



THEMAC Resources Group Limited

Form 51-102F1

Management's Discussion & Analysis (MD&A)

For the six months ended December 31, 2022

Dated: February 28, 2023

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, 2022, 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, 2022, and the audited consolidated financial statements for the year ended June 30, 2022 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

COVID-19 continues to threaten public health and lead to potential disruptions of business operations. The Company remains committed to the safety and health of its employees, their families and their communities. The Company continues to take actions that comply with public health orders and recommended best practices.

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 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, the Company 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

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(the “Updated Study”). The 2020 report, titled “Copper Flat Project, Form NI 43-101F1 Technical Report Project Feasibility Study Update” is posted on SEDAR.

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; Plan of Operations 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 period ended December 31, 2022, 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”).

The Company’s hydrogeology consultants have prepared a detailed groundwater model to determine how pumping from the Company’s wells might affect the local groundwater table and the Rio Grande over time (the “Hydrogeologic Model”). The Hydrogeologic Model has been reviewed by NMOSE hydrologists and Agency comments have been incorporated into the Hydrogeologic Model. Effects on the level of water in neighboring wells, which is not the same as

impairment, have also been projected by the Hydrogeologic Model. Neither the Hydrogeologic Model nor evidence given during the 2016 water rights adjudication hearing indicate any material injury to any other well will occur because of the planned pumping of the Company's water wells. Furthermore, 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.

On September 9, 2010, the Company entered into an option agreement to acquire the water rights related to Copper Flat which comprised of vested and inchoate water rights (collectively, the "Water Rights"). The Company paid US\$1,500,000 at the time of the agreement and paid a final amount of US\$700,000 in the year ended June 30, 2019. All amounts paid to date relate to vested water rights only, no value was attributed to the inchoate water rights. In addition, as part of the acquisition of the Copper Flat property, the Company also received certain vested and inchoate water rights (collectively, the "Stock Water Rights"). In 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 plus a limited amount of Stock Water Rights. The Company filed an appeal of this decision in March 2018. At the same time, parties opposing the Company's water rights filed cross appeals protesting the Court recognized water rights. The State Court of Appeals, in a ruling issued in September 2021, affirmed the lower court's rulings on the Water Rights and remanded the decision on the Stock Water Rights to the lower court for reconsideration. The Company and other parties to this ruling have elected to not pursue further appeal the State Court of Appeals decision. Written briefings have been filed by all parties in response to the Court of Appeals Mandate for Reconsideration and the Court heard arguments from the parties in June 2022. A decision from the Court on this matter is pending.

Company actions 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 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 NMOSE 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 on the application has been docketed by the NMOSE Administrative Hearing Unit. The Hearing Examiner issued rulings on pre-hearing motions in January and the application hearing is scheduled to proceed in May 2023.

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 period ended December 31, 2022.

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.

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 a mining alternative that aligns with 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¤tPageId=112703>.

In February 2020, the Company received verification 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 pre-construction notice will be refreshed with the Corps for updated verification prior to commencing construction activities.

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 issuance of Permit DP-1840 was appealed to New Mexico’s Water Quality Control Commission (“WQCC”), which issued a decision to uphold the permit in September 2019. The WQCC decision was appealed to the NM Court of Appeals, which ruled to uphold the WQCC decision in May 2022. A petition seeking higher court review of the

State Court of Appeals decision was denied by the NM Supreme Court in August 2022. With this decision, all appeals regarding the issuance of DP-1840 have been exhausted.

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.

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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⁽¹⁾ for the current fiscal year are provided in the table below:

THEMAC Fiscal Year	Copper (US\$/lb)	Gold (US\$/oz)	Silver (US\$/oz)	Molybdenum (US\$/lb)
Feasibility Study ⁽²⁾	3.25	1,300	16.00	10.50
FY 2021 Average	3.62	1,850	25.44	10.67
FY 2022 Average	4.37	1,832	23.57	18.81
Jul 2022	3.41	1,736	19.08	16.44
Aug 2022	3.61	1,766	19.75	14.71
Sep 2022	3.51	1,683	18.84	16.78
Oct 2022	3.46	1,664	19.36	18.79
Nov 2022	3.64	1,726	21.00	19.04
Dec 2022	3.79	1,797	23.24	24.23
FY 2023 YTD Average	3.57	1,729	20.21	18.33

1. Average Monthly Metal prices:
cu & mo: lme.com/metals; au & ag: lbma.org.uk/prices-and-data
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 consolidated financial statements.

