

NEWMAC RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the Six Months ended March 31, 2006 and information subsequent to March 31, 2006 and up to May 26, 2006.

The following discussion and analysis is to be read in conjunction with the Audited Financial Statements for the Year Ended September 30, 2005 and 2004. Note: all dollar amounts are in Canadian dollars unless otherwise indicated.

DATE

For the six months ended March 31, 2006 and information subsequent to the quarter end up to May 26, 2006.

OVERALL PERFORMANCE

Newmac Resources Inc. (the "Company") is a BC registered company involved in the acquisition, exploration and development of mineral resource properties in North America. The Company is a reporting issuer under the Reporting Jurisdictions of British Columbia and Alberta. The Company is registered as a Tier 2 issuer on the TSX Venture Exchange under the trading symbol NER.

The Company's current focus is the exploration and Development of the Newmac Copper-Molybdenum Porphyry Property and the Crazy Fox Property located in British Columbia. Management continues to evaluate high-quality projects in the America's for future opportunity, with an emphasis on projects that have the potential to provide cash flow from production in the near term.

Financial Condition

As of March 31, 2006 the Company had working capital of \$621,580.

During the six months ended March 31, 2006, the Company completed three private placements to raise gross proceeds of \$335,295.

Under the terms of the offering closed December 15, 2005 the Company sold 160,000 units at a price of \$0.50 per unit for gross proceeds of \$80,000. Each unit consists of one common share and one non-transferable share purchase warrant to purchase an additional 160,000 shares at a price of \$0.62 per share until December 14, 2006. These securities issued are subject to a 4 month hold period expiring April 16, 2006.

Under the terms of the offering closed January 9, 2006 the Company sold 130,000 flow-through common shares at \$0.50 per share for gross proceeds of \$65,000. These securities issued are subject to a 4 month hold period expiring May 10, 2006. The Company paid finder's fees of \$3,000 on a portion of the flow-through private placement.

Under the terms of the offering closed January 27, 2006 the Company sold 460,589 units at a price of \$0.50 per unit for gross proceeds of \$230,295. Each unit consists of one common share and half a non-transferable share purchase warrant to purchase an additional 230,297 shares at a price of \$0.62 per share until January 27, 2007. These securities issued are subject to a 4 month hold period expiring May 28, 2006.

Under the terms of the offering closed February 15, 2006 the Company sold 80,000 units at a price of \$0.50 per unit for gross proceeds of \$40,000. Each unit consists of one common share and half a non-transferable share purchase warrant to purchase an additional 40,000 shares at a price of \$0.62 per share until February 17, 2007. These securities issued are subject to a 4 month hold period expiring June 16, 2006.

During the six month period the Company received a total of \$767,588 pursuant to the exercise of 2,622,650 warrants; 390,150 at a price of \$0.25 per share, 2,226,500 at a price of \$0.30 per share and 6,000 at a price of \$0.35 per share.

Subsequent to the six months ended March 31, 2006 and up to May 26, 2006

On May 10, 2006 the Company announced it intends to enter into a private placement to raise gross proceeds of up to \$900,000. The Company will issue up to 1,000,000 units at a price of \$0.90 per unit. Each unit will consist of one common share and one non-transferable share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share at a price of \$1.10 per share and exercisable for a period of one year from the date of issuance. The private placement is subject to regulatory approval.

From April 1, 2006 to May 26, 2006 the Company has received a total of \$57,044 pursuant to the exercise of 7,000 warrants at a price of \$0.35 per share and 86,925 warrants at a price of \$0.62 per share.

The primary factors that can affect the future financial condition of the Company include the continued ability to raise equity capital and the level of exploration expenditures required to meet commitments. As a mineral exploration company with no current production or revenue from mining operations, the Company's cash flows consist of cash outflows for administrative expenses, salaries, property acquisition and evaluation, exploration, development and filing fees. Financing activities, such as share issuances, result in cash inflows to the Company. Since its inception, the Company has relied on capital markets (and in particular, equity markets) to fund its exploration activities, and expects to continue to rely on these markets in 2006 and thereafter until one or more of its projects are in production.

Industry and Economic Factors Affecting Performance

As a mineral exploration and development company, Newmac's performance is affected by a number of industry and economic factors and exposure to certain environmental risks and regulatory requirements. These have been detailed in the Company's 2005 Annual MD&A.

