THEMAC Resources Group Limited

Form 51-102F1

Management's Discussion & Analysis (MD&A)

For the six months ended December 31, 2020

Dated: February 26, 2021

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

This report covers financial and technical information related to the six months ended December 31, 2020 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, 2020 and the audited consolidated financial statements for the year ended June 30, 2020 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.

COVID-19 Response

The World Health Organization (WHO) declared coronavirus COVID-19 a global pandemic in March 2020. This contagious disease outbreak has continued to spread and has adversely affected workforces, economies, and financial markets globally. The Company's priority is the safety and health of its employees and their families, and the Company has implemented actions at the Copper Flat Mine that comply with the Public Health Orders issued by the State of New Mexico and best practices outlined by the WHO.

About the Copper Flat Mine

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

Copper Flat is a former producing polymetallic (copper, 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 surface area of the Company's contiguous and non-contiguous land parcels and mining claims at Copper Flat totals approximately 5,076 acres (1,918 hectares) and the Company controls 100% of the property located within the approximate 2,054 acre (886 hectare) mine area. The project site is characterized as a "brownfields" site as numerous roads, power lines, placer and concentrator tailings, and other surface infrastructure dating from prior mine operations exist on the property.

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

Quintana Minerals Corporation ("Quintana") operated the Mine during the first half of 1982, 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 Quintana's short operating period.

The Company carried out exploration activities at Copper Flat from 2009 to 2012 to confirm, characterize, and expand the known extent of the Copper Flat mineralization. NMCC's exploration program included drilling, geologic mapping, geophysical surveys, sampling for mineral content, metallurgical testing, geochemical characterization, geotechnical analysis, and re-assay of samples from prior exploration programs. During this period, NMCC completed 47,500 feet of drilling in 48 drill holes. The Company has not performed further exploration activities at Copper Flat after conclusion of the 2012 exploration program.

The Company completed a Feasibility Study in 2013, for restarting the Mine (the "Study").The Study, prepared by M3 Engineering and Technology Corporation ("M3") with input from Independent Mining Consultants and Golder Associates, 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", which was issued on November 21, 2013, and is available at www.sedar.com (SEDAR). The Company issued an updated NI 43-101 compliant technical report on April 9, 2020, to update the project economics and project status. The 2020 report, titled “Copper Flat Project, Form NI 43-101F1 Technical Report Project Feasibility Study Update” is posted on SEDAR (the “Updated Study”)

The Updated Study includes financial analysis on two metal price scenarios: 1) The base case using a long-term copper price of $3.25/lb; and 2) a price upside case using a long-term copper price of $3.60/lb. All other metal prices are held constant between the two scenarios.

The financial return table below is after tax, unlevered and with no escalation in commodity prices.

	NPV@0% (US$000)	NPV@8% (US$000)	IRR (%)	Payback (Years)
Base Case	$545,000	$235,000	20.8	3.3
Upside Price Case	$711,000	$338,000	25.6	2.9

Base Case: Copper $3.25/lb, Moly $10.50/lb, Gold $1,300/oz; Silver $16.00/oz
Upside Sensitivity: Copper $3.60/lb, Moly $10.50/lb, Gold $1,300/oz; Silver $16.00/oz

With the Updated Study completed, the Company is satisfied Copper Flat continues to demonstrate robust economics which support ongoing advancement of the permitting and development processes.

The Company has identified the following principal steps needed to bring the Copper Flat Mine into commercial production:

Secure Additional Water Rights
Receive Federal Approvals: EIS; Mine Plan Approval; CWA 404 (list complete subject to conclusion of financial assurance for reclamation and closure)
Receive State Permits: Air Quality; Groundwater Discharge; Mining; Tailings Dam (Air Quality and Groundwater Discharge Permits complete)
Complete Detail Engineering
Hire a Work Force
Construct Facilities
Commence Operations
Achieve Commercial Production

During the six months ended December 31, 2020, the Company continued to focus efforts on securing a sufficient water supply along with Federal and State approvals to construct, operate, and reclaim the Copper Flat Mine.

Water

Water resources are carefully managed and controlled in the Western United States; in New Mexico, the appropriation of water rights is managed by the New Mexico Office of the State Engineer (“NMOSE” or “OSE”).

On December 28, 2017, the State of New Mexico Third District Court ruled that inchoate water rights 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 prior owners of the water rights; 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 “Water Rights

Adjudication Hearing"). 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. Legal briefs have been filed by the parties, and an oral hearing has been set for April 1, 2021.