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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, 2022	Year ended June 30, 2022
Deferred exploration expenditures, beginning of the period	\$ 44,900,201	\$ 41,918,062
Asset retirement obligation	-	83,177
Engineering	94,353	85,670
Exploration	-	475
Legal	166,547	457,334
Permitting	172,696	425,806
Site maintenance	<u>162,439</u>	<u>225,661</u>
Additions for the period	<u>596,035</u>	<u>1,278,123</u>
Cumulative foreign currency translation adjustment	<u>2,266,833</u>	<u>1,704,016</u>
Deferred exploration expenditures, end of the period	\$ 47,763,069	\$ 44,900,201

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\$11,000,000 and bears interest at 20% per annum. The USD Loan is unsecured and is payable on demand. The Company has drawn US\$10,845,396 against the USD Loan facility as at December 31, 2022. Subsequent to December 31, 2022, the Company drew down a further US\$164,913 on the USD Loan.

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

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

Working Capital

As at December 31, 2022, the Company had working capital deficiency of \$155,984,050 (June 30, 2022 - \$147,858,691). The significant decrease in working capital relates primarily to the accumulation of amounts due on the Loans.

As at December 31, 2022, the Company had prepaid expenses and deposits of \$13,064 (June 30, 2022 - \$11,705) consisting of advances to vendors and contractors, lease and rent deposits, and prepaid insurance.

As at December 31, 2022, the Company had trade and other payables of \$470,194 (June 30, 2022 - \$421,887) not including amounts to related parties of \$3,134,560 (June 30, 2022 - \$2,968,879). 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\$1,325,000 against the principal, and US\$678,546 against accrued interest, in the years ended June 30, 2013 through 2022.

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.

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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, 2022, the carrying value of the property obligation was \$1,644,066 (June 30, 2022 - \$1,531,359). The balance equates to one payment of US\$1,175,000 plus accumulated interest that is due in May 2023.

Debt

As at December 31, 2022, the Company had Loans payable of \$150,816,793 (June 30, 2022 - \$143,041,731), including interest, relates to the loan agreements with Tulla detailed in the accompanying consolidated financial statements. The amounts are due on demand and accrue interest at a simple interest rate of 20% per annum. During the period ended December 31, 2022, the Company drew down \$855,908 (US\$642,979) on the USD Loan. The Company has provided a guarantee of the repayment of the Loans on behalf of NMCC.

Summary of quarterly results:

	Quarter ended (three-month unaudited figures, unless otherwise specified)			
	Dec 31, 2022 \$	Sept 30, 2022 \$	Jun 30, 2022 \$	Mar 31, 2022 \$
Net loss for the period Per share basic & diluted	(3,228,276) (0.04)	(3,119,552) (0.04)	(3,136,422) (0.04)	(3,005,692) (0.04)
Total comprehensive income (loss) for the period Per share basic & diluted	(4,112,180) (0.05)	691,875 0.01	(1,366,228) (0.02)	(3,896,719) (0.05)
Total assets	87,354,636	88,526,530	82,638,500	79,777,919
Total liabilities	156,788,777	153,848,491	148,652,336	144,425,527
Shareholders' deficiency	(69,434,141)	(65,321,961)	(66,013,836)	(64,647,608)
Cash dividends declared	nil	nil	nil	nil

	Quarter ended (three-month unaudited figures, unless otherwise specified)			
	Dec 31, 2021 \$	Sept 30, 2021 \$	Jun 30, 2021 \$	Mar 31, 2021 \$
Net loss for the period Per share basic & diluted	(2,970,223) (0.04)	(2,973,055) (0.04)	(2,839,547) (0.04)	(2,871,326) (0.04)
Total comprehensive income (loss) for the period Per share basic & diluted	(3,033,637) (0.04)	104,309 0.00	(4,139,088) (0.05)	(3,833,195) (0.05)
Total assets	80,649,130	80,542,883	78,282,706	79,175,160
Total liabilities	141,400,019	138,260,135	136,104,267	132,857,633
Shareholders' deficiency	(60,750,889)	(57,717,252)	(57,821,561)	(53,682,473)
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.

