIS) process, administered by the Bureau of Land Management (BLM) is underway and Draft EIS is expected to be published in Q3 of 2013. As part of the permitting effort, an aquifer test was successfully completed at the end of 2012, and excavation of foundations that will be used in the future processing operations of the Copper Flat mine were completed in February 2013. Since this is the first copper mine to be permitted under the new State of New Mexico mining regulatory program, in order to minimize to the extent possible conflicts between the BLM, state mining, and other environmental regulatory programs, the Company schedules monthly meetings with all parties to communicate progress, identify real or potential conflicts, and provide current information on the Company's ongoing studies. These and other meetings have contributed to relationships with the agencies that are frank, informative, and productive, and, thus, conducive to problem solving.

As part of the permitting process, management continues to engage with regulatory stakeholders across a number of issues, including securing the appropriate consents and permits for water rights for the Project. Water scarcity is common in the area of the Copper Flat Project, and appropriation of water rights is managed by the Office of the State Engineer for New Mexico (NMOSE). 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. NMCC has met all payment terms to date; the final payment is due within 60 days of securing the Mine Permit. The NMOSE has recognized that a total of 889 acre-feet of these are valid water rights which have been perfected through historical actual use by the mine. NMCC appealed the NMOSE's decision and has been negotiating informally with the NMOSE to increase this amount to reflect the actual amount used and intended for use by the mine. The NMOSE recently indicated that it is willing to recognize 1,267 acre-ft/yr as the amount of water rights actually used by the mine, and has requested a pre-hearing scheduling conference to move into the formal administrative hearing process. NMCC will in the meantime request the NMOSE to engage in mediation with the goal of recognizing the existence of a water right in addition to the amount already perfected through actual use by the mine sufficient to meet the needs of the Project. The Company defends the Project's recognized water rights based on legal merits. These efforts are ongoing, and as the Company progresses its arrangements in this regard, the appropriate disclosures will be made.

## **Financings and Working Capital**

### **Financings**

During the nine month period ended March 31, 2013, the Company drew funds of \$8,655,000 on its loan with Tulla. Subsequent to the period ended March 31, 2013, the Company has drawn an additional \$1,800,000 in funds. Refer to "Capital resources" for additional discussion.

### **Working Capital**

As at March 31, 2013, the Company had working capital deficiency of \$31,958,246 (June 30, 2012 - \$316,252). The significant decrease in working capital relates to the reclassification of the loan to short term liabilities as the loan may be called in July 2013.

Taxes recoverable consisted of Canadian Harmonized Sales Tax (HST) and totalled \$3,424 (June 30, 2012: \$19,538).

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Prepaid expenses and deposits of \$257,646 (June 30, 2012: \$771,755) consists of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

Trade and other payables were \$1,425,098 (June 30, 2012: \$1,492,078) not including amounts to related parties of \$437,377 (June 30, 2012: \$160,000).

### Long-term debt

As at March 31, 2013, the loan payable of \$31,009,221 (June 30, 2012: \$18,966,274), including interest, relates to the loan agreement with Tulla detailed in the accompanying condensed consolidated interim financial statements. In the period ended March 31, 2013, the loan was reclassified to short-term debt as the lender may request repayment as of July 2013.