Expert hydrologists working for the Company have created an extensive groundwater simulation model to determine how pumping from the Company's wells might affect the local groundwater table and the Rio Grande river over time (the "Hydrogeologic Model"). The Hydrogeologic Model has been reviewed by OSE hydrologists and comments returned have been incorporated into the Hydrogeologic Model. Effects on the level of water in neighboring wells, which is not the same as impairment, have been projected by the Hydrogeologic Model. Neither the Hydrogeologic Model and or the evidence given at the Water Rights Adjudication Hearing indicates any material injury to any other well as a result of the planned pumping of the Company's water wells. And further, the Company committed in the EIS process to ensure that any well user with demonstrated well impairment will be provided with an alternative water supply at no cost; whether through well deepening (at the cost of the Company) or other appropriate measures.

The Company steps to supplement the vested water rights include acquiring a lease from the Jicarilla Nation to release 3,000 AF of water per annum into the Rio Grande for use in offsetting groundwater pumping effects projected to reach the Rio Grande. The Jicarilla lease has been authorized and approved by the United States Department of Interior and the United States Bureau of Reclamation, however approval from the State is required before the plan may be implemented.

In August 2018, the Company made the final payment to exercise its option to acquire water rights under the 2010 water rights purchase and option agreement. With this action, the Company obtained title to approximately 862 AF of court-adjudicated water rights and approximately 5,600 AF of non-adjudicated declared water rights, all of which are the subject of a pending appeal. The change of ownership has been processed by the NM Office of the State Engineer and the OSE documents recorded in Sierra County, NM, to complete the transaction.

In April 2019, an agreement to lease 2,400 AF of existing water right for use at the Copper Flat Mine was executed. The water is currently permitted in the Lower Rio Grande ("LRG") Basin for multiple purposes, including commercial and industrial use. An application to OSE to change the point of diversion to the Copper Flat production wells and the place and purpose of use to the Copper Flat Mine was filed in August 2019. The application has been protested and a hearing conducted by the OSE Administrative Litigation Unit on the matter is expected to be held at a date to be determined.

The Company continues to review options for addressing appeals to existing applications and for securing additional water rights. The Company will continue to make appropriate and timely disclosures as developments occur.

Permitting

Efforts to achieve federal and state approvals for the mine continued throughout the six months ended December 31, 2020.

The proposed operation has been evaluated by the Bureau of Land Management (BLM) through completion of a National Environmental Policy Act ("NEPA") compliant Environmental Impact

Statement ("EIS"). The EIS was prepared by the BLM in consultation with several Cooperating Agencies that included the U.S. Fish and Wildlife Service ("USFWS"); the New Mexico Energy, Minerals, and Natural Resources Department, the New Mexico Environment Department, the New Mexico Department of Game and Fish, and the New Mexico Office of the State Engineer. The EIS also considered public comments received during the scoping effort as well as comments received on the Draft EIS. Consultation with USFWS resulted in a Biological Assessment and the USFWS Biological Opinion was signed in February 2019, which is an important component of the NEPA process.

BLM's issuance of the final Copper Flat Mine EIS ("FEIS") completed an extensive seven-year review. The FEIS identifies potential impacts on the physical, biological and social environment from all phases of the proposed project, including construction, mine operation and closure. The document identifies long-term, cumulative effects from this project and other activities in the region, while considering a reasonable range of alternatives that meet the Agency's legal mandates.

The BLM on August 22, 2019, issued a positive decision on the Copper Flat Mine FEIS. With this decision, the BLM formally approved the Alternative 2 Plan evaluated in the EIS. The BLM decision approves open pit mining and 30,000 tons per day mineral processing by sulfide flotation, which matches plans used for the Company's state permit applications. With the EIS, the BLM determined that implementation of the approved alternative along with Company commitments to environmental monitoring and protection measures will not cause unnecessary or undue degradation of public lands and the Agency has determined the decision is consistent with other applicable legal requirements. In announcing the decision, the BLM recognized that the Copper Flat Mine will enhance economic development by creating jobs and enabling community growth. The Copper Flat FEIS and Record of Decision ("ROD") are available for viewing at:

https://eplanning.blm.gov/epl-front-office/eplanning/planAndProjectSite.do?methodName=dispatchToPatternPage&currentPageId=112703.

