

**NEWMAC RESOURCES INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**

**For the Quarter ended March 31, 2007 and information subsequent to March 31, 2007 and up to May 17, 2007.**

*The following discussion and analysis is to be read in conjunction with the Unaudited Financial Statements for the Quarters Ended March 31, 2007 and 2006. Note: all dollar amounts are in Canadian dollars unless otherwise indicated.*

**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, Crazy Fox Property and Chilanko 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 be of interest to major mining companies.

***Financial Condition***

As of March 31, 2007 the Company had working capital deficit of \$66,804.

During the period ended March 31, 2007, the Company completed one private placement to raise gross proceeds of \$20,000. Under the terms of the offering the Company sold 50,000 flow-through units at a price of \$0.40 per unit. Each flow-through unit consists of one flow-through common share and half a one non-transferable share purchase warrant to purchase one additional non flow-through common share at a price of \$0.60 per share until January 8, 2008. These securities issued are subject to a 4 month hold period expiring May 10, 2007.

On January 18, 2007 the Company announced the extension by one year of the term of the 143,372 warrants issued on January 25, 2006 from an expiry date of January 25, 2007 to January 25, 2008, exercisable at the same exercise price of \$0.62.

On February 2, 2007 the Company announced that, subject to regulatory approval, it retained the services of Coal Harbor Communications Inc. to provide investor relations services to the Company. Coal Harbor will receive a fee of \$6,000 per month per month starting February 1, 2007. The term of the contract is one year. Coal Harbor has been granted 100,000 options at \$0.39 per share for a period of one year subject to regulatory approval. On February 13, 2007 Coal Harbor was granted an additional 100,000 options at \$0.45 per share for a period of one year.

On February 20, 2007 the Company announced that it had commenced a diamond-drilling program on the Bluff property located 180 kilometers west of Williams Lake, BC. At the Bluff property, which is adjacent to the Company’s property, wide spread occurrences of copper mineralized quartz tourmaline breccia rubble were recently discovered. A 30 kilometers induced

polarization geophysical survey has also recently commenced on the Chilanko property, which is located 170 kilometers west of Williams Lake, BC.

**Subsequent to the period ended March 31, 2007 and up to May 17, 2007**

On April 20, 2007 the Company completed a non-brokered private placement to raise gross proceeds of \$43,000. Under the terms of the offering the Company will issue 100,000 units at a price of \$0.43 per unit. Each unit consists of one common share and one non-transferable share purchase warrant to purchase an additional common share at a price of \$0.43 per share until April 13, 2009. These securities issued are subject to a 4-month hold period expiring August 20, 2007. Proceeds from the private placement will be used for general working capital purposes.

On April 26, 2007 the Company announced, subject to TSX approval, a non-brokered private placement to raise gross proceeds of \$150,000 with certain placees. Under the terms of the offering the Company will issue 375,000 flow-through units at a price of \$0.40 per unit. Each flow-through Unit consists of one flow-through common share and half a non-transferable share purchase warrant to purchase an additional non flow-through common share at a price of \$0.60 per share, exercisable for a period of one year from the date of issuance. Proceeds from the FT Unit non-brokered private placement will be used to explore the company's properties located in British Columbia. This exploration work will qualify as Canadian Exploration Expense for the purposes of the Income Tax Act (Canada), which will then be renounced by the Company to the placees.

On May 3, 2007 the Company announced that it had commenced a second round of diamond-drilling program on the Bluff property located 180 kilometers west of Williams Lake, BC. At the Bluff property, which is adjacent to the Company's property, wide spread occurrences of copper mineralized quartz tourmaline breccia rubble were discovered in 2006. In December 2006, a survey of approximately 35 kilometers of induced polarization was completed in the area where this mineralization was encountered and a number of strong induced polarization anomalies were identified. The objective of the current drill program is to complete six additional drill holes allowing for broader targeting of mineralization including quartz tourmaline style. An initial drill program of eight diamond drill holes totaling 3,950 feet was completed in March. Three of these holes were abandoned before reaching bedrock in deep overburden. The new holes being drilled will test other targets left untested because of winter conditions in the first drill program. Results of these two programs will be released once completed and compiled.

On May 16, 2007 the Company announced, subject to TSX approval, a non-brokered private placement to raise gross proceeds of \$1,000,000. Under the terms of the offering the Company will issue 2,500,000 flow-through units at a price of \$0.40 per unit. Each flow-through unit consists of one flow-through common share and half a transferable share purchase warrant to purchase an additional non flow-through common share at a price of \$0.60 per share, exercisable for a period of one year from the date of issuance. Proceeds from the flow-through unit non-brokered private placement will be used to explore the company's properties located in British Columbia. This exploration work will qualify as Canadian Exploration Expense for the purposes of the Income Tax Act (Canada), which will then be renounced by the Company to the placees. In connection with this private placement, the company will pay a finder's fee of 7.5 per cent cash and 250,000 warrants, which are exercisable for a period of one year from the date of issuance at a price of \$0.60 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 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 2006 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.

