Volume 1 Annex V1-7 Type A Water Licence Applications

Package P6-1

Financial Statements

TMAC Resources Inc.

Audited Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars, except where otherwise indicated)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management acknowledges responsibility for the preparation and presentation of financial statements of TMAC Resources Inc. (the "**Company**") which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial statements reflect management's best estimates and judgments based on currently available information and for the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee, whose members are independent directors of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management and the external auditors periodically. The Audit Committee reviews the internal controls over the financial reporting process, the financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to shareholders. The Audit Committee also has the responsibility of engaging the external auditors.

The financial statements have been audited by KPMG LLP. Their report outlines the scope of their examination and opinion on the financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and regulations and for maintaining proper standards of conduct for its activities.

Catharine Farrow
Chief Executive Officer

Ronald P. Gagel
Executive Vice President and Chief Financial Officer

February 23, 2017
Toronto, Canada

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INDEPENDENT AUDITORS' REPORT

To the shareholders of TMAC Resources Inc.

We have audited the accompanying financial statements of TMAC Resources Inc., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, the statements of profit or loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TMAC Resources Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
February 23, 2017
Toronto, Canada

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	As at December 31, 2016 $millions	As at December 31, 2015 $millions
Assets			
Current assets			
Cash and cash equivalents	**3**	62.5	44.1
Amounts receivable	**4**	7.3	4.0
Inventories	**5**	77.7	26.5
Prepaid expenses		0.8	2.1
Equipment held for sale	**6**	-	0.5
		148.3	**77.2**
Non-current assets			
Property, plant and equipment	**6**	801.4	649.4
Goodwill	**7**	80.6	80.6
Restricted cash	**3**	44.5	18.7
Other assets	**8**	15.0	28.5
		941.5	**777.2**
Total assets		**1,089.8**	**854.4**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**9**	26.8	12.8
Debt Facility	**10**	46.1	-
Gold Call Options	**11**	2.9	-
Other liabilities	**12**	0.8	-
		76.6	**12.8**
Non-current liabilities			
Debt Facility	**10**	115.3	-
Gold Call Options	**11**	-	2.7
Provision for environmental rehabilitation	**13**	24.9	24.7
Deferred tax liabilities	**14**	67.9	71.4
		208.1	**98.8**
Total liabilities		**284.7**	**111.6**
Equity			
Share capital	**15(b)**	830.2	755.9
Warrants	**10,15(c)**	1.2	2.9
Contributed surplus		8.9	6.0
Accumulated deficit		(35.2)	(22.0)
		805.1	**742.8**
Total equity and liabilities		**1,089.8**	**854.4**

Commitments and contingencies (note 21)
Subsequent event (note 22)

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the board of directors

A. Terrence MacGibbon
Executive Chairman

Andrew B. Adams
Director

STATEMENT OF PROFIT OR LOSS

For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2016 $millions	Year ended December 31, 2015 $millions
General and administrative			
Salaries and wages		6.8	3.2
Share-based payments	**15(d)**	2.8	2.5
Professional and consulting fees		0.5	1.1
Travel		0.3	0.2
Investor relations		0.5	0.1
Office, regulatory and general		1.1	0.8
		12.0	**7.9**
Write down of obsolete inventory	**5**	2.3	-
Impairment of equipment and assets held for sale	**6**	2.0	1.4
Loss on sale of equipment		-	1.3
Loss before the following		**16.3**	**10.6**
Finance income	**16**	(0.8)	(0.6)
Finance expense	**16**	0.7	2.0
Business development expenses		-	0.9
Foreign exchange loss (gain)		1.2	(0.9)
Fair value loss (gain)	**11**	0.2	(0.4)
Other		(0.3)	0.5
Loss before income taxes for the year		**17.3**	**12.1**
Deferred income tax expense (recovery)	**14**	(4.1)	(2.5)
Net loss and comprehensive loss for the year		**13.2**	**9.6**
Net loss per share			
Basic and diluted	**15(e)**	$0.16	$0.15
Weighted average number of shares (thousands)			
Basic and diluted	**15(e)**	80,444	63,421

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	Share Capital $millions	Warrants $millions	Contributed surplus $millions	Deficit $millions	Total $millions
Balance as at December 31, 2014		**560.3**	**-**	**2.7**	**(12.4)**	**550.6**
Third Equity Financing	**15(b)**	40.5	-	-	-	40.5
Surface access rights payment	**15(b)**	5.9	-	-	-	5.9
Share-based payments	**15(d)**	0.1	-	3.3	-	3.4
Initial Public Offering	**15(b)**	149.1	-	-	-	149.1
Share purchase warrants issued	**15(c)**	-	2.9	-	-	2.9
Net loss for the year		-	-	-	(9.6)	(9.6)
Balance as at December 31, 2015		**755.9**	**2.9**	**6.0**	**(22.0)**	**742.8**
Flow-through financing	**15(b)**	6.5	-	-	-	6.5
Bought Deal Financing	**15(b)**	57.5	-	-	-	57.5
Warrants exercised	**15(c)**	10.1	(1.7)	-	-	8.4
Share purchase options exercised	**15(d)**	0.2	-	(0.2)	-	-
Share-based payments	**15(d)**	-	-	3.1	-	3.1
Net loss for the year		-	-	-	(13.2)	(13.2)
Balance as at December 31, 2016		**830.2**	**1.2**	**8.9**	**(35.2)**	**805.1**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2016 $millions	Year ended December 31, 2015 $millions
Net loss for the year		**(13.2)**	**(9.6)**
Operating activities			
Adjusted for:			
Share-based payments	**15(d)**	2.8	2.5
Finance income	**16**	(0.8)	(0.6)
Finance expense	**16**	0.7	2.0
Unrealized foreign exchange loss (gain)		1.2	0.3
Fair value loss (gain)	**11**	0.2	(0.4)
Impairment of equipment and assets held for sale		2.0	1.4
Loss on equipment held for sale		-	1.3
Write down of obsolete inventory		2.3	-
Deferred income tax expense (recovery)	**14**	(4.1)	(2.5)
Increase (decrease) in non-cash operating working capital:			
Amounts receivable		(3.5)	(2.4)
Inventories		(63.6)	-
Prepaid expenses		-	0.1
Accounts payable and accrued liabilities		-	1.1
Operating cash flows before interest and tax		**(76.0)**	**(6.8)**
Cash taxes paid		-	-
Cash interest paid		(0.1)	(1.5)
Cash flows from (used in) operating activities		**(76.1)**	**(8.3)**
Investing activities			
Additions to property, plant and equipment		(114.2)	(148.8)
Interest received		0.9	0.4
Restricted cash		(25.8)	(18.7)
Cash flows from (used in) investing activities		**(139.1)**	**(167.1)**
Financing activities			
Third Equity Financing, net of issue costs	**15(b)**	-	40.3
Initial Public Offering	**15(b)**	-	146.9
Debt Facility drawdowns	**10**	161.1	(3.0)
Proceeds on equipment held for sale		-	2.7
Flow-through financing, net of issue costs	**15(b)**	8.9	-
Warrants exercised	**15(c)**	8.4	-
Bought Deal Financing, net of issue costs	**15(b)**	56.5	-
Cash flows from (used in) financing activities		**234.9**	**186.9**
Effects of exchange rate changes on cash and cash equivalents		**(1.3)**	**0.6**
Net increase in cash and cash equivalents for the year		**18.4**	**12.1**
Cash and cash equivalents at the beginning of the year		44.1	32.0
Cash and cash equivalents at the end of the year		**62.5**	**44.1**

The accompanying notes form an integral part of these financial statements.

1. NATURE OF OPERATIONS

TMAC Resources Inc. (“**TMAC**” or the "**Company**") was incorporated on October 30, 2012, in the Province of Ontario, Canada, and is involved in the exploration, evaluation and development of the Hope Bay mineral property in the Kitikmeot Region of Nunavut, Canada (“**Hope Bay**”). TMAC has a 100% interest in Hope Bay and the adjacent ELU property. TMAC does not have any subsidiaries. TMAC’s registered address is 95 Wellington Street West, Suite 1010, Toronto, Ontario, M5J 2N7. The Company is listed on the Toronto Stock Exchange under the symbol TMR.

TMAC’s efforts are devoted to the exploration, evaluation and development of Hope Bay that currently comprises three gold deposit trends: **Doris**; **Madrid**; and **Boston** (collectively, the “**Hope Bay Project**” or the “**Project**”). Effective April 1, 2015, Doris transitioned from the exploration and evaluation stage to the development stage. The recoverability of the amount paid for the acquisition of, and investment in, Hope Bay is dependent upon the successful exploitation of economically recoverable reserves and resources, the preservation of the Company’s interest in the mineral claims, underlying mineral licences and mining lease agreements and the ability to attain profitable operations at the Hope Bay Project.