RESULTS OF OPERATIONS

The Company's operations consist generally of mineral exploration and evaluation of new property acquisitions. This includes acquiring mineral properties, evaluating the merits of these properties using various techniques such as sampling, trenching geophysical and geochemical methods as well as drilling. The Company has no commercial production at this time, as a result, the Company's results of operations are a product of operating expenses.

For the Six Months Ended March 31, 2006

During the six months ended March 31, 2006, the Company's net loss from operations was \$456,464 (2005 – \$(20,616)). The Company's loss included significant expenditures as follows: stock based compensation of \$351,200 (2005 – \$NIL) relating to the 1,380,000 stock options granted during the period, an increase as no options were granted during the same period in the prior year; accounting, legal, and professional fees of \$27,007 (2005 – \$16,181), which were as a result of fees associated with the Company's Initial Public Offering and ongoing professional work done in relation with the Company's quarterly and regulatory filings; investor relations of \$22,275 (2005 – \$NIL) which increased due to the hiring of investor relations consultants during the period; travel and promotion of \$10,856 (2005 – \$1,167) which increased due to management's executive travel; transfer agent, listing, and filing fees of \$18,372 (2005 – \$211) relating to payments made to regulatory bodies in Canada, the increase due to the Company being publicly traded for a greater portion of the current year than in the same prior year period; management fees of \$22,500 (2005 – \$15,000) the increase a result of a raise in fees to management during the current period; rent of \$1,000 (2005 – \$NIL) which increased as the Company rented an executive office during the period; and office and general of \$1,850 (2005 – \$1,275) the increase due further administrative needs required by the Company.

The Company also incurred property acquisition costs of \$43,399 (2005 – \$3,708) and \$768,224 (2005 – \$4,496) in deferred exploration expenditures in the six months ended March 31, 2006. Resource property costs consisted of administration, aircraft and fuel, assay and sampling, drilling, geological and field personnel, field supplies and rentals, recording fees and filing fees, reports and maps, and travel and accommodation related to the exploration activities. The increase in resource property costs incurred during the period is due to an increase in the exploration activity by the Company.

For the Three Months Ended March 31, 2006

During the three months ended March 31, 2006, the Company's net loss from operations was \$224,237 (2005 – \$(33,797)). The Company's loss included significant expenditures as follows: stock based compensation of \$163,600 (2005 – \$NIL) relating to the 430,000 stock options granted during the period, an increase as no options were granted during the same period in the prior year; accounting, legal, and professional fees of \$10,166 (2005 – \$11,671), which were as a result of fees associated with the Company's Initial Public Offering and ongoing professional work done in relation with the Company's quarterly and regulatory filings; investor relations of \$21,801 (2005 – \$NIL) which increased due to the hiring of investor relations consultants; travel and promotion of \$1,675 (2005 – \$407) which increased due to management's executive travel; transfer agent, listing, and filing fees of \$9,390 (2005 – \$407) relating to payments made to regulatory bodies in Canada, the increase due to the Company being publicly traded for a greater portion of the current year than in the same prior year period; management fees of \$15,000 (2005 – \$7,500) the increase a result of a raise in fees to management during the current period; and rent of \$1,000 (2005 – \$NIL) which increased as the Company rented an executive office during the period.

The Company also incurred property acquisition costs of \$1,297 (2005 – \$3,708) and \$419,810 (2005 – \$1,791) in deferred exploration expenditures in the three months ended March 31, 2006. Resource property costs consisted of administration, aircraft and fuel, assay and sampling, drilling, geological and field personnel, field supplies and rentals, recording fees and filing fees, reports and maps, and travel and accommodation related to the exploration activities. The

increase in resource property costs incurred during the period is due to an increase in the exploration activity by the Company.