### Results of Operations

*Nine months ended March 31, 2013 and nine months ended March 31, 2012*

Nine months ended March 31	2013		2012		% change
	\$	% of expenses	\$	% of expenses	
Accounting and audit	74,436	1.44%	130,049	3.79%	-42.76%
Consulting	—	0.00%	66,250	1.93%	-100.00%
Depreciation	54,852	1.07%	11,216	0.33%	389.05%
Director's fees	245,625	4.73%	220,000	6.41%	11.65%
Filing fees and transfer agent fees	21,688	0.42%	21,043	0.62%	3.07%
Foreign exchange loss	—	0.00%	2,593	0.08%	-100.00%
Interest expense	3,387,947	65.20%	747,855	21.77%	353.02%
Investor communications	342,435	6.59%	459,804	13.39%	-25.53%
Legal fees	46,943	0.90%	36,556	1.06%	28.41%
Management fees	84,770	1.63%	72,066	2.10%	17.63%
Office and sundry	386,056	7.43%	763,457	22.23%	-49.43%
Other administration expenses	17,940	0.35%	14,443	0.42%	24.21%
Personnel searches	60,095	1.16%	89,381	2.60%	-32.77%
Share-based payments	399,704	7.69%	744,135	21.67%	-46.29%
Travel	73,906	1.42%	55,823	1.63%	32.39%
<b>Net Loss</b>	<b>(5,196,397)</b>	<b>100.03%</b>	<b>(3,434,671)</b>	<b>100.03%</b>	<b>51.29%</b>
Exchange differences on translating foreign operations	1,611		675,511		
<b>Comprehensive loss for the period</b>	<b>(5,199,720)</b>		<b>(2,759,160)</b>		

The following comments apply to items with larger variances or significant amounts:

- The interest expense represents the interest due on the Loan Agreement described in the accompanying financial statements. The loan was restructured in the prior year, and, combined with significant draws over the intervening period, is subject to a higher rate, resulting in an overall increase to the expense.
- Accounting and audit fees have decreased due to lower costs following completion of the IFRS transition year.

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- The consulting expense in the prior period related to amounts paid to Mr. Sleeman, who has since transitioned to a non-executive directorship. The increase in director fees relates to this change in corporate management structure.
- Share-based payments expense has decreased from the prior period due to a lower number of stock options vesting over the current nine-month period.
- Investor communications expense has decreased over the prior period as the Company has reduced its in-house payroll with respect to investor and community relations.
- Office and sundry has decreased as the Company is making a concerted effort to ensure that funds are spent with a view to developing the Copper Flat Project. Staffing changes have increased the number of persons devoted to Project work and decreased administrative staff.

*Three months ended March 31, 2013 and three months ended March 31, 2012*

Three Months ended March 31	2013		2012		% change
	\$	% of expenses	\$	% of expenses	
Accounting and audit	17,232	0.97%	42,010	2.87%	-58.98%
Depreciation	28,406	1.59%	4,339	0.30%	554.67%
Director's fees	85,625	4.77%	80,000	5.47%	7.03%
Filing fees and transfer agent fees	9,484	0.54%	13,763	0.94%	-31.09%
Foreign exchange gain	—	0.01%	(1,518)	-0.10%	-100.00%
Interest expense	1,243,324	69.14%	325,916	22.29%	281.49%
Investor communications	15,960	0.90%	241,346	16.51%	-93.39%
Legal fees	34,519	1.93%	4,020	0.27%	758.68%
Management fees	51,089	2.85%	19,966	1.37%	155.88%
Office and sundry	136,766	7.61%	336,438	23.01%	-59.35%
Other administration expenses	554	0.04%	5,723	0.39%	-90.32%
Personnel searches	1,640	0.10%	53,781	3.68%	-96.95%
Share-based payments	138,058	7.69%	326,953	22.36%	-57.77%
Travel	35,939	2.01%	9,463	0.65%	279.78%
<b>Net Loss</b>	<b>(1,798,596)</b>	<b>100%</b>	<b>(1,462,200)</b>	<b>100%</b>	<b>23.01%</b>
Exchange differences on translating foreign operations	893,268		(669,179)		
<b>Comprehensive loss for the period</b>	<b>(905,328)</b>		<b>(2,131,379)</b>		

The following comments apply to items with larger variances or significant amounts:

- The interest expense represents the interest due on the Loan Agreement described in the accompanying financial statements. The loan was restructured in the prior year, and, combined with significant draws over the intervening period, is subject to a higher rate, resulting in an overall increase to the expense.
- Accounting and audit fees have decreased due to lower costs following completion of the IFRS transition year.

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- Office expenses have decreased as staffing has shifted from office overhead to Project-specific activities from the prior period. Consequently, a larger portion of salaries are capitalized to exploration activities.
- Share-based payments expense has decreased from the prior period due to a lower number of stock options vesting over the current three-month period.
- Investor communications expense has decreased over the prior period as the Company has reduced its in-house payroll with respect to investor and community relations.
- Management fees have increased due to changes in the senior executives of the Company as per payments to key management personnel outlined below.