TMAC is subject to risks and challenges similar to other companies in a comparable stage of exploration and development. These risks include, but are not limited to, continuing operating losses and the successful development of Doris to satisfy its commitments and continue as a going concern.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”).

The board of directors (the “**Board**”) approved these financial statements on February 23, 2017.

(b) Basis of presentation

The financial statements have been prepared on the historical cost basis, except for the financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency and foreign currency transactions

The financial statements are presented in Canadian dollars. The functional currency of TMAC is the Canadian dollar.

Transactions denominated in a foreign currency have been translated into Canadian dollars at exchange rates on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the period end date are translated to Canadian Dollars at the rate of exchange at that date. Any conversion differences are recorded as exchange gains or losses in the Statement of Profit or Loss.

(d) Measurement uncertainty - critical accounting judgments and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. These judgments, estimates and assumptions are based on management’s experience and knowledge of the relevant facts and circumstances. Actual results may differ from those estimates. Information about areas of judgment and key sources of uncertainty and estimation is contained in the description of the accounting policies and/or the notes to the financial statements.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key areas where judgments, estimates and assumptions have been made in the reporting period or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarized below.

(i) Estimated reserves and resources

Reserves and resources are estimates of the amount of metal that can be extracted from the Company's properties, considering both economic and legal factors. Estimating the quantity and/or grade of reserves and resources requires the analysis of drilling samples and other geological data. Calculating reserve and resource estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity prices and foreign exchange rates.

Estimates of reserves and resources may change from period to period as the economic assumptions used to estimate reserves and resources change from period to period, and as a result of additional geological data generated during the course of operations. Changes in reported reserves and resources may affect TMAC's financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Prospective depreciation charges in the Statement of Profit or Loss may change when such charges are determined by the unit-of-production basis, or when the useful lives of assets change; and
- Provision for reclamation liabilities balances may be affected as the estimated timing of reclamation activities is adjusted for changes in the estimated mine life as determined by the available reserves and resources.

(ii) Transition from the exploration and evaluation stage to the development stage

Judgement is required in determining when an asset transitions from the exploration and evaluation stage to the development stage. In assessing the technical feasibility and commercial viability of an asset or cash generating unit ("**CGU**") to develop the asset or CGU, the operating results and net cash flow forecasts need to be determined by estimating the expected future revenues and costs, including the future cash costs of production, capital expenditures, site closure and environmental rehabilitation. The net cash flow forecast includes cash flows expected to be realized from the extraction, processing and sale of proven and probable reserves as well as mineral resources that do not currently qualify for inclusion in proven and probable reserves when there is a high degree of confidence in the economic extraction of such non-reserve material.

(iii) Commencement of commercial production

Judgement is required to determine whether a mine is in the condition necessary for it to be capable of operating in the manner intended by management. The achievement of certain milestones including the capacity of the processing plant, the grade of ore processed and the metal produced from the mine is considered in making the determination.

(iv) Inventory

The determination of the net realizable value of inventory, especially as it relates to ore in stockpiles, involves the use of estimates. Estimation is required in determining the tonnage, recoverable gold contained therein, and in determining the remaining costs of completion to bring inventory into its saleable form. Estimates of recoverable gold included in inventory are calculated from the quantities of ore, the grade of ore (based on assay data) and a recovery percentage. Significant judgment was required to determine the value of ore in stockpiles transferred from development costs to ore in stockpiles inventory.

Judgment also exists in determining the need to recognize a provision for obsolete consumables, materials and supplies.

(v) Determination of useful life of assets for depreciation purposes

Significant judgment is involved in the determination of the useful life and residual values of long-lived assets that drive the calculation of depreciation charges. Changes in the estimate of useful lives and residual values may impact depreciation calculations.

(vi) Impairment of property, plant and equipment

Judgment is involved in assessing whether there are any indications that an asset or CGU may be impaired. This assessment is made based on an analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or CGU and information from internal reporting.

For the purpose of determining the recoverable amount of an asset or CGU, operating results and net cash flow forecasts are determined by estimating the expected future revenues and costs, including the future cash costs of production, capital expenditures, site closure and environmental rehabilitation. The net cash flow forecast includes cash flows expected to be realized from the extraction, processing and sale of proven and probable reserves as well as mineral resources that do not currently qualify for inclusion in proven and probable reserves when there is a high degree of confidence in the economic extraction of such non-reserve material. This determination is usually based on preliminary drilling and sampling of areas of mineralization that are contiguous with existing reserves and resources.

Judgment is also required in estimating the discount rate applied and future commodity prices used for impairment testing. These estimates often differ from current price levels and are updated periodically.

Impairment testing is done at the CGU level. TMAC expects to have multiple possible mining areas and management must exercise judgment in determining what constitutes a CGU and the degree of aggregation of various assets. These factors impact the impairment analysis performed as the results of the impairment analysis might differ based on the composition of the various CGU's.

(vii) Environmental rehabilitation costs

Environmental rehabilitation obligation provisions represent management's best estimate of the present value of the future costs to close and rehabilitate the mine site. Significant estimates and assumptions are made in determining the amount of future environmental rehabilitation costs. These estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; determination of the appropriate discount rate; and, the timing, extent and costs of required mine closure and environmental rehabilitation activities. These uncertainties may result in future actual expenditures that differ from the amounts currently provided. Management assesses the provision for environmental rehabilitation on an annual basis or when new information becomes available.

(viii) Taxation

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment as to the types of obligations considered to be a tax on income in contrast to an operating cost. The application of income tax legislation also requires judgment in order to interpret the various legislations and apply those interpretations to the Company's transactions.

Management judgments and estimates are required in assessing whether deferred income tax assets are recognized in the Statement of Financial Position. Judgments are made as to whether future taxable profits will be available in order to recognize certain deferred income tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows resulting from estimates of future production and sales volumes, commodity prices, reserves and resources, operating costs and other capital management transactions. These judgments, estimates and assumptions are subject to risks and uncertainties and, therefore, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred income tax assets recognized in the Statement of Financial Position and the benefit of other tax losses and temporary differences not yet recognized.

There are a number of factors that can significantly impact TMAC's effective tax rate including the geographic distribution of income, varying rates in different jurisdictions within Canada, the non-recognition of deferred income tax assets, mining allowance, changes in tax laws and the impact of specific transactions and assessments. Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors, it is expected that TMAC's effective tax rate will fluctuate in future periods.

(ix) Share-based payments

The fair value of shared-based payments is calculated using an appropriate option pricing model. The main assumptions used in the model include the estimated life of the option, the expected volatility of the Company's Common Share ("**Common Share**") price (using historical volatility of similar publicly traded companies as a reference), the expected dividends, the expected forfeiture rate and the risk-free rate of interest. The resulting calculated value is not necessarily the value that the holder of the option could receive in an arm's length transaction given that there is no market for the options and they are not transferrable.

(x) Functional currency

Judgment is required to determine the functional currency of an entity. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

(xi) Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the control of the Company occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against TMAC or unasserted claims that may result in such proceedings, or regulatory or government actions that may negatively impact TMAC's business or operations, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a provision or on assessing the impact on the carrying value of assets. Contingent assets are not recognized in the financial statements.

(e) Business combinations

Business combinations are accounted for by applying the acquisition method of accounting, whereby the identifiable assets and liabilities are recognized and measured at their fair value on the date of acquisition. Mineral rights that can be reliably valued are recognized in the assessment of fair values on acquisition. Goodwill is recognized either when the purchase price exceeds the fair value of the identifiable net assets or when there are deferred income taxes arising on the business combination. When certain information relating to the fair value is not finalized at the time of reporting, provisional fair values allocated at a period end date are finalized as soon as the relevant information is available within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustments to those provisional fair values effective as at the acquisition date. Costs related to business combination acquisitions are expensed as incurred.

(f) Cash and cash equivalents and restricted cash

Cash and cash equivalents consist of cash held with major Canadian financial institutions in the form of cash and deposits in high interest notice accounts with investment terms that are less than 90 days at the time of acquisition.

Restricted cash consists of guaranteed investment certificates held with major Canadian financial institutions and deposits in high interest notice accounts that are restricted through an agreement with a third party. The funds are used to collateralize letters of credit issued to support environmental bonding and as required under the Framework Agreement.

(g) Inventory

(i) Stockpiled ore

Stockpiles represent ore that has been mined and is available for further processing. Stockpiles are measured by using the number of tonnes mined and the contained ounces as per the block model, adjusted for the amount of tonnes and contained ounces milled and processed. Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to stockpiles based on the mining cost per tonne incurred up to the point of stockpiling the ore, including direct overhead, depletion and depreciation relating to mining operations, to the extent determined recoverable, and are removed at the average cost per tonne. Stockpile inventory is measured at the lower of cost and net realizable value.