During the period ended March 31, 2007, the Company's net loss from operations was \$73,056, a decrease of \$151,181 from \$224,237 in March 2006. The Company's loss included expenditures as follows: accounting, legal, and professional fees of \$11,951, which were as a result of fees associated with ongoing professional work done in relation with the Company's quarterly and regulatory filings; travel and promotion of \$1,100 which increased due to executive travel; transfer agent, listing, and filing fees of \$15,586 relating to payments made to regulatory bodies in Canada; investor relations of \$16,475 and stock based compensation of \$11,963, both due to the agreement signed with Coal Harbor; management fees of \$15,000; and office and general administrative expenses of \$3,972.

The Company also incurred \$446,416 in deferred exploration expenditures in the three months ended March 31, 2007. 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 year is due to an increase in the exploration activity by the Company.

### **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.

**BLUFF Property, British Columbia**

The Company entered into an agreement on October 11, 2006 to acquire a 100% interest in the Bluff Property, located 175 km west of Williams Lake, British Columbia. To earn an initial 80% interest in the Bluff Property the Company must make payments totaling \$185,000 and issue vendors \$600,000 in value of common shares over a 5 year period. An initial \$10,000 in value of common shares is to be issued upon TSX Venture Exchange approval (issued), payments are yearly from that point on for the duration of 5 years. An additional 20% interest in the property can be earned by paying an additional \$1,000,000. There were 25,000 common shares issued as a finder's fee relating to this property.

**SUMMARY OF QUARTERLY RESULTS**

Total general and administration costs for the quarter ended March 31, 2007 were \$73,056 as compared to \$224,237 for the same quarter last year, or a difference of \$151,181. The significant difference is the stock based compensation of \$163,600 recorded in March 2006 versus \$11,963 recorded in March 2007. Most aspects of administration remained the same during the year, such as, office, rent and telephone. Increases in transfer agent and filing fees (+6,196) were offset by a reduction in investor relations expenses (-\$5,326) compared to 2006.

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, 2007	\$ Nil	\$ (73,056)	\$ (0.00)
December 31, 2006	\$ Nil	\$ (64,997)	\$ (0.00)
September 30, 2006	\$ Nil	\$ (40,556)	\$ (0.00)
June 30, 2006	Nil	(101,549)	(0.01)
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)

The Company is authorized to issue an unlimited number of common shares. There were 14,162,965 shares issued and outstanding as at March 31, 2007 (14,262,965 as at May 17, 2007). The following is a list of outstanding warrants and stock options at March 31, 2007 and up to the date of this MD&A being, May 17, 2007.

#### **Warrants Outstanding**

Expiry dates	Exercise price	Outstanding as of March 31, 2007
January 28, 2008	\$0.62	143,372
July 25, 2007	\$0.50	379,773
September 29, 2007	\$0.50	260,000
December 5, 2007	\$0.50	448,655
December 1, 2007	\$0.60	750,000
January 8, 2008	\$0.60	25,000
		<u>2,006,800</u>

#### **Stock Options Outstanding**

Expiry Date	Exercise Price	Outstanding as of March 31, 2007
October 3, 2010	0.25	600,000
October 3, 2010	0.50	200,000
February 14, 2011	0.54	80,000
February 8, 2008	0.50	150,000
February 1, 2008	0.39	100,000
February 12, 2008	0.45	100,000
		<u>1,230,000</u>

#### **Escrow and Pool Agreements**

There are currently 1,912,502 shares held in escrow (2,550,002 at March 31, 2007).

There are no shares subject to Pooling Agreements

**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 three month period ended March 31, 2007 the Company raised capital of \$20,000 on financing activities.

At March 31, 2007 the Company had a working capital deficit of \$66,804. There is no long-term debt at March 31, 2007 and current accounts payable was \$214,710. The Company's cash position as at March 31, 2007 was \$113,690.

**OFF BALANCE SHEET ARRANGEMENTS**

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

**TRANSACTIONS WITH RELATED PARTIES**

The Company incurs management fees of \$5,000 per month payable to the Company's President. The Company is indebted to the President in the amount of \$NIL. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

**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.

**DISCLOSURE CONTROLS AND PROCEDURES**

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

**OTHER MD&A REQUIREMENTS**

Additional information relating to the Company is available on the SEDAR website: [www.sedar.com](http://www.sedar.com) under "Newmac Resources Inc."

BY ORDER OF THE BOARD

*"David Hjerpe"*

DAVID HJERPE

PRESIDENT AND DIRECTOR