**Summary of quarterly results:**

	Quarter ended (three-month unaudited figures, unless otherwise specified)							
	Mar 31, 2013 \$	Dec 31, 2012 \$	Sept 30, 2012 \$	Jun 30, 2012 \$	Mar 31, 2012 \$	Dec 31, 2011 \$	Sep 30, 2011 \$	Jun 30, 2011 \$
Net loss for the period	(1,798,596)	(1,642,693)	(1,755,108)	(922,235)	(1,462,200)	(1,009,586)	(962,885)	(818,438)
Per share basic & diluted	(0.02)	(0.02)	(0.04)	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)
Total comprehensive income (loss) for the period	(910,262)	(1,189,740)	(3,099,718)	(454,268)	(2,131,379)	(1,976,611)	1,348,830	(1,149,243)
Per share basic	(0.01)	(0.02)	(0.04)	(0.01)	(0.03)	(0.04)	0.03	(0.05)
Per share diluted	(0.01)	(0.02)	(0.04)	(0.01)	(0.03)	(0.04)	0.01	(0.05)
Total assets	48,200,945	44,008,682	41,261,551	40,503,800	36,813,697	35,120,444	33,817,515	27,701,953
Total liabilities	33,213,038	28,338,745	24,444,092	20,868,352	16,828,268	13,341,100	10,198,542	5,732,450
Shareholders' equity	14,987,907	15,669,937	16,817,459	19,635,448	19,985,429	21,779,344	23,618,973	21,969,503
Cash dividends declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The trend presented by the table 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 New Mexico Copper Corporation which holds title to the Copper Flat Project.

**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 accounts payable and accrued liabilities 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. However, the Company maintains access to a loan facility provided by Tulla. Currently, the Company has extended its borrowings beyond capacity of the facility and is working to amend the borrowing agreement.

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At March 31, 2013, the Company had cash of \$652,380 (June 30, 2012: \$544,533) and taxes recoverable of \$3,424 (June 30, 2012: \$19,538) and current liabilities of \$32,871,696 (June 30, 2012: \$1,652,078). In addition, during the nine-month period ended March 31, 2013, the Company incurred a net loss of \$5,201,331 and had a working capital deficiency of \$31,958,246.

The Company will depend on future financings from its majority shareholder (Tulla) and other parties 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.

### **Capital resources**

The Company's ability to raise further funds from the equity markets will largely depend upon general market conditions. An amendment to the existing debt facility provided by Tulla has been agreed in principle, with the facility increasing from \$25,000,000 to \$30,000,000 to provide working capital to the Company. The facility is proposed to be extended to July 31, 2013 and to be secured by a fixed and floating charge over the assets of the Company. The agreement in principle is subject to final agreement and TSXV approval.

### **Off-balance sheet arrangements**

The Company does not have any off-balance sheet arrangements.

### **Transactions with related parties and payments to key management personnel**

During the period, the Company incurred the following expenditures in respect of transactions with related parties:

<b>Nine month period ended March 31</b>	<b>2013</b>	<b>2012</b>
Consulting fees and office expenses paid to Ernest Resources Limited, a company controlled by Mr. Barrett Sleeman, a director of the Company. \$	\$ -	\$ 66,250
Salary accrued to Mr. Andrew Maloney, Interim CEO	25,714	-
Salary paid to Mr. Andre J. Douchane, President & CEO	101,919	167,950
Salary accrued to Mr. Stuart Crawford, CFO	18,750	-
Salary paid to Mr. Jeff Lowe, former CFO	-	44,809