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Results of Operations

Six months ended December 31, 2022 and 2021

Six months ended December 31	2022		2021		% change
	\$	% of expenses	\$	% of expenses	
Accounting and audit	97,454	1.54%	21,775	0.37%	347.55%
Depreciation	1,991	0.03%	1,885	0.03%	5.62%
Director's fees	136,796	2.16%	179,808	3.03%	-23.92%
Filing fees and transfer agent fees	2,700	0.04%	3,050	0.05%	-11.48%
Finance expenses	5,839,645	91.99%	5,569,640	93.71%	4.85%
Foreign exchange	11,447	0.18%	(36,357)	-0.61%	-131.48%
Interest on property obligation	38,979	0.61%	25,197	0.42%	54.70%
Legal fees	7,443	0.12%	6,697	0.11%	11.14%
Management fees	50,481	0.80%	44,866	0.75%	12.52%
Office and sundry	155,060	2.44%	122,660	2.06%	26.41%
Travel	5,832	0.09%	4,057	0.07%	43.75%
Loss for the period	(6,347,828)		(5,943,278)		
Exchange differences on translating foreign operations	2,927,523		3,013,950		
Comprehensive loss for the period	(3,420,305)		(2,929,328)		

For the six months ended December 31, 2022, the Company recognized a comprehensive loss of \$3,420,305 (2021 - \$2,929,328), inclusive of the exchange differences on translating foreign operations. The operating loss for the six months ended December 31, 2022 was \$6,347,828 (2021 - \$5,943,278).

- For the six months ended December 31, 2022, accounting and audit of \$97,454 (2021 - \$21,775) increased as the Company engaged in U.S. tax advice.
- For the six months ended December 31, 2022, director's fees of \$136,796 (2021 - \$179,808) decreased due to two Board members stepping down.
- For the six months ended December 31, 2022, finance expense of \$5,839,645 (2021 - \$5,569,640) 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, 2022, office and sundry costs increased to \$155,060 (2021 - \$122,660) for ongoing and regular expenditures.

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Three months ended December 31, 2022 and 2021

Three months ended December 31	2022		2021		% change
	\$	% of expenses	\$	% of expenses	
Accounting and audit	88,678	2.75%	11,153	0.38%	695.10%
Depreciation	1,015	0.03%	943	0.03%	7.64%
Director's fees	67,520	2.09%	89,915	3.03%	-24.91%
Filing fees and transfer agent fees	2,166	0.07%	2,364	0.08%	-8.38%
Finance expenses	2,943,043	91.16%	2,795,459	94.12%	5.28%
Foreign exchange	(3,681)	-0.11%	(47,227)	-1.59%	-92.21%
Interest on property obligation	19,873	0.62%	12,606	0.42%	57.65%
Legal fees	2,772	0.09%	6,697	0.23%	-58.61%
Management fees	23,978	0.74%	23,854	0.80%	0.52%
Office and sundry	78,861	2.44%	72,948	2.46%	8.11%
Travel	4,051	0.13%	1,511	0.05%	168.10%
Loss for the period	(3,228,276)		(2,970,223)		
Exchange differences on translating foreign operations	(883,904)		(63,414)		
Comprehensive loss for the period	(4,112,180)		(3,033,637)		

For the three months ended December 31, 2022, the Company recognized a comprehensive loss of \$4,112,180 (2021 - \$3,033,637), inclusive of the exchange differences on translating foreign operations. The operating loss for the three months ended December 31, 2022 was \$3,228,276 (2021 - \$2,970,223).

- For the three months ended December 31, 2022, accounting and audit of \$88,678 (2021 - \$11,153) increased as the Company engaged in U.S. tax advice.
- For the three months ended December 31, 2022, director's fees of \$67,520 (2021 - \$89,915) decreased due to two Board members stepping down.
- For the three months ended December 31, 2022, finance expense of \$2,943,043 (2021 - \$2,795,459) increased over the prior period as the principal of the Loans has increased. No payments have been made against the accrued Loans and interest.

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.

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For the six months ended December 31, 2022, the Company used cash of \$297,963 (2021 - \$426,705) 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, 2022, the Company used cash of \$582,095 (2021 - \$498,632) in deferred exploration and development expenditures on the Copper Flat Mine in investing activities. The cash spend increased due to engineering costs compared to the prior period.