Final results for the September-October drill program on the **Newmac Property** were received. Highlights for the October program include hole 05-02 which returned 216.5 metres grading 0.18 % copper and 0.063 g/t gold which ended in mineralization and hole 05-01, which returned 46.6 m grading 0.14% copper and 0.064 g/t gold. The remainder of the 2005 holes, 05-03 to 05-06, were drilled several kilometers to the north of hole 05-01. Hole 05-04, failed to penetrate overburden and was abandoned at 47.7 m. Holes 05-05 and 05-06 encountered heavy concentrations of pyrite which often exceeded 10% over much of the core length but did not encounter significant copper/gold intercepts. Interestingly a 1990 airborne survey indicates that an un-drilled magnetic anomaly is centered approximately 400 metres further to the east (approximately 1400 metres east of hole 05-01). The 2005 drill program has further confirmed that a large sulphide system open ended over more than 1000 metres by 3000 metres exists. The potential of the 100% owned property remains high. Ideally the company would like to find a partner to continue the exploration of this property.

The **Crazy Fox molybdenum project** is located 20 kilometres north-northwest of the village of Little Fort, BC. Molybdenum ("Mo") has been explored for on the Crazy Fox property since 1938 but with recent renewed effort following the discovery of high-grade boulders in 2005 found as new logging roads were being constructed. Grab sample of the boulders yielded up to 7.26% Mo (11.66% MoS²). In October 2005 the company optioned the property and initiated a program of line cutting and soil geochemistry. Results of the soil survey were followed by a November mechanical trenching program with the highlights being a trench intercept of 49 metres grading 0.060% MoS² in trench OT-01. A drill program is currently underway. A programme of diamond drilling and trenching has been ongoing since the middle of February, 2006. Results to date are very encouraging as we are encountering widespread molybdenum, tungsten and titanium. Results of this programme are being reported as assays are received. To date 32 diamond drill holes have been completed. Results that have been received have been reported by news releases and can be viewed on the Company's website (newmacresources.com).

The company purchased a 100% interest in the **Chilanko Copper** project located 170 kilometers west of Williams Lake, BC in November for \$20,000 from an unrelated individual. Chilanko Copper is located approximately 40 kilometers north the Newmac Project. Known mineralization at Chilanko Copper occurs in copper stained diotite to monzonite associated in fresher rock with pyrite and weak chalcopyrite. The mineralized intrusive is believed to be Jurassic aged and is exposed through a window in the Miocene age basalts which cover much of the Chilcotin plateau. Very little exploration has been completed on this occurrence, which requires an induced polarization survey to elucidate the size of the associated sulphide system preparatory to drill testing. Permits are now in place to conduct an initial work programme on the Chilanko Copper Project. The programme will consist of soil sampling, prospecting geophysical surveys and diamond drilling. This programme is expected to begin in July of this year.

The Company has hired Mr. Jens Marquaardt of Marquaardt Communications to assist the Company with European dissemination of Company news and to expand the Company's European shareholder base. Marquaardt Communications is working solely for the Company

The Company has been a mineral exploration company since its inception on August 20, 2003. The Company has three material properties in its portfolio, the Newmac Property, British Columbia and the Crazy Fox Property, British Columbia and the Chilanko Property, British Columbia.

NEWMAC Property, British Columbia

By an agreement dated June 3, 2004, the Company acquired from its President, David Hjerpe, a 100% interest in six mineral claims known as the NEWMAC Property located in the Clinton Mining Division, British Columbia. The Company issued 1,000,000 common shares which have been recorded at a deemed value of \$13,178, representing the President's out-of-pocket costs. The claims are subject to a net smelter returns royalty of 2.5% to Canevex Resources Ltd., a company 50% owned by J. William Morton, a director of the Company. The Company has the option to purchase two-fifths of the royalty (1%NSR) for \$1,000,000. The Company also owns a 100% interest in an additional claim staked.

CRAZY FOX Property, British Columbia

The Company entered into an agreement on September 22, 2005 to acquire a 100% interest in the Crazy Fox Property, located 20 km northwest of Little Fort, British Columbia. The Company agreed to issue 200,000 common shares (50,000 issued) and make payments totaling \$100,000 over a 3 year period. An additional 200,000 shares will be issued to the vendors if and when a positive feasibility study is completed. A 3.0% NSR is reserved for the vendors of which 2.0% may be purchased at any time for \$2.0 million reducing the NSR to 1%. A 10% finder's fee is payable to Bolder Investment Partners in shares (50,000 of which 5,000 were issued).