(ii) In-process inventory

The recovery of gold is achieved through the processing of ore through the processing plant that has two main production lines: an ore grinding line that produces gold through a gravity circuit and subsequent flotation; and, a concentrate treatment plant that will treat both gravity and flotation concentrates. Costs are added to in-process inventory based on the weighted average cost of the ore transferred from the stockpiled ore to the processing plant, or the actual mining cost of the ore placed in-process directly from the mine. Processing cost, including direct overheads and depreciation relating to the processing operations, are added to the mining cost of the ore being processed. Costs are removed from in-process inventory as ounces are recovered, based on the average cost per recoverable ounce of gold in-process inventory. In-process inventory is measured at the lower of cost and net realizable value.

(iii) Finished goods inventory

Finished goods inventory is saleable gold in the form of doré bars and refined gold bullion. Included in the costs are the direct costs of mining and processing operations as well as direct overheads, depletion and depreciation.

(iv) Consumables, materials and supplies

Consumables and materials and supplies inventories consist of diesel and other fuel, materials and supplies used for mining, processing and surface operations and spare parts used for maintaining infrastructure and equipment. Costs consist of the direct purchasing cost of the consumables, materials and supplies as well as transportation costs incurred to deliver the consumables, materials and supplies to the mine site, and are valued on a weighted average basis and are carried at the lower of cost and net realizable value.

(i) Other assets

Other assets comprise prepayments for long-term assets.

(j) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment charges, if any.

(i) General

Property, plant and equipment costs include the fair value of consideration paid, including cash and shares, if any, on acquisition. The amount of property acquisition costs and their related deferred exploration and evaluation and development expenditures represent historic expenditures incurred and are not intended to reflect present or future fair values. Upon sale or abandonment of any mineral interest, the cost and related accumulated depreciation are written-off and any gains or losses thereon are included in the Statement of Profit or Loss.

(ii) Property

Property includes its purchase price and, prior to the commencement of commercial production, any government fees and taxes and usage fees for aboriginal organizations thereon to maintain the property in good standing.

(iii) Plant, equipment and mobile equipment

Plant, equipment and mobile equipment costs include the purchase price, any costs directly attributable to bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated mine closure and environmental rehabilitation costs associated with dismantling and removing the asset.

(iv) Exploration and evaluation

Exploration expenditures relate to the initial search for deposits with economic potential. Evaluation expenditures arise from a detailed assessment of deposits or projects that have been identified as having economic potential. When a decision is made that an exploration and evaluation project has advanced to the development for production stage, the accumulated costs associated with that project are reclassified to project under development.
Exploration and evaluation costs are capitalized and comprise costs that are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploration drilling and sampling;
- Examining and testing extraction and treatment methods; and,
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

(v) Development costs

Development costs are capitalized and include costs related to accessing the ore body, designing and constructing the production infrastructure, borrowing costs relating to construction, other costs that can be directly attributed to bringing the assets to the production stages, and depreciation of related equipment. This includes costs associated with the commissioning period before the asset is in production and can operate at the level intended by management. Capitalization of development costs ceases when a project is capable of operating as intended by management, and a decision is made that a project under development has advanced to the production stage, the accumulated costs associated with that project are reclassified as mining operations.

At the production stage, the capitalization of certain mine development costs ceases and such future costs are either capitalized to inventory or expensed. Other costs related to property, plant and equipment additions or improvements, underground mine development that has a future economic benefit and exploration and evaluation expenditures that meet the criteria for capitalization, are capitalized.

(vi) Commercial production

Management assesses the development of each project in order to determine commencement of commercial production. Amongst the criteria evaluated are:

- All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
- The completion of a reasonable period of testing of the mine plant and equipment;
- The mine has been transferred to operating personnel from internal development groups or external contractors;
- The mine and/or processing plant has reached a pre-determined percentage of design capacity;
- Mineral recoveries are at or near the expected production level; and,
- The ability to sustain ongoing production of ore and/or gold doré bars.

(vii) Depreciation

The carrying amounts of property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset to which it relates. Accumulated development property costs are not depreciated prior to the commencement of production.

Estimates of residual values and useful lives and the method of depreciation are reassessed annually. Any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use in the location and condition necessary to be operated in the manner intended by management. Depreciation is calculated as follows:

- Property - based on reserves and resources in the mine plan on a unit-of-production basis;
- Plant and equipment - straight-line over the estimated useful life of the asset or on a unit-of-production basis based on the usage of the asset;
- Buildings - straight-line over the estimated useful life of the asset or on a unit-of-production basis based on the usage of the asset;
- Mobile equipment – straight-line over 2 to 5 years based on the estimated useful life in years or on a unit-of-production basis based on the usage of the asset; and
- Mine development costs – based on reserves and resources in the mine plan on a unit-of-production basis.

(viii) Impairment

At the end of each reporting period, the Company reviews its property, plant and equipment at the CGU level to determine whether there is any indication of impairment. The Company will perform an impairment test on its property, plant and equipment if an indicator of impairment exists. In addition, when property, plant and equipment in the exploration and evaluation stage are reclassified to project under development, the Company performs an impairment test.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the Statement of Profit or Loss. If the circumstances leading to the impairment change and an impairment subsequently reverses the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that it does not exceed the carrying value that would have been determined if no impairment had previously been recognized. Any subsequent reversal of an impairment loss is recognized in the Statement of Profit or Loss.

The recoverable amount for property, plant and equipment is generally determined based on its fair value less costs of disposal, which represents the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal using assumptions that an independent market participant may take into account. The Company's weighted average cost of capital is used as a starting point for determining the discount rate upon recognizing an impairment.

(ix) Equipment held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets, are generally measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in the Statement of Profit or Loss. Once classified as held for sale, property plant and equipment are no longer depreciated.

(k) Goodwill

Goodwill arising on a business combination, including goodwill resulting from the required deferred tax adjustment, is carried at cost as established at the date of acquisition of the business less accumulated impairment charges, if any.

Goodwill is tested for impairment on an annual basis and whenever there is an indication of impairment. For the purposes of impairment testing, goodwill is allocated to the same CGU as the assets acquired in the business combination through which it was created.

(l) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease.

Leases of property and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(m) Provisions

(i) General

Provisions are recognized when TMAC has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows. The increase in provisions due to the effect of the time value of money is recognized as a finance expense in the Statement of Profit or Loss.

(ii) Environmental rehabilitation

The development, construction, mining, extraction and processing activities of the Company normally give rise to obligations for environmental rehabilitation. A provision is recognized for environmental rehabilitation costs, which includes the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, in the financial period when the related environmental disturbance occurs based on the estimated future costs using information available at the period end date.

At the time of establishing the provision, a corresponding asset is capitalized when it gives rise to a future benefit and depreciated over future production from the operation to which it relates. The provision is discounted to its present value using a risk free interest rate relevant to the jurisdiction in which the rehabilitation has to be performed. The unwinding of the discount is included in finance expense. Costs arising from unforeseen circumstances, such as contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation which is probable and can be reliably estimated.

The provision is reviewed at the end of each reporting period for changes to obligations, legislation or discount rates that impact the estimated cost or timing of the obligation. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

(n) Income taxes

TMAC uses the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and on losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates in effect at the end of the reporting period that are expected to be in effect when the differences are expected to reverse or losses are expected to be used. The effect on deferred income tax assets and liabilities of a change in the substantively enacted tax rate is included in income in the period in which the change is substantively enacted. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized. This evaluation requires management to make judgments as to whether it is probable that a tax asset may be realized in the future.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

(o) Share capital

(i) Common shares

TMAC's Common Shares are classified as equity. Incremental costs directly attributable to the issuance of Common Shares, net of any tax effects, are recognized as a deduction from equity.

(ii) Flow-through common shares

From time to time TMAC finances a portion of its exploration activities through the issuance of flow-through Common Shares. Canadian income tax legislation permits a company to issue flow-through instruments whereby the income tax deductions relating to qualified Canadian exploration expenditures ("**CEE**") as defined in the Income Tax Act (Canada) are claimed by the investors rather than by the Company. Shares issued on a flow-through basis typically include a premium related to the tax benefits provided to the investors. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the subscription price over the fair value of the Common Shares without the flow-through feature at the time of issuance. The premium is recorded as a deferred liability and is included in income at the time the CEE are incurred.

(p) Share-based payments

Employees, directors, senior executives and consultants of the Company are eligible, at the discretion of the Board, to receive a portion of their remuneration in the form of share-based payment arrangements whereby they render services as consideration for equity instruments ("**share-based payments**").