In February 2020, the Company received notice from the U.S. Army Corps of Engineers ("Corps") that its plans for the Copper Flat Mine in Sierra County, NM, are authorized by Nationwide Permit 44 for Mining Activities as required by the Federal Water Pollution Control Act of 1972 (also known as the Clean Water Act). In addition to project designs, the Corps also considered impacts to threatened and endangered species and to historic properties before making its determination that the mine can proceed under Nationwide Permit 44.

The NMED Air Quality New Source Review Permit 0365-M3, issued to NMCC for the Copper Flat Mine in 2013, remains in effect.

The NMED Groundwater Discharge Permit DP-1840, issued to NMCC for the Copper Flat Mine in December 2018, remains in effect. The decision to issue Permit DP-1840 was administratively appealed by project opponents; arguments were heard by New Mexico's Water Quality Control Commission ("WQCC") in August 2019, followed by a unanimous decision from the WQCC to uphold the permit. The WQCC decision has been appealed to the NM Court of Appeals and on June 9, 2020, the Court assigned the case to the Court's General Calendar to begin the briefing process. Written briefs regarding the matter were completed in November 2020 and oral arguments, if elected by the Court, are expected to take place in 2021.

Work to obtain a mining permit from the New Mexico Mining and Minerals Division (MMD) is ongoing. Although the Copper Flat project site is brownfields, the Copper Flat Mine is being permitted as a new mine under Part 6 of the New Mexico Mining Act Regulations. The NMCC permit application package, which includes construction, operation, reclamation and closure plans, has been submitted to MMD, was made the subject of an environmental evaluation approved by MMD, and was determined to be approvable by MMD in a July 13, 2018, letter to NMCC. NMCC is currently developing information to satisfy MMD's requirements for a permit, including holding sufficient water rights for the operation, reclamation, and offsetting of pumping effects on the river and finalization of an approved reclamation bond.

Other permits such as the OSE Dam Safety Permit for the mine's proposed Tailings Storage Facility and an EPA Multi-Sector General Permit for potential storm water discharges at the facility from the Environmental Protection Agency have been re-prioritized and will be addressed in the future once the Company's more immediate priorities are achieved.

External Relations

The Company values positive working relationships with local community members 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), and the Company provides updates through these channels as developments occur.

Company efforts to secure sufficient water for the mine's planned operations and obtain the operating permits continue to be subject to challenge from Project opponents. The Company will continue to make appropriate and timely disclosures to these matters as developments occur.

Metal Prices and Feasibility Financial Summary

The economic update in 2020 of the Feasibility Study includes financial analysis on two metal price scenarios: 1) The base case using a long-term copper price of $3.25/lb; and 2) a price upside case using a long-term copper price of $3.60/lb. All other metal prices are held constant between the two scenarios.

The financial return table below is after tax, unlevered and with no escalation in commodity prices.

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Upside Sensitivity: Copper $3.60/lb, Moly $10.50/lb, Gold $1,300/oz; Silver $16.00/oz

In the Base Case financial model, approximately 79% of the payable metal value is attributable to copper, 11% to gold, 7% to molybdenum and 3% to silver.

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 has posted on SEDAR a NI 43-101 Technical Report on the 2013 Feasibility Study and a second NI 43-101 Technical Report to update project economics and report on current project status. Average prices of copper, gold, molybdenum and silver for the period from the publication of the Study will be provided on a go-forward basis. The average monthly prices through the end of December 2020 are provided in the table below:

Calendar Year	Copper (US$/lb)	Gold (US$/oz)	Silver (US$/oz)	Molybdenum (US$/lb)
Feasibility Study(2)	3.25	1,300	16.00	10.50
Jan 2020	2.74	1,561	17.96	9.66
Feb 2020	2.58	1,597	17.92	10.50
Mar 2020	2.35	1,592	14.92	9.11
Apr 2020	2.29	1,683	15.03	8.24
May 2020	2.37	1,716	16.23	8.91
Jun 2020	2.60	1,732	17.72	8.19
Jul 2020	2.88	1,843	20.40	N/A
Aug 2020	2.95	1,969	26.89	7.57
Sep 2020	3.04	1,922	25.89	8.28
Oct 2020	3.04	1,900	24.25	8.54
Nov 2020	3.20	1,863	24.04	9.01
Dec 2020	3.52	1,856	24.89	9.19
2020 Average	2.80	1,770	20.51	8.84

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 Updated Prices:
   Base Case: Copper $3.25/lb, Moly $10.50/lb, Gold $1,300/oz and Silver $16.00/oz

Negative trends in metals prices can adversely impact the Company’s ability to finance development of the Copper Flat Mine. The Company has reviewed the financial projections of the Study, as updated, and is satisfied that project NPV exceeds the carrying value of the Copper Flat Project value as presented in the statement of financial position in the Company’s accompanying condensed consolidated interim financial statements.