CHILANKO Property, British Columbia

The Company entered into an agreement on December 28, 2005 to acquire a 100% interest in the Chilanko Copper Property, located 170 km west of Williams Lake, British Columbia for \$20,000 from an unrelated individual.

SUMMARY OF QUARTERLY RESULTS

Total administration costs increased for the quarter ended March 31, 2006 to \$60,637 as compared to \$20,653 for the same quarter last year. Most aspects of administration remained the same during the period, such as, office, rent and telephone, management fees, and accounting and audit fees.

The following table sets forth selected quarterly financial information for each of the last eight (8) quarters.

| Quarter Ending | Revenue | Net Income (loss) | Earnings (loss) per share |
|---------------------------|----------------|--------------------------|----------------------------------|
| March 31, 2006 | \$ Nil | \$ (224,237) | \$ (0.02) |
| December 31, 2005 | Nil | (232,227) | (0.00) |
| September 30, 2005 | Nil | (85,767) | (0.00) |
| June 30, 2005 | Nil | (16,202) | (0.00) |
| March 31, 2005 | Nil | (20,654) | (0.00) |
| December 31, 2004 | Nil | (13,181) | (0.00) |
| September 30, 2004 | Nil | (36,527) | (0.01) |
| June 30, 2004 | Nil | (10,957) | (0.00) |

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company's capital resources have been limited to amounts raised from the sale of Common Shares and Special Warrants. During the six months period ending March 31, 2006 the Company raised capital of \$797,062 on financing activities.

At March 31, 2006 the Company had a working capital of \$621,580 (2005 – (\$50,778)). There is no long-term debt on March 31, 2006 and current accounts payable was \$330,499 (2005 – 57,425). The Company's cash position as at March 31, 2006 was approximately \$911,800 as compared to \$13,700 at March 31, 2005.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

During the six months, the Company incurred management fees of \$22,500 (2005 – \$15,000) to David Hjerpe, the Company's President. The President of the Company is indebted to the Company in the amount of \$11,156, and the Company is indebted to a private company controlled by him in the amount of \$10,211 for exploration costs incurred on the Crazy Fox property. The amount owing to the private company is included in accounts payable.

PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in confirmation with the Canadian generally accepted accounting principles requires management to make estimate and assumptions that affect the reported amount of assets and liabilities and disclose of contingent assets and liabilities at the date

of the financial statements and the reported amount of revenues and expenses during the period. Actual result may differ from those estimates.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There have been no changes to accounting policies during the year.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company currently does not own, hold or have any material interest in, or liability associated with, any financial or other instruments. The Company has accounts receivable, due to/from related parties and accounts payable.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company is available on the SEDAR website: www.sedar.com under "Newmac Resources Inc."

The Company is authorized to issue an unlimited number of common shares. There were 11,291,595 shares issued and outstanding as at December 31, 2005 (11,387,520 as at May 26, 2006). The following is a list of outstanding warrants and stock options **as of May 26, 2006**.

Warrants Outstanding

550,500 share purchase warrants to purchase 550,500 shares, exercisable at a price of \$0.35 per share until September 9, 2006.

Agent's warrants to purchase 23,850 shares at a price of \$0.25 per share until September 9, 2006.

160,000 share purchase warrants to purchase 160,000 shares at a price of \$0.62 per share until December 14, 2006.

143,372 share purchase warrants to purchase 143,372 shares at a price of \$0.62 per share until January 25, 2007.

40,000 share purchase warrants to purchase 40,000 shares at a price of \$0.62 per share until February 15, 2007.

Stock Options Outstanding

Stock Options to issue 750,000 shares at \$0.25 per share until October 3, 2010

Stock Options to issue 200,000 shares at \$0.50 per share until October 3, 2010

Stock Options to issue 150,000 shares at \$0.50 per share until February 7, 2007

Stock Options to issue 100,000 shares at \$0.54 per share until February 14, 2007

Stock Options to issue 80,000 shares at \$0.54 per share until February 14, 2011

Stock Options to issue 100,000 shares at \$1.50 per share until February 22, 2011

Escrow and Pool Agreements

There are 3,187,502 shares held in escrow.

There are no shares subject to Pooling Agreements

BY ORDER OF THE BOARD

“David Hjerpe”

DAVID HJERPE

PRESIDENT AND DIRECTOR