The fair value of a share-based payment is recorded as an expense or a component of property, plant and equipment, based on the nature of the services rendered, over the vesting period of the award with a corresponding increase recorded in contributed surplus. The fair value of the share-based payments for employees, directors and senior executives is determined using the Black-Scholes option pricing model. The fair value of a share-based payment for a consultant is determined based on the fair value of the goods and services received and requires management to make an estimate of the value of the goods and services received. Upon exercise of a share option, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

(q) Earnings (loss) per share

Earnings (loss) per share calculations are based on the weighted average number of Common Shares and Common Share equivalents issued and outstanding during the period. Diluted earnings (loss) per share is calculated using the treasury stock method. Under this method, the dilutive effect of earnings (loss) per share is recognized on the use of proceeds that could be obtained from the exercise of options, warrants and similar instruments, if dilutive. It assumes that proceeds would be used to purchase Common Shares at the average market price for the period.

(r) Revenue Recognition

Revenue consists of the sale of gold and is recognized when:

- The significant risks and rewards of ownership have passed to the buyer;
- It is probable that economic benefits associated with the transaction will flow to the Company;
- The sale price can be measured reliably;
- The Company has no significant continuing involvement; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

These factors generally occur when gold bullion is sold to the customer on the settlement date.

(s) Financial instruments

All financial instruments are initially recognized at fair value in the Statement of Financial Position.

(i) Financial assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity; available for sale; loans and receivables; or, at fair value through profit or loss ("**FVTPL**").

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income. When the asset is disposed of, or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is recognized through the Statement of Profit or Loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Interest income from a financial asset is recognized when it is probable that the economic benefits will be realized by the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(ii) Financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments.

Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the Statement of Profit or Loss.

(iii) Compound financial instruments

Compound financial instruments comprise instruments that can be converted into a fixed number of shares at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to a financial liability is recognized in the Statement of Profit or Loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(iv) Impairment of financial assets

The Company assesses at each period end date whether there are indications that a financial asset is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has occurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is then reduced by the amount of the impairment. The amount of the loss is recognized in the Statement of Profit or Loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized the previously recognized impairment loss is reversed to the extent that the carrying value of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the Statement of Profit or Loss.

(t) Borrowing costs

Borrowing costs directly related to financing an acquisition, exploration, construction or development of qualifying assets are capitalized to the cost of those assets until such time as they are substantially ready for their intended use.

Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing cost incurred. Where the funds used to finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Transaction costs related to the establishment of a loan facility are capitalized and amortized over the life of the loan facility using the effective interest rate method, or set off against the fair value of the loan facility. Other borrowing costs are recognized in the Statement of Profit or Loss in the period in which they are incurred.

(u) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision makers. The chief decision makers have been identified as the executive leadership team, which comprises the Executive Chairman, Chief Executive Officer, President and certain other senior executives. The executive leadership team is responsible for allocating resources and assessing the performance of operating segments.

(w) Adoption of new and revised international financial reporting standards

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company's future financial statements:

(i) IFRS 9, Financial instruments

IFRS 9, *Financial Instruments*, (**"IFRS 9"**) will replace IAS 39, *Financial Instruments: Recognition and Measurement for classification and measurement of financial assets and liabilities* ("**IAS 39**"). IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. A fair value option is provided for financial instruments otherwise measured at amortized cost. This standard also requires a single impairment method to be used and replaces the multiple impairment methods in IAS 39. The IASB announced that IFRS 9 will come into effect in January 1, 2018 with early adoption permitted. The Company has yet to assess IFRS 9's impact on its financial statements.

(ii) IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* ("**IFRS 15**") will replace IAS 18*, Revenue.* IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for periods beginning on or after January 1, 2018, with early adoption permitted. The Company has yet to assess IFRS 15's impact on its financial statements.

(iii) IFRS 16, Leases

IFRS 16, *Leases* ("**IFRS 16**") is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided IFRS 15 has been applied or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its financial statements.

(iv) Amendments to IAS 7, Statement of cash flows

In January 2017, the IASB issued Disclosure Initiative (Amendments to IAS 7). The standard applies prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company does not expect the amendments to have a material impact on the financial statements.

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

3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	December 31, 2016 $millions	December 31, 2015 $millions
Cash and cash equivalents	62.5	44.1
Restricted cash	44.5	18.7
	107.0	**62.8**

Cash and cash equivalents consist of cash in current accounts and highly liquid deposits that are readily convertible to cash with a maturity of less than 90 days.

Restricted cash represents investments in guaranteed investment certificates with major Canadian financial institutions that the Company uses to collateralize letters of credit that were issued for environmental reclamation bonding, for payments to the Kitikmeot Inuit Association ("**KIA")** under the Framework Agreement entered into between TMAC and the KIA on March 30, 2015, and $10.0 million held in a separate bank account as per the minimum cash balance requirement under the Debt Facility (note 10).

4. AMOUNTS RECEIVABLE

	December 31, 2016 $millions	December 31, 2015 $millions
Recoverable sales taxes	6.6	3.7
Other	0.7	0.3
	7.3	**4.0**

5. INVENTORIES

	December 31, 2016 $millions	December 31, 2015 $millions
Ore in stockpiles	24.9	-
Consumables, material and supplies	52.8	26.5
	77.7	**26.5**

The Company transferred $24.9 million to ore in stockpiles from development costs that were previously included in property, plant and equipment (note 6). The balance includes mining costs, including direct overheads, up to the point of stockpiling the ore.

Depreciation was not included in ore in stockpiles as at December 31, 2016 as the mining assets were not yet operating as intended by management.

Materials and supplies of $2.3 million that were determined to be obsolete were written down to zero.

6. PROPERTY, PLANT AND EQUIPMENT

December 31, 2016	Property $millions	Plant and equipment $millions	Mobile equipment $millions	Exploration /evaluation $millions	Development $millions	Total $millions
Cost						
Balance at December 31, 2015	221.9	298.1	20.6	59.9	50.4	650.9
Additions:						
- Acquisitions	-	72.2	18.9	-	-	91.1
- Camp and logistics	-	13.0	-	1.8	12.2	27.0
- Capitalized depreciation	-	-	-	-	0.6	0.6
- Development and engineering	-	-	-	-	27.9	27.9
- Drilling and Assaying	-	-	-	2.7	6.2	8.9
- Environment	-	-	-	4.9	3.3	8.2
- Environmental liability	(0.4)	-	-	-	-	(0.4)
- Geology	-	-	-	3.7	-	3.7
- Property holding	2.1	-	-	-	-	2.1
- Share-based payments	-	-	-	-	0.3	0.3
- Capitalized borrowing costs	-	-	-	-	9.7	9.7
- Impairment of Equipment	-	(0.9)	(0.6)	-	-	(1.5)
- Transfer to inventory (note 5)	(0.4)	-	-	-	(24.5)	(24.9)
Balance at December 31, 2016	**223.2**	**382.4**	**38.9**	**73.0**	**86.1**	**803.6**
Accumulated depreciation						
Balance at December 31, 2015	-	0.7	0.8	-	-	1.5
Depreciation	-	0.3	0.4	-	-	0.7
Balance at December 31, 2016	**-**	**1.0**	**1.2**	**-**	**-**	**2.2**
Net book value at December 31, 2016	**223.2**	**381.4**	**37.7**	**73.0**	**86.1**	**801.4**

On March 30, 2015, TMAC entered into a Mineral Exploration Agreement (the "**MEA**") with Nunavut Tunngavik Inc. ("**NTI**") granting TMAC access to the Inuit-owned subsurface mineral rights administered by NTI. Also on March 30, 2015, TMAC entered into the Framework Agreement and the Inuit Impact Benefits Agreement (the "**IIBA**") administered by the KIA for surface access rights. Both the MEA and Framework Agreement have 20 year terms. The MEA governs all subsurface mineral rights on Inuit Owned Lands ("**IOL**") within Hope Bay. The MEA requires annual rent payments to be made for the IOL subsurface mineral rights, a 12% net profits interest royalty for the extraction of the minerals on IOL subsurface rights, and a one-time charge of $8,000,000, payable in eight quarterly installments, on the achievement of commercial production at the first mine that accesses IOL subsurface minerals at Hope Bay. The Framework Agreement governs land access on IOL and includes a commercial lease issued for mining Doris. The Framework Agreement requires payments of $1,000,000 per annum, adjusted for annual inflation, and a 1% net smelter return royalty in return for access to IOL. TMAC issued 1,133,333 Common Shares with a fair value of $5,950,000 to the KIA on signing of the Framework Agreement as partial consideration for the IOL surface access rights. The IIBA contains terms required under the Nunavut Agreement to provide benefits to the Inuit from activities incurred on IOL. These benefits include employment, training and contracting opportunities.

During 2016, the Company recognized an impairment of $1.5 million of equipment originally purchased from Newmont Mining Corporation (collectively with subsidiaries "**Newmont**") as part of the acquisition of the Hope Bay Project in 2013.