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, 2020	Year ended June 30, 2020
Deferred exploration expenditures, beginning of the period	$ 45,008,843	$ 42,162,872
Asset retirement obligation	-	(41,461)
Engineering	95,066	136,447
Exploration	17,903	-
Legal	94,479	299,581
Permitting	253,699	503,331
Site maintenance	119,850	241,851
Recovery of payables	-	(98,185)
Additions for the period	580,997	1,041,564
Cumulative foreign currency translation adjustment	(2,981,595)	1,804,407
Deferred exploration expenditures, end of the period	$ 42,608,245	$ 45,008,843

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$8,000,000 and bears interest at 20% per annum. The USD Loan is unsecured and is payable on demand. The Company has drawn US$7,950,890 against the USD Loan facility as at December 31, 2020 and a further US$100,000 subsequent to December 31, 2020. The facility has been extended to US$8,500,000 subsequent to December 31, 2020.

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.

Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted to provide financial aid to family and businesses impacted by the COVID-19 pandemic. The Company participated in the CARES Act, and on May 4, 2020, the Company entered into a note payable with a bank under the Small Business Administration (“SBA”), Paycheck Protection Program (“PPP”) in the amount of US$39,203. This note payable matures on May 3, 2022 with a fixed interest rate of 1% per annum with interest deferred for six months. The PPP loan has an initial term of two years, is unsecured and guaranteed by the SBA. Under the terms of the PPP note, the Company may apply for forgiveness of the amount due on the PPP loan. The Company used the proceeds from the PPP loan for qualifying expenses as defined in the PPP. The Company intends to apply for forgiveness of the PPP loan in accordance with the terms of the Cares Act. However, the Company cannot assure at this time that the PPP loan will be forgiven partially or in full. If the loan is not forgiven based on the PPP guidelines to be issued by the SBA, as defined, then, the monthly payment amount will be $1,651 beginning on November 1, 2020 through May 3, 2022. The current portion of the PPP loan is $29,136 (US$22,868) (June 30, 2020 - $17,826 (US$13,068)) and the long-term portion is $20,812 (US$16,335) (June 30, 2020 - $35,652 (US$26,135)).

Working Capital

As at December 31, 2020, the Company had working capital deficiency of $127,497,972 (June 30, 2020 - $121,066,730). The significant decrease in working capital relates primarily to the accumulation of amounts due on the Loans.

As at December 31, 2020, the Company had prepaid expenses and deposits of $47,836 (June 30, 2020 - $24,843) consisting of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

As at December 31, 2020, the Company had trade and other payables of $244,662 (June 30, 2020 - $443,416) not including amounts to related parties of $2,772,128 (June 30, 2020 - $2,809,693). The decrease 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 approximately 1,220 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$1,075,000 against the principal, and $570,789 against accrued interest, in the years ended June 30, 2013 through 2020.

A balance of US$1,800,000 (“Final Payment”) was 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, 2020, the carrying value of the property obligation was $1,861,702 (June 30, 2020 - $1,956,542), of which $205,071 is due within one year of December 31, 2020. The remaining principal balance under the Final Payment is US$1,425,000.

The Company believes it has or may 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, the inchoate 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, 2020, the Company had Loans payable of $124,373,344 (June 30, 2020 - $117,719,121), including interest, relates to the loan agreements with Tulla detailed in the accompanying unaudited condensed consolidated interim financial statements. The amounts are due on demand and accrue interest at a simple interest rate of 20% per annum. During the six months ended December 31 2020; the Company drew down $1,156,061 (US$877,292) on the USD Loan. The Company has provided a guarantee of the repayment of the Loans on behalf of NMCC.