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<b>Nine month period ended March 31</b>	<b>2013</b>	<b>2012</b>
Management fees paid to a company controlled by Mr. Steve Vanry, former Chief Financial Officer of the Company	-	12,000
Management fees and office rent paid to InterAmerica Consulting & Development Ltd, a company controlled by Mr. Salvador Miranda, former corporate co-secretary of the Company.	25,426	59,356
Directors fees paid or accrued to:		
Kevin W. Maloney	60,000	60,000
Barrett Sleeman	33,750	11,250
John Cook	45,000	45,000
Kenneth Pickering	48,750	48,750
Joel Schneyer	52,500	52,500
Andrew Maloney	5,625	-
Loan advances received from Tulla	8,630,000	10,100,000
Interest incurred on loan payable to Tulla	3,387,824	747,955
Fair value of options granted to above persons:	231,448	727,780

## Financial Instruments

The Company's financial instruments consist of cash, taxes recoverable, prepaid expenses and deposits, bonds, trade and other payables, amounts due to related parties, and loan payable. The fair value of cash is measured on the statement of financial position using Level 1 of the fair value hierarchy as it is based on unadjusted quoted prices in active market. The fair value of trade and other receivables, trade and other payables and loan payable approximate their carrying values due to their short-term nature.

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

### *Currency Risk*

The Company is subject to currency risks. The Company's Copper Flat Project is located in the United States of America, and many of the Company's expenditures on this Project are denominated in US dollars. The Company maintains its principal office in Canada, and has monetary assets and liabilities in Canadian and US dollars. The currency exchange rate between the US and Canadian dollars fluctuated from a low of US\$0.97 to a high of US\$1.02 for CAD\$1 during the period ended March 31, 2013. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately \$4,600,000. 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 and debt, in the form of a loan facility from a related party, the Tulla loan and normal course trade and other payables. Other than the Tulla loan, which bears interest at 20%, all other amounts owed to related parties do not bear interest, and are, therefore, not exposed to interest rate variations. The Company has no credit risk arising from operations as the debt can only be called when the Company has sufficient funds to repay, or else it is to be repaid through the issuance of shares. The Company periodically monitors the investments it makes, and is satisfied with the credit ratings of its bank.

Trade and other receivables typically consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk with respect to receivables is remote.

*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 March 31, 2013 the Company held cash of \$663,485 and had current liabilities of \$32,846,572. The Company has historically relied upon equity subscriptions and 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 from various federal, state and local authorities and private property holders. The granting, continuing validity and enforcement of the terms of such concessions and permits are, as a practical matter, often subject to the discretion of government officials. There can be no assurance that all concession 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 concession 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 OSE to secure the appropriate consents and permits for Project water rights. Specifically, the OSE has provided confirmation to some of the Project's water rights, and the Company is preparing for discussions regarding the balance of the water rights. At the time of preparation of this report, it appeared that referring the case to a hearing officer and then simultaneously entering into a mediation process would be the appropriate course of action to arrive at an amount of water right required for the Project to proceed. As the Company progresses its arrangements 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 or precious 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.

### **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 public 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](http://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: 74,117,622.

**THEMAC RESOURCES GROUP LIMITED**  
**Management Discussion & Analysis**  
**For the Period Ended March 31, 2013**

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- Warrants:
  - ♦ 10,500,000 with an exercise price of \$0.28 until March 4, 2016.
  - ♦ 40,000,000 with an exercise price of \$0.34 until March 4, 2016.
- Stock options: 6,374,369 with a weighted average exercise price of \$0.57 valid for five years from the date of grant.

The fully diluted capital of the Company as at the date of this MD&A is 130,996,991.

**Directors and officers**

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

<b>Directors</b>	<b>Officers</b>
Kevin W. Maloney (Chairman)	Andrew Maloney, Interim Chief Executive Officer <sup>(1)</sup>
John Cook	Stuart Crawford, Chief Financial Officer <sup>(2)</sup>
Andrew Maloney <sup>(1)</sup>	Stephen L. Law, Secretary
Kenneth (Ken) Pickering	Raymond Irwin, Vice President
Barrett Sleeman	
Joel Schneyer	

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(1) Mr. Maloney was appointed a director on February 15, 2013 and Interim CEO on February 25, 2013.

(2) Mr. Crawford was appointed on July 23, 2012

On behalf of the Board of Directors:

*“Andrew Maloney”*

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Andrew Maloney  
Interim CEO