December 31, 2015	Property $millions	Plant and equipment $millions	Mobile equipment $millions	Exploration /evaluation $millions	Development $millions	Total $millions
Cost						
Balance at December 31, 2014	213.5	242.6	6.8	67.0	-	529.9
Additions:						
- Acquisitions	-	55.5	13.8	-	-	69.3
- Camp and logistics	-	-	-	6.3	12.7	19.0
- Capitalized depreciation	-	-	-	-	0.5	0.5
- Development and engineering	-	-	-	0.3	5.0	5.3
- Drilling and Assaying	-	-	-	7.5	3.2	10.7
- Environment	-	-	-	2.1	3.1	5.2
- Environmental liability	0.4	-	-	-	-	0.4
- Evaluation	-	-	-	0.8	-	0.8
- Geology	-	-	-	2.8	-	2.8
- Property holding	2.1	-	-	-	-	2.1
- Share-based payments	-	-	-	0.4	0.5	0.9
- Surface access rights payment	5.9	-	-	-	-	5.9
Reclassification	-	1.9	-	(27.3)	25.4	-
Transfer to asset held for sale	-	(1.9)	-	-	-	(1.9)
Balance at December 31, 2015	**221.9**	**298.1**	**20.6**	**59.9**	**50.4**	**650.9**
Accumulated depreciation						
Balance at December 31, 2014	-	0.5	0.5	-	-	1.0
Depreciation	-	0.2	0.3	-	-	0.5
Balance at December 31, 2015	**-**	**0.7**	**0.8**	**-**	**-**	**1.5**
Net book value at December 31, 2015	**221.9**	**297.4**	**19.8**	**59.9**	**50.4**	**649.4**

Doris transitioned from the exploration and evaluation stage to the development stage for accounting purposes on April 1, 2015. All other projects are in the exploration and evaluation stage.

During 2015 the Company determined that a camp stored in Becancour, Quebec was not suitable for Hope Bay. Accordingly, the camp was classified as held for sale in the Statement of Financial Position and recorded at the estimated net realizable value of $0.5 million resulting in an impairment of $1.4 million for the year ended December 31, 2015. The camp remains unsold and the Company fully impaired the asset at the end of 2016.

Cash additions of assets in the exploration and evaluation stage, adjusted for non-cash working capital movements, amounted to $12.9 million for the year ended December 31, 2016 (2015: $19.8 million).

7. GOODWILL

The goodwill balance of $80.6 million relates to the acquisition of Hope Bay on March 12, 2013 and is the result of the requirement under business combinations accounting to recognize a deferred income tax liability for the difference between the fair value of the identifiable assets and liabilities acquired and their tax base. Goodwill has been allocated to the Hope Bay CGU for impairment testing purposes. An impairment test was performed on the CGU at December 31, 2016 and December 31, 2015. The recoverable amount was determined by estimating the fair value less costs of disposal through a discounted cash flow analysis on the Doris, Madrid and Boston deposits over 20 years along with a comparable transaction value analysis for the rest of the Hope Bay property. The following significant assumptions were used in the discounted cash flow analysis: US$1,200/ounce (2015: US$1,200/ounce) for the price of gold; 5% discount rate (2015: 6%); and, foreign exchange rate of 1.30 (2015: 1.25) for the Canadian dollar relative to the United States dollar based on market forecasts. The test showed no impairment for the Hope Bay CGU at December 31, 2016.

The effects of a change in any single assumption does not fairly reflect the impact on a CGU's fair value as the assumptions are interdependent. For example, a change in the gold price could result in, amongst other things, a change in the mine plan and future capital expenditures.

8. OTHER ASSETS

	December 31, 2016 $millions	December 31, 2015 $millions
Deposits and advance payments	15.0	19.5
Prepaid Debt Facility costs	-	9.0
	15.0	**28.5**

Deposits and advance payments relate to payments for long lead-time capital items.

Up to December 2015, TMAC incurred $9.0 million of transaction costs, including the $2.9 million fair value of the Warrants and the $3.1 million fair value of the Gold Call Options, related to the credit agreement defined in note 10. The transaction costs, including additional costs incurred during 2016, have been fully allocated to the Debt Facility as it was drawn down.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016 $millions	December 31, 2015 $millions
Trade payables	16.7	5.5
Accrued liabilities	10.1	7.3
	26.8	**12.8**

10. DEBT FACILITY

	December 31, 2016	
	$millions	**US$millions**
Balance at beginning of year	-	-
Drawdowns	161.1	120.0
Interest accrued	7.8	5.9
Foreign exchange (gain) loss	0.2	-
	169.1	**125.9**
Transaction costs	(9.6)	
Amortization of transaction costs	1.9	
	(7.7)	
	161.4	
Less: current portion	(46.1)	(34.3)
	115.3	**91.6**

On July 23, 2015, TMAC entered into the Credit Agreement (the "**Credit Agreement**") with a syndicate of lenders (the "**Lenders**") led by Sprott Resource Lending Partnership (as Agent) and Morgan Stanley Capital Group Inc. with respect to a senior secured term loan facility for an aggregate principal amount of up to US$120.0 million maturing on December 31, 2018 (the "**Debt Facility**").The advances under the

Debt Facility bearing interest at 8.75% per annum, compounded and payable quarterly. Interest has been capitalized since the first drawdown. Until September 30, 2017, the Company will have the option to pay interest in cash or by way of an increase in the principal amount of the Debt Facility.

In 2016, TMAC completed the following drawdowns:

- February 10, 2016, $69.5 million (US$50.0 million)
- July 7, 2016, $45.5 million (US$35.0 million)
- September 26, 2016, $19.8 million (US$15.0 million)
- December 12, 2016, $26.3 million (US$20.0 million).

The Debt Facility is secured by a first ranking charge over all of the Company's present and subsequently acquired property, plant and equipment, subject to certain limited exceptions. The Credit Agreement does not require TMAC to complete any gold or foreign exchange hedging. The Company can choose to prepay the Debt Facility prior to December 31, 2018, subject to defined prepayment fees if prepayment is made before July 23, 2017.

The Credit Agreement has certain financial covenants including maintaining a $10.0 million minimum cash balance and a $20.0 million minimum working capital balance, and other customary non-financial covenants. Upon the first drawdown, the Company transferred $10.0 million to restricted cash as a minimum cash balance requirement under the Debt Facility. As of December 31, 2016, the Company is in compliance with the covenants.

Monthly payments under the Credit Agreement will equal 1/22 of the total Debt Facility outstanding as at June 30, 2017 (including any capitalized interest and obligations in relation to the Gold Call Options), and will be made beginning on July 31, 2017 and ending on November 30, 2018, with a final payment on December 31, 2018 equal to the remaining amount owed under the Debt Facility.

As partial compensation for entering into the Credit Agreement, the Company issued the Lenders 1,900,001 share purchase warrants (the "**Warrants**") (note 15(c)) and call options for 12,000 ounces of gold (the "**Gold Call Options**") with a term of five years expiring July 23, 2020 at a strike price of US$1,140 per ounce (note 11). The Company has the option to satisfy its obligations with respect to any Gold Call Options exercised prior to June 30, 2017 in cash or by way of an increase in the principal amount of the Debt Facility.

In addition to the Warrants and Gold Call Options, $3.6 million of cash transaction costs were incurred, including a $1.5 million (US$1.2 million) payment to the Lenders as an arrangement fee, plus legal and due diligence costs. The cash transaction costs and fair value of the Warrants and Gold Call Options, up to the date of the last drawdown, totalled $9.6 million, all of which were allocated to the drawdowns. The Credit Agreement provides for TMAC to pay the Lenders a fee on each of the first and second anniversaries of the last drawdown date (each, an "**Anniversary Date**"), an amount equal to 1% of the outstanding balance of the Debt Facility on each such Anniversary Date, payable at the Company's election either in (i) cash, or (ii) Common Shares issued at a deemed price equal to a 5% discount to the volume weighted average trading price of the Common Shares on the TSX for the ten trading days immediately prior to the second business day prior to each applicable Anniversary Date using the exchange rate on the third business day prior to each applicable Anniversary Date.