Selected Annual Information

		Years ended June 30 ($)		
		2020	2019	2018
a)	Loss for the year	(11,313,550)	(11,151,576)	(10,598,062)
	➢ Per share - basic & diluted	(0.14)	(0.14)	(0.13)
b)	Comprehensive income (loss) for the year	(8,475,078)	(11,571,846)	(9,827,262)
	Per share - basic & diluted	(0.11)	(0.15)	(0.12)
c)	Long term liabilities*	2,320,402	2,383,743	2,481,053
d)	Total assets	84,942,309	80,526,674	78,261,186
e)	Cash dividends per share	Nil	Nil	Nil

The loss per year has increased over the periods presented in part due to the interest expense accruing on the Loans. The difference between the comprehensive loss and loss for the year 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, 2020 $	Sept 30, 2020 $	Jun 30, 2020 $	Mar 31, 2020 $
Net loss for the period	(2,944,094)	(2,838,137)	(2,840,308)	(2,867,783)
Per share basic & diluted	(0.04)	(0.04)	(0.04)	(0.04)
Total comprehensive income (loss) for the period	(5,823,023)	(5,475,528)	(5,511,646)	2,997,978
Per share basic & diluted	(0.07)	(0.07)	(0.07)	0.04
Total assets	79,929,575	82,578,322	84,942,309	87,888,864
Total liabilities	129,778,853	126,604,577	123,493,036	120,927,945
Shareholders' deficiency	(49,849,278)	(44,026,255)	(38,550,727)	(33,039,081)
Cash dividends declared	Nil	Nil	Nil	Nil

	Quarter ended (three-month unaudited figures, unless otherwise specified)			
	Dec 31, 2019 $	Sept 30, 2019 $	Jun 30, 2019 $	Mar 31, 2019 $
Net loss for the period	(2,806,368)	(2,799,091)	(2,807,206)	(2,744,845)
Per share basic & diluted	(0.04)	(0.04)	(0.04)	(0.03)
Total comprehensive income (loss) for the period	(3,967,584)	(1,993,826)	(4,177,048)	(4,254,173)
Per share basic & diluted	(0.05)	(0.03)	(0.05)	(0.04)
Total assets	80,595,999	81,717,155	80,526,674	81,726,769
Total liabilities	116,633,058	113,786,630	110,602,323	107,625,370
Shareholders' deficiency	(36,037,059)	(32,069,475)	(30,075,649)	(25,898,601)
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, 2020 and 2019

Six months ended December 31	**2020**		2019		
	$	**% of expenses**	$	% of expenses	% change
Accounting and audit	**26,760**	**0.46%**	26,613	0.47%	0.55%
Depreciation	**1,971**	**0.03%**	2,649	0.05%	-25.59%
Director's fees	**181,777**	**3.11%**	157,500	2.81%	15.41%
Filing fees and transfer agent fees	**3,844**	**0.07%**	6,727	0.12%	-42.86%
Finance expenses	**5,422,201**	**92.81%**	5,221,402	93.15%	3.85%
Foreign exchange	**34,142**	**0.58%**	(7,314)	-0.13%	-566.80%
Interest on property obligation	**35,729**	**0.61%**	56,744	1.01%	-37.03%
Legal fees	**2,722**	**0.05%**	3,059	0.05%	-11.02%
Management fees	**48,742**	**0.83%**	50,004	0.89%	-2.52%
Office and sundry	**83,163**	**1.42%**	103,597	1.85%	-19.72%
Travel	**1,180**	**0.02%**	4,969	0.09%	-76.25%
Recovery of accounts payable	**—**	**0.00%**	(20,491)	-0.37%	-100.00%
Loss for the period	**(5,842,231)**		(5,605,459)		
Exchange differences on translating foreign operations	**(5,456,320)**		(355,951)		
Comprehensive loss for the period	**(11,298,551)**		(5,961,410)		

For the six months ended December 31, 2020, the Company recognized a comprehensive loss of $11,298,551 (2019 – $5,961,410), inclusive of the exchange differences on translating foreign operations. The operating loss for the six months ended December 31, 2020 was $5,842,231 (2019 - $5,605,459).

- For the six months ended December 31, 2020, director's fees of $181,777 (2019 - $157,500) increased due to the Company paying compensation to a new member of the subsidiary's Board.
- For the six months ended December 31, 2020, finance expense of $5,422,201 (2019 - $5,221,402) 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, 2020, office and sundry costs decreased to $83,163 (2019 - $103,597) for ongoing and regular expenditures.
- For the six months ended December 31, 2020, travel has decreased to $1,180 (2019 - $4,969) as the timing and expense of such costs are relative to the number of in person Board meetings and pursuit of corporate opportunities which has been limited to COVID-19.