For the six months ended December 31, 2022, cash generated from financing activities of \$855,908 (2021 - \$837,268) relates to 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 consolidated financial statements of the Company were prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

The Company's forecast cash requirements for the next 12 months exceeds the current amount available under the Company's Loans with Tulla. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required in order to enable the Company to continue and to develop the Copper Flat Mine. Realization values may be substantially different from carrying values, as shown, and the consolidated financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

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Transactions with related parties

During the six months ended December 31, 2022 and 2021, the Company incurred the following expenditures in respect of transactions with related parties:

	2022	2021
Salary paid to Mr. Jeffrey Smith, COO (Note 1)	171,407	162,213
Directors fees paid or accrued to:		
Mr. Kevin W. Maloney	46,415	40,000
Mr. Barrett Sleeman	30,000	25,000
Mr. Joel Schneyer (Note 2)	4,150	35,000
Mr. Andrew Maloney	34,277	27,500
Ms. Deborah Peacock (Note 3)	-	30,000
Ms. Patricia Madrid	21,954	22,308
Loan advances received from Tulla (Note 4)	855,908	837,268
Interest incurred on loans payable to Tulla (Note 4)	5,839,645	5,569,640
Fees paid or accrued to Peacock Law, P.C., a firm owned by Ms. Deborah Peacock	-	3,805

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

Note 2: Mr. Schneyer resigned as a director on July 27, 2022.

Note 3: Ms. Peacock did not stand for election at the annual general meeting on May 4, 2022.

Note 4: Tulla is an Australian based mining investment company of which Kevin Maloney, the Chairman of the Company, is a director, and in which Andrew Maloney, the CEO of the Company, has a financial interest. Tulla also owns 47,950,000 common shares of the Company, and together with shareholdings held directly or indirectly by Mr. Maloney represents 76% of the outstanding shares of the Company. The material terms of the 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, 2022. The USD Loan has a maximum facility of US\$11,000,000, of which US\$10,845,396 had been drawn as at December 31, 2022 and a further US\$164,913 subsequent to December 31, 2022. 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

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The long-term portion of loan payable to Tulla is carried at amortized cost. The fair values of the property obligation and loan payable to Tulla approximate their carrying values as they reflect 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\$0.72 to a high of US\$0.75 for CAD\$1 during the period ended December 31, 2022. The Company has estimated that a change of 10% in the currency rate could affect the total comprehensive income by approximately \$11,525,139. 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.

Price risk

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

Liquidity risk

Please see above under “Liquidity.”

Critical Accounting Estimates

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in preparation of these consolidated financial statements are consistent with those used in the preparation of the audited consolidated financial statements for the year ended June 30, 2022.

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.

As at December 31, 2022 the Company held cash of \$65,523 and had current liabilities of \$156,065,613. 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 evaluation 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 117th U.S. Congress may amend mining laws to impose royalties on U.S. hardrock mining; this would reduce revenues to the Company.

Market volatility during the current reporting period

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

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

Management's responsibility over financial information

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

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

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

Cautionary note for USA readers

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

Other MD&A requirements

- a) Copies of all previously published financial statements, management discussions, meeting materials, etc., are available on the SEDAR website at www.sedar.com.
- b) Information pursuant to sections of National Instrument 51-102:
 - i) Section 5.3: The Company's continued operations are dependent on its ability to raise adequate funds from the capital markets or other sources of financing.
 - ii) Section 5.4: Outstanding share data as at the date of this MD&A:
 - Common shares:
 - ♦ Authorized: unlimited number, without par value.
 - ♦ Issued and outstanding: 79,400,122.

The fully diluted capital of the Company as at the date of this MD&A is 79,400,122.

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

Kevin W. Maloney (Chairman)
Andrew Maloney
Barrett Sleeman
Patricia Madrid, director of NMCC

Officers

Andrew Maloney, Chief Executive Officer
Mark McIntosh, Chief Financial Officer
Jeffrey Smith, Chief Operating Officer
Stephen L. Law, Secretary

On behalf of the Board of Directors:

“Andrew Maloney”

Andrew Maloney
Chief Executive Officer