11. GOLD CALL OPTIONS

	December 31, 2016 $millions	**December 31, 2015 $millions**
Balance at beginning of year	2.7	-
Gold Call Options issued	-	3.1
Gold Call Options revaluation	0.2	(0.4)
	2.9	**2.7**
Less: current portion	(2.9)	-
	-	**2.7**

The Company issued the Lenders 12,000 ounces of Gold Call Options with a term of five years, expiring July 23, 2020, at a strike price of US$1,140 per ounce. The Company has the option to satisfy its obligations with respect to any Gold Call Options exercised prior to June 30, 2017 in cash or by way of an increase in the principal amount of the Debt Facility. The Gold Call Options are revalued every reporting period with the fair value gain or loss recorded in the Statement of Profit or Loss. The fair value of the Gold Call Options was calculated at inception and at each subsequent reporting period using the Black-Scholes option pricing model with the following main assumptions:

	December 31, 2016	**December 31, 2015**
Gold price per ounce (US$)	1,146	1,060
Volatility (%)	16.2%	18.1%
Interest rate	1.9%	1.7%
Term (years)	3.6	4.6

12. OTHER LIABILITIES

	December 31, 2016 $millions	**December 31, 2015 $millions**
Balance at beginning of year	-	0.4
Premium from flow-through Common Shares issued (note 15(b))	2.4	-
Reduction for qualifying exploration expenditures incurred	(1.6)	(0.4)
	0.8	**-**

Other liabilities relate to the unamortized premium attributable to the proceeds received from the issuance of flow-through Common Shares (note 15(b)).

13. PROVISION FOR ENVIRONMENTAL REHABILITATION

	December 31, 2016 $000s	**December 31, 2015 $000s**
Balance at beginning of year	24.7	23.8
Adjustment in assumptions	(0.3)	0.4
Accretion	0.5	0.5
	24.9	**24.7**

Provision is made for mine closure and environmental rehabilitation costs, which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas in the financial period when the related environmental disturbance occurs based on the estimated future costs using information available at the period end date.

The assumptions used in calculating the fair value of the provision is adjusted for significant changes every reporting period as indicated in the table below and could result in significant changes in the carrying value of the liability.

Assumptions:

	December 31, 2016	December 31, 2015
Undiscounted amount of estimated cash flows ($millions)	24.9	24.7
Payable in (year)	2048	2048
Inflation adjusted discount rate (%)	0.0%	0.0%

TMAC issued letters of credit for environmental rehabilitation bonding obligations under permits that are held by Indigenous and Northern Affairs Canada, the Department of Fisheries and Oceans and the KIA. The letters of credit are collateralized by a guaranteed investment certificate included in restricted cash (note 3).

TMAC provided the KIA with a general security agreement (the "**KIA GSA**") with respect to $9.7 million of additional environmental rehabilitation assurance providing twice the amount of assurance as required by the Federal regulators on certain aspects of the Hope Bay site environmental rehabilitation (the "**Overbonding Amount**"). Pursuant to the Framework Agreement, TMAC agreed to provide the KIA with letters of credit equal to 5% of the Overbonding Amount in each calendar year to systematically replace the KIA GSA. As at December 31, 2016, TMAC has issued $0.9 million of letters of credit for the Overbonding Amount. The full amount of the Overbonding Amount is to be secured by letters of credit within one year after attaining commercial production of gold.

14. INCOME TAXES

	December 31, 2016 $millions	December 31, 2015 $millions
Current income tax expense	-	-
Deferred income tax expense (recovery)	(4.1)	(2.5)
Income tax expense (recovery)	**(4.1)**	**(2.5)**

Reconciliation between the tax expense and accounting profit for the years ended:

	December 31, 2016 $millions	December 31, 2015 $millions
Loss before income taxes	**(17.3)**	**(12.1)**
Canadian federal and provincial income tax rates	26%	27%
Income tax expense (recovery) at statutory rates	**(4.5)**	**(3.3)**
Non-deductible expenses (non-taxable income)	0.8	0.6
Nunavut mining net profits royalty	0.3	(0.3)
Flow-through share renunciation	-	0.5
Tax rate reduction	(0.7)	-
Deferred income tax expense (recovery)	**(4.1)**	**(2.5)**
Effective tax rate	**24%**	**21%**

The decrease in tax rate from 27% in December 31, 2015 to 26% in December 31, 2016 reflects a change in management's expectation of the applicable Canadian federal and provincial tax rates upon commencement of gold sales activities.

Reconciliation of the deferred tax liability balance movement for the years ended:

	December 31, 2016 $millions	December 31, 2015 $millions
Balance at beginning of year	71.4	76.0
Share issue costs (note 15(b))	(1.0)	(2.5)
Premium on flow-through shares (note 15 (b))	1.6	0.4
Deferred tax recovery in Statement of Profit or Loss	(4.1)	(2.5)
	67.9	**71.4**

The significant components of TMAC's deferred income tax assets and liabilities are as follows:

Deferred income tax liabilities (assets)	December 31, 2016 $millions	December 31, 2015 $millions
Inventories	8.5	-
Property, plant and equipment	123.8	103.8
Provision for environmental rehabilitation	(9.6)	(9.7)
Deferred Nunavut mining net profits royalty	(14.1)	(14.5)
Tax losses	(38.0)	(5.3)
Share issue costs	(2.7)	(2.9)
Net deferred income tax liabilities	**67.9**	**71.4**

Deferred taxes of $1.0 million (2015: $2.4 million) were recognized on share issue costs in the Statement of Changes in Shareholders' Equity.

TMAC has recognized the future tax benefits of federal and provincial non-capital loss carry-forwards totaling approximately $164.4 million that expire between 2032 and 2036.

The deferred tax impact of deductions available under the NTI net profits royalty has not been recognized. These deductions will be recognized when NTI approves the amounts of acquisition and historical expenditures incurred in the Doris production lease area.

15. SHARE CAPITAL AND RESERVES

(a) Authorized

TMAC is authorized to issue an unlimited number of Common Shares.

(b) Issued and outstanding

TMAC had the following issued and outstanding Common Shares:

	Total Number of Common Shares #	Value of Common Shares $millions
Balance at December 31, 2014	**42,815,403**	**560.3**
Third Equity Financing (i)	7,814,523	40.5
Surface access rights (ii)	1,133,333	5.9
Initial Public Offering (iii)	25,850,000	149.1
Share purchase options exercised	7,778	0.1
Balance at December 31, 2015	**77,621,037**	**755.9**
Flow through financing (iv)	827,206	6.5
Share purchase options exercised	52,656	0.2
Warrants exercised	1,116,167	10.1
Bought Deal Financing (v)	3,975,000	57.5
Balance at December 31, 2016	**83,592,066**	**830.2**

(i) Third Equity Financing

On December 30, 2014, the Company completed the first of two tranches ("**Tranche 1**") of a third equity financing (the "**Third Equity Financing**"). Tranche 1 comprised 516,666 flow-through Common Shares (the "**Third FT Shares**") at $6.00 per share, for gross proceeds of $3.1 million. Costs associated with the completion of the Third FT Shares issuance totalled $0.2 million (after offsetting deferred income taxes of $$0.1 million) and were charged to share capital in the Statement of Changes in Shareholders' Equity.

On January 16, 2015, the Company completed the second tranche ("**Tranche 2**") of the Third Equity Financing consisting of 7,814,523 Common Shares (the "**Third Non-FT Shares**") at $5.25 per share, for gross proceeds of $41.0 million. Costs associated with the completion of the Third Non-FT Shares issuance totalled $0.8 million ($0.5 million after offsetting deferred income taxes of $0.2 million) and were charged to share capital in the Statement of Changes in Shareholders' Equity. Resource Capital Fund VI L.P. ("**RCF**") acquired 7,619,047 of the Third Non-FT Shares for a total of $40.0 million which, immediately after closing of this financing, resulted in RCF owning approximately 39.5%, and Newmont owning 37.8%, of the then issued and outstanding Common Shares, respectively. There were no changes in RCF's rights from those acquired in the Second Equity Financing other than RCF is permitted to have one representative per year visit Hope Bay at TMAC's expense.

The subscription agreement for the Third FT Shares required TMAC to incur $3.1 million of qualifying CEE and renounce the CEE to the Third FT Shares shareholders with an effective date of December 31, 2014. The $0.75 per share premium of the Third FT Shares resulted in an other liability in the amount of $0.4 million. TMAC incurred sufficient qualifying flow-through expenditures during 2015 and recorded the reversal of the $0.4 million liability as a deferred tax recovery.

(ii) Surface access rights

On March 30, 2015, TMAC issued 1,133,333 Common Shares to the KIA on signing of the Framework Agreement with the KIA as partial consideration for surface access rights to IOL.

(iii) Initial Public Offering and Over-Allotment Option

On July 7, 2015, TMAC completed an Initial Public Offering ("**IPO**") of 22,500,000 Common Shares at $6.00 per Common Share for aggregate gross proceeds to TMAC of $135.0 million. The Company also granted the underwriters an Over-Allotment Option, exercisable in whole or in part for a 30-day period after closing of the IPO, to purchase up to an additional 3,375,000 Common Shares of TMAC at $6.00 per Common Share. On August 6, 2015, the underwriters exercised 3,350,000 Common Shares of the Over-Allotment Option for total additional gross proceeds of $20.1 million, which were received on August 11, 2015, resulting in aggregate gross proceeds raised from the IPO of $155.1 million.