Three months ended December 31, 2020 and 2019

Three months ended December 31	2020		2019		
	$	% of expenses	$	% of expenses	% change
Accounting and audit	**18,428**	**0.63%**	18,885	0.67%	-2.42%
Depreciation	**974**	**0.03%**	987	0.04%	-1.32%
Director's fees	**103,027**	**3.50%**	78,750	2.81%	30.83%
Filing fees and transfer agent fees	**3,010**	**0.10%**	4,484	0.16%	-32.87%
Finance expenses	**2,717,492**	**92.30%**	2,620,886	93.39%	3.69%
Foreign exchange	**13,140**	**0.45%**	(21,287)	-0.76%	-161.73%
Interest on property obligation	**17,668**	**0.60%**	28,368	1.01%	-37.72%
Legal fees	**2,003**	**0.07%**	3,017	0.11%	-33.61%
Management fees	**23,937**	**0.81%**	25,531	0.91%	-6.24%
Office and sundry	**43,729**	**1.49%**	45,371	1.62%	-3.62%
Travel	**686**	**0.02%**	1,376	0.05%	-50.15%
Recovery of accounts payable	**—**	**0.00%**	—	0.00%	n/a
Loss for the period	**(2,944,094)**		(2,806,368)		
Exchange differences on translating foreign operations	**(2,878,929)**		(1,161,216)		
Comprehensive loss for the period	**(5,823,023)**		(3,967,584)		

For the three months ended December 31, 2020, the Company recognized a comprehensive loss of $5,823,023 (2019 – $3,967,584), inclusive of the exchange differences on translating foreign operations. The operating loss for the three months ended December 31, 2020 was $2,944,094 (2019 - $2,806,368).

- For the three months ended December 31, 2020, director's fees of $103,027 (2019 - $78,750) increased due to the Company paying compensation to a new member of the subsidiary's Board.
- For the three months ended December 31, 2020, finance expense of $2,717,492 (2019 - $2,620,886) 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, 2020, travel has decreased to $686 (2019 - $1,376) as the timing and expense of such costs are relative to the number of in person Board meetings and pursuit of corporate opportunities which has been limited to COVID-19.

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 31, 2020, the Company used cash of $100,446 (2019 – $159,909) 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, 2020, the Company used cash of $1,068,455 (2019 - $913,333) in investing activities for the six months ended December 31, 2020, including $Nil (2019 - $165,593) against the Fancher property obligation, and $1,068,455 (2019 - $747,740) in deferred exploration and development expenditures (investing activities) on the Copper Flat Mine. The cash spend increased from prior period as the Company incurred higher legal costs of permitting and associated proceedings in the prior period.

For the six months ended December 31, 2020, cash generated from financing activities of $1,156,061 (2019 - $1,063,293) 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 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, 2020 and 2019, the Company incurred the following expenditures in respect of transactions with related parties:

	2020	2019
Management fees paid or accrued to Mr. Andrew Maloney, CEO	-	-
Salary paid to Mr. Jeffrey Smith, COO (Note 1)	169,681	169,959
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
Ms. Patsy Madrid	24,277	-
Fair value of stock options granted to senior management and directors	-	-
Loan advances received from Tulla (Note 2)	1,156,061	1,063,293
Interest incurred on loans payable to Tulla (Note 2)	5,422,201	5,221,402
Fees paid or accrued to Peacock Law, P.C., a firm owned by Ms. Deborah Peacock	3,696	4,165

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, 2020. The USD Loan has a maximum facility of US$8,000,000, of which US$7,950,890 had been drawn as at December 31, 2020 and a further US$100,000 subsequent to December 31, 2020. The facility has been extended to US$8,500,000 subsequent to December 31, 2020. 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 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 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$0.69 to a high of US$0.77 for CAD$1 during the period ended December 31, 2020. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income (loss) by approximately $113,650. 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 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, 2020.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

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.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

THEMAC will require additional funding.

At December 31, 2020 the Company held cash of $76,044 and had current liabilities of $127,624,341. 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, the NMSOE is reviewing other water rights that the Company has agreed to lease from a third party, and the Company is in legal proceedings regarding the balance of the water rights. The basis of the Company's position in the legal proceedings 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 116th 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 2019'' and the "Hardrock Leasing and Reclamation Act of 2019"; 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: 13,664,744 with a weighted average exercise price of $0.05 with a weighted average remaining life of 1.75 years.

The fully diluted capital of the Company as at the date of this MD&A is 93,064,866.

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	
Patsy Madrid, director of New Mexico Copper Corporation	

On behalf of the Board of Directors:

"*Andrew Maloney*"

Andrew Maloney
Chief Executive Officer