(Expressed in Canadian dollars, except as otherwise indicated)

Costs associated with the completion of the IPO totalled $8.3 million ($6.0 million after offsetting deferred income taxes of $2.2 million) and were charged to share capital on the Statement of Changes in Shareholders' Equity.

(iv) Flow-through financing

On March 18, 2016, TMAC completed a private placement of 827,206 flow-through common shares of TMAC (the "**Flow-Through Common Shares**") at a price of $10.88 per Flow-Through Common Share for gross proceeds of $9.0 million. Costs associated with the flow-through financing totalled $0.1 million.

The gross proceeds from the sale of the Flow-Through Common Shares will be used for expenditures that qualify as Canadian exploration expenses ("**CEE**") (within the meaning of the Income Tax Act (Canada)). The Company renounced such CEE with an effective date of December 31, 2016. The $2.88 per Flow-Through Common Share premium resulted in an other liability in the amount of $2.4 million of which $1.6 million was included in income at the time the CEE was incurred.

(v) Bought Deal Financing

On July 19, 2016, TMAC completed a Bought Deal Financing of 3,975,000 Common Shares issued by the Company at a price of $15.10 per Common Share, for gross proceeds of approximately $60.0 million (the "**Bought Deal Financing**").

Costs associated with the completion of the Bought Deal Financing totalled $3.5 million ($2.6 million after offsetting deferred income taxes of $0.9 million) and were charged to share capital on the Statement of Changes in Shareholders' Equity.

RCF sold 1,325,000 Common Shares through a secondary offering for gross proceeds of approximately $20.0 million. RCF granted the underwriters an over-allotment option to purchase an additional 795,000 Common Shares that was exercised for additional gross proceeds of approximately $12.0 million. RCF was solely responsible for all its expenses related to the secondary offering.

(c) Share purchase warrants

On July 23, 2015, the Company issued the Lenders 1,900,001 Warrants, with each Warrant being exercisable for one Common Share at an exercise price of $7.50 per Common Share. The Warrants have a term of five years, expiring on July 23, 2020, and can be accelerated by the Company in the event the trading price per Common Share is higher than $15.00 for 20 consecutive trading days at any time after July 23, 2016, which event occurred on August 23, 2016. The fair value of the Warrants on date of issue of $2.9 million was determined using the Black-Scholes option pricing method with the following weighted average assumptions:

Risk free interest rate	1.69%
Expected dividend yield	0%
Expected volatility	35%
Expected life	5 years
Forfeiture rate	0%

A total of 1,116,167 warrants were exercised during the year ended December 31, 2016 for total cash proceeds of $8.4 million (note 22).

	Warrants	
	#	**$millions**
Balance at December 31, 2015	**1,900,001**	**2.9**
Exercised	(1,116,167)	(1.7)
Balance at December 31, 2016	**783,834**	**1.2**

(d) Share-based payment plans

TMAC has a share option purchase plan (the "**SOP**") and a restricted share plan (the "**RSP**"), (collectively the "**Share Plans**").

(i) Share purchase option plan

	Number of options #	Weighted average exercise price $
Options at December 31, 2014	**1,563,326**	**5.25**
Granted	1,227,226	5.29
Exercised	(7,778)	5.38
Forfeited	(13,386)	5.40
Options at December 31, 2015	**2,769,388**	**5.27**
Granted	1,026,900	7.26
Exercised	(84,478)	5.26
Forfeited	(13,333)	6.89
Options at December 31, 2016	**3,698,477**	**5.81**

The share purchase options exercised during the year ended December 31, 2016 were exercised at market prices that ranged from $13.00 to $18.80 per Common Share (2015: $6.10 per Common Share). The weighted average share price at the date of exercise for share purchase options exercised in 2016 was $13.78 (2015: $6.10)

TMAC periodically grants share purchase options to certain directors, officers and employees of the Company.

The share purchase options issued during 2015 and earlier vest in three equal tranches with the first vesting immediately and the remaining two vesting on each of the following two anniversaries of the grant. The share purchase options issued in 2016 vest in three equal tranches commencing on the first anniversary of the grant.

As at December 31, 2016, share purchase options granted and still outstanding were as follows:

	Awards outstanding			Awards exercisable		
Grant date	**Quantity** #	**Remaining contractual life** Years	**Exercise price** $	**Quantity** #	**Remaining contractual life** Years	**Exercise price** $
Apr 28, 2014	1,274,828	2.32	5.25	1,274,828	2.32	5.25
Jun 26, 2014	100,000	2.48	5.25	100,000	2.48	5.25
Sep 22, 2014	100,000	2.72	5.25	100,000	2.72	5.25
Mar 17, 2015	1,068,128	3.21	5.25	711,193	3.21	5.25
Apr 8, 2015	7,221	3.27	5.25	4,444	3.27	5.25
Aug 14, 2015	63,000	3.62	5.55	42,001	3.62	5.55
Aug 24, 2015	60,000	3.65	5.49	40,000	3.65	5.49
Nov 10, 2015	8,400	3.86	5.95	5,602	4.86	5.95
Mar 1, 2016	995,250	4.16	7.20	-	-	-
Mar 28, 2016	17,000	4.24	9.00	-	-	-
May 17, 2016	3,000	4.37	12.47	-	-	-
Aug 16, 2016	1,650	4.62	18.90	-	-	-
	3,698,477	**3.15**	**5.81**	**2,278,068**	**2.68**	**5.26**

The fair value of the Company's options granted during the year ended December 31, 2016 ranged between $3.13 and $7.84 (2015: $2.58 to $2.91) per option and was estimated using the Black-Scholes option pricing method using the following assumptions:

	December 31, 2016	**December 31, 2015**
Risk free interest rate	0.52% to 0.60%	0.34% to 0.52%
Expected dividend yield	0%	0%
Expected volatility (1)	62% to 66%	64% to 76%
Expected life	3 years	3 years
Forfeiture rate	0%	0%

(1) The expected volatility was calculated using the historical share price movement of comparable publicly traded companies considered included in TMAC's peer group over the same period as the expected life of the option being valued.

The share-based payment costs for options granted to personnel directly involved in the Company's capital projects are capitalized over the vesting period and share-based payment costs for all other options are expensed over the vesting period. The fair value of share purchase options expensed and capitalized during the period are as follows:

	December 31, 2016 $millions	**December 31, 2015 $millions**
Expensed	2.8	2.5
Capitalized	0.3	0.9
	3.1	**3.4**

The total fair value of unvested options that will be recognized in the Statement of Profit or Loss or capitalized as property, plant and equipment in future periods amounted to $1.7 million as at December 31, 2016 (December 31, 2015: $1.2 million).

(ii) Restricted share plan

	Number of restricted shares
Restricted share rights at December 31, 2015	**-**
Granted	111,809
Restricted share rights at December 31, 2016	**111,809**

On March 1, 2016, TMAC granted restricted share rights to certain directors of the Company. The restricted share rights vest in three equal tranches commencing on the first anniversary of the grant.

(e) Loss per share

The impact of outstanding potentially dilutive instruments is excluded from the diluted share calculation for loss per share amounts, as they are anti-dilutive.

16. FINANCE INCOME AND EXPENSES

	December 31, 2016 $millions	December 31, 2015 $millions
Finance income		
Interest income	(0.9)	(0.6)
Included in capitalized borrowing costs	0.1	-
Net finance income	(0.8)	(0.6)
Finance expense		
Accretion of environmental rehabilitation costs (note 13)	0.5	0.5
Debt Facility interest expense	7.8	-
Debt Facility transaction costs	1.9	-
Letters of credit	0.2	1.5
	10.4	2.0
Capitalized borrowing costs	(9.7)	-
Net finance expense	0.7	2.0
Net finance costs	**(0.1)**	**1.4**

Interest is earned from short-term demand deposit accounts from major Canadian financial institutions.

17. MANAGEMENT OF CAPITAL

TMAC's objectives with respect to managing its capital are to safeguard its ability to continue as a going concern by raising sufficient funds to finance ongoing mineral property exploration, evaluation and development investments so that it can provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as total equity plus debt. Total equity is comprised of share capital, reserves and accumulated deficit. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As TMAC does not currently have cash flow from operating activities, to maintain or adjust the capital structure the Company may issue new shares, raise debt or sell assets.

In order to maximize ongoing development, exploration and evaluation activities, the Company does not pay dividends. TMAC's cash management policy permits investment of its surplus cash and cash equivalents in demand deposit accounts and highly-liquid short-term guaranteed investment certificates with major Canadian financial institutions or in highly-liquid short-term Government of Canada issued treasury bills with maturities of 90 days or less from the original date of investment. TMAC invests restricted cash in demand deposit accounts and guaranteed investment certificates with maturities greater than 90 days with major Canadian financial institutions.

There were no changes in the Company's capital management strategy during the year ended December 31, 2016 compared with the previous fiscal year. TMAC is not subject to externally imposed capital requirements.

	December 31, 2016 $millions	December 31, 2015 $millions
Equity	805.1	742.8
Debt	161.4	-
	966.5	**742.8**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial instruments hierarchy and fair values

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data.

TMAC's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Subsequent Measurement
Cash and cash equivalents	Fair value through profit or loss	Fair value
Restricted cash	Fair value through profit or loss	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Accounts payables and accrued liabilities	Other liabilities	Amortized cost
Debt Facility	Other liabilities	Amortized cost
Gold Call Options	Fair value through profit or loss	Fair value

December 31, 2016	Loans and receivables $millions	Fair value through profit or loss $millions	Financial liabilities at amortized cost $millions	Total $millions
Cash and cash equivalents	-	62.5	-	62.5
Restricted cash	-	44.5	-	44.5
Amounts receivable	7.3	-	-	7.3
Total financial assets	**7.3**	**137.0**	**-**	**114.3**
Accounts payables and accrued liabilities	-	-	26.8	26.8
Debt Facility	-	-	161.4	161.4
Gold Call Options	-	2.9	-	2.9
Total financial liabilities	**-**	**2.9**	**188.2**	**191.1**

December 31, 2015	Loans and receivables $millions	Fair value through profit or loss $millions	Financial liabilities at amortized cost $millions	Total $millions
Cash and cash equivalents	-	44.1	-	44.1
Restricted cash	-	18.7	-	18.7
Amounts receivable	4.0	-	-	4.0
Total financial assets	**4.0**	**62.8**	**-**	**66.8**
Accounts payables and accrued liabilities	-	-	12.8	12.8
Gold Call Options	-	2.7	-	2.7
Total financial liabilities	**-**	**2.7**	**12.8**	**15.5**

The carrying values of cash and cash equivalents, restricted cash, amounts receivable and accounts payable and accrued liabilities reflected in the Statement of Financial Position approximate fair value because of the short-term maturity of these financial instruments and are classified as Level 1 in accordance with the fair value hierarchy.

The Debt Facility is valued at each reporting period using foreign exchange rates obtained or verified with information available to the market and is classified as Level 2 in accordance with the fair value hierarchy.

Gold Call Options are valued using pricing models that require the use of observable inputs including market prices and interest rates obtained from or verified with information available to the market and are classified as Level 2 in accordance with the fair value hierarchy.

(b) Commodity price risk

TMAC's ability to develop its properties and its future profitability are directly related to the market price of gold. The price of gold is affected by numerous factors including global consumption and demand for gold, international economic and political trends, fluctuations in the value of the US dollar and other currencies, interest rates and inflation. The current and forecast price of gold is a key factor in determining if the property, plant and equipment and goodwill are impaired at each period end date.

TMAC issued 12,000 Gold Call Options under the Credit Agreement at a strike price of US$1,140 per ounce of gold (note 11). TMAC is exposed to the gold price if the price exceeds the strike price. Gold Call Options are settled in cash. A 10% increase in the gold price would result in a $1.3 million increase in the fair value of the Gold Call Option liability.

(c) Liquidity Risk

Liquidity risk is the risk that TMAC will not be able to meet its financial obligations as they come due and that TMAC will be forced to sell financial assets at a value that is less than what they are worth or the Company may be unable to settle or recover a financial asset at all.

The ultimate responsibility for liquidity risk rests with the Board, which has approved an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity requirements. The Company's cash requirements and balances are projected based on estimated future requirements. In addition to TMAC's planned operating and capital expenditures, monthly payments under the Credit Agreement, equal to 1/22 of the total Debt Facility outstanding as at June 30, 2017 (including any capitalized interest and obligations in relation to the Gold Call Options), will commence on July 31, 2017 and will end on November 30, 2018 with a final payment on December 31, 2018 equal to the remaining amount owed under the Debt Facility. TMAC plans to meet these requirements through operating cash flows. Continuing operations are dependent on the Company's ability in the near term to complete TMAC's development activities and to have profitable operations. All accounts payable and accrued liabilities at December 31, 2016 have contractual maturities of less than 90 days and are subject to normal trade terms.

(d) Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the period end date. TMAC's financial assets are cash and cash equivalents and amounts receivables. Management considers the credit risk on cash and cash equivalents to be limited because the counterparties are established well-known major Canadian financial institutions. During the year ended December 31, 2016, no allowance for bad debts was required on the amounts receivable and no amounts were past due as the receivables were primarily comprised of recoverable value added sales taxes. The Company did not have any customers or trade receivables at December 31, 2016. The maximum exposure to credit risk at December 31, 2016 is represented by the carrying amount of the cash and cash equivalents and amounts receivable on the Statement of Financial Position.

(e) Foreign Currency Risk

Foreign currency risk is the risk that a variation in the exchange rates between the Canadian dollar and foreign currencies could affect TMAC's operating and financial results. TMAC is exposed to foreign currency risk as the Company purchases certain processing plant equipment and makes deposits thereon in Australian dollars and holds small amounts of cash in US dollars and has other financial liabilities that are denominated in either US dollars or other foreign currencies. TMAC's management monitors the exchange rate fluctuations on a regular basis and, to date, has not used currency derivative instruments to manage its exposure to foreign currency fluctuations.

At December 31, 2016, the carrying amounts of TMAC's foreign currency-denominated net financial assets were approximately as follows:

	Net financial assets/ (liabilities)	Effect of a 10% change in exchange rates on loss
	$millions	$millions
US Dollar cash balance	2.4	0.2
Australian dollar account payables	(5.5)	0.5
Debt Facility	(161.4)	16.1
Gold Call Options	(2.9)	0.3

(f) Interest rate risk

TMAC's accounts payable and accrued liabilities are non-interest bearing and have contractual maturities of less than 90 days.

As at December 31, 2016, TMAC's interest bearing assets are cash and cash equivalents and restricted cash which are invested in demand deposit accounts and guaranteed investment certificates with major Canadian financial institutions.

19. RELATED PARTY TRANSACTIONS

(a) Transactions with Newmont

Newmont is a related party as a result of its 29.0% ownership interest in TMAC's Common Shares at December 31, 2016. During the year ended December 31, 2016, Newmont indirectly acquired 242,979 Common Shares of the Flow-Through Common Shares on March 18, 2016 and directly acquired 1,159,000 Common Shares from the Bought Deal Financing on July 19, 2016. In the year ended

December 31, 2016, the Company paid Newmont $0.3 million (2015 - $0.8 million) related to finance expenses for environmental reclamation bonding letters of credit supported by Newmont. As TMAC had arranged for replacement letters of credit by the end of 2015 (Note 13), the $0.3 million paid in 2016 related to 2015's costs and no additional finance expenses with Newmont were incurred in 2016. No amounts were owing to Newmont at December 31, 2016 (2015 - $0.3 million).

(b) Transactions with RCF

RCF is a related party as a result of its 30.7% ownership interest in TMAC's Common Shares at December 31, 2016. During the year ended December 31, 2016, RCF indirectly acquired 250,227 Common Shares of the Flow-Through Common Shares on March 18, 2016. RCF sold an aggregate of 2,120,000 of its Common Shares in TMAC as part of the secondary offering of the Bought Deal Financing on July 19, 2016 (Note 15(b)).

(c) Compensation of key management personnel

The compensation of directors and other key members of management personnel during the period was as follows:

	December 31, 2016 $millions	December 31, 2015 $millions
Management compensation	5.6	5.0
Directors fees	0.5	0.3
Share-based payments	2.8	3.2
	8.9	**8.5**

20. SEGMENTED INFORMATION

TMAC owns one mineral property, Hope Bay, operates in one geographic location, Nunavut, Canada and in one industry, mining. Accordingly, the chief decision makers consider TMAC to currently have one segment and, therefore, segmented information is not presented.

21. COMMITMENTS AND CONTINGENCIES

	Less than 1 year $millions	From 1 to 5 years $millions	5 years and after $millions
Minimum rental and lease payments	0.5	0.8	-
Capital expenditure commitments	4.2	-	-
Accounts payable and accrued liabilities	26.8	-	-
Debt facility principal and interest payments	52.7	130.0	-
Provision for environmental rehabilitation	-	-	24.9
	84.2	**130.8**	**24.9**

TMAC has estimated the required annual landholding payments and environmental compliance work for Hope Bay to be approximately $1.7 million and $2.5 million, respectively. These payments are not contractual commitments but are required to maintain the Company's permits and land tenure agreements in good standing. Certain parts of Doris are permitted as an operating mine site and environmental and monitoring costs are required to maintain these permits. The landholding agreements with the KIA and NTI were renewed for a 20 year term on March 30, 2015.

22. SUBSEQUENT EVENT

On February 16, 2017, 350,000 Warrants were exercised for total cash proceeds of $2.6 million.