



95 Wellington Street West
Suite 1010, PO. Box 44
Toronto Dominion Centre
Toronto, Ontario M5J 2N7
416-628-0216

September 23, 2016

Thomas Kabloona, Chairperson
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU X0B 1J0

Dear Mr. Chair and Members of the Nunavut Water Board Panel,

Re. Nunavut Water Board Determination re Security Under Section 76 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and Section 10 of the *Nunavut Waters Regulations* for the Amended 2AM-DOH1323

TMAC Resources Inc. (TMAC) is pleased to provide the following submissions to the Nunavut Water Board (NWB or the Board) regarding the Board's determination of security under section 76 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (the Act) and section 10 of the *Nunavut Waters Regulations* (the Regulations) in relation to the Doris North Project application to amend Type A Water Licence 2AM-DOH1323 (the Water Licence).

The following submissions address both the total quantum of reclamation security applicable to the amended Doris North Project, as well as the recommended quantum to be posted with the Minister of Indigenous and Northern Affairs Canada (INAC) pursuant to the amended Water Licence.

1. INTRODUCTION

Under the Act TMAC must provide adequate security to ensure that the Doris North mine site can be fully reclaimed should TMAC fail to do so as a result of abandonment of the site or through bankruptcy.

However, TMAC should not be required to provide security beyond the actual reclamation liability. Overbonding is a significant concern for those considering investment in Nunavut mining projects. As the Board is aware, overbonding can occur when an operator must secure the same reclamation liabilities to two secured parties, in this case the Minister under the Act and Water Licence and the Inuit landowner, the Kitikmeot Inuit Association (KIA), under its private contractual arrangements with TMAC.

2. APPLICABLE LEGISLATION

Section 76 of the Act outlines the NWB's general jurisdiction to include terms and conditions in a licence relating to the furnishing or maintaining of security:

76 (1) The Board may require an applicant, a licensee or a prospective assignee to furnish and maintain security with the Minister in the form, of the nature, subject to such terms and conditions and in an amount prescribed by, or determined in accordance with, the regulations or that is satisfactory to the Minister.

(2) The security provided by a licensee may be applied by the Minister

(a) to compensate, fully or partially, a person, including the designated Inuit organization, who is entitled to compensation under section 13 and who has been unsuccessful in recovering that compensation, if the Minister is satisfied that the person has taken all reasonable measures to recover it; and

(b) to reimburse Her Majesty in right of Canada, fully or partially, for reasonable costs incurred by Her Majesty in right of Canada under subsection 87(4) or, subject to subsection (3), under subsection 89(1).

(3) Paragraph (2)(b) applies in respect of costs incurred under subsection 89(1) only to the extent that the costs were incurred in relation to a contravention referred to in subparagraph 89(1)(b)(i).

(4) The amount of the security applied by the Minister under subsection (2) in respect of a particular incident or matter may not exceed the total amount of the security required to be furnished and maintained by the licensee under subsection (1).

(5) Where the Minister is satisfied that an appurtenant undertaking has been permanently closed or permanently abandoned or the licence has been assigned, any portion of the security that, in the Minister's opinion, will not be applied under subsection (2) shall be returned to the licensee without delay.

The NWB's fixing of security is limited by section 10 of the Regulations:

10 (1) For the purposes of subsection 76(1) of the Act, the Board may fix the amount of security required to be furnished by an applicant for a licence, a licensee or a prospective assignee in an amount not exceeding the aggregate of

(a) the costs of the abandonment of the undertaking;

(b) the costs of the restoration of the site of the undertaking;

(c) the costs of any ongoing measures that may remain to be taken after the abandonment of the undertaking; and

(d) the compensation that a person, including the designated Inuit organization, who is adversely affected by the use of waters or deposit of waste may be entitled to under section 13 of the Act.

(2) In fixing an amount of security, the Board may have regard to

(a) the ability of the applicant, licensee or prospective assignee to pay the costs referred to in subsection (1); or

(b) the past performance by the applicant, licensee or prospective assignee in respect of any other licence.

(3) Security must be in the form of

(a) a promissory note guaranteed by a bank listed in Schedule I or II to the Bank Act and made payable to the Receiver General;

(b) a certified cheque drawn on a bank listed in Schedule I or II to the Bank Act and made payable to the Receiver General;

(c) a performance bond approved by the Treasury Board for the purposes of paragraph (c) of the definition security deposit in section 2 of the Government Contracts Regulations;

(d) an irrevocable letter of credit from a bank listed in Schedule I or II to the Bank Act; or

(e) a cash payment.

The Act also includes provisions which permit the Minister to enter into written arrangements with Inuit landowners in respect of undertakings on Inuit Owned Lands:

76.1 (1) If a licence is in respect of an appurtenant undertaking that is situated, partially or wholly, on Inuit-owned land, the Minister may enter into a written arrangement with the designated Inuit organization and the applicant, licensee or prospective assignee of the license that provides for

(a) the amount of security to be furnished and maintained by the applicant, licensee or prospective assignee, as well as the form and nature and any conditions of the security, for the purpose mentioned in paragraph 76(2)(b) or for the purpose of reimbursing the designated Inuit organization for the costs specified in the arrangement; and

(b) the periodic review of the security, including by taking into account any material changes to the undertaking or the risk of environmental damage, and the adjustment of the amount of the security as a result of the review.

(2) The Minister shall, as soon as possible after entering into the written arrangement described in subsection (1), provide a copy of it to the Board.

(3) The Board shall take into account the written arrangement when it determines the amount of the security required to be furnished and maintained by the applicant, licensee or prospective assignee under subsection 76(1).

3. TOTAL RECLAMATION LIABILITY OF DORIS NORTH PROJECT

Prior to the NWB public hearing (the Public Hearing), TMAC and its reclamation expert SRK Consulting Ltd. (SRK) made a very significant effort to engage with INAC in order to address TMAC's concern that INAC's reclamation expert Amec Foster Wheeler (Amec) was recommending a reclamation estimate to the Board that simply was not credible. In addition to numerous meetings, discussions and email exchanges, these engagements included TMAC retaining a third party reclamation expert, Mr. John Brodie, to further confirm that TMAC's estimate was appropriate.

Unfortunately, despite TMAC's best efforts these issues were not resolved prior to the Public Hearing. During the Public Hearing, TMAC presented SRK's estimate to the Board as well as SRK's critique of the Amec reclamation estimate. INAC ultimately did not defend the Amec reclamation estimate and at the end of the Public Hearing, recommended to the Board that the total reclamation liability for land and inland waters components of the Doris North Project should be accepted to be \$30,725,649 (the Global Reclamation Amount).

While TMAC is confident in the estimate presented by SRK during the Public Hearing, TMAC is of the view that the Global Reclamation Amount is more than sufficient and as such recommends that quantum to the Board. To that end, TMAC has provided a memorandum from SRK dated September 20, 2016, attached at Appendix A to this memo, which provides a detailed technical rationale for the Global Reclamation Amount (the SRK Revised Estimate). The SRK Revised Estimate also provides a summary of TMAC's efforts to resolve issues with the Amec reclamation estimate in advance of the Public Hearing.

TMAC emphasizes that consistent with SRK's approach throughout the licencing process, the SRK Revised Estimate has been calculated in a very conservative manner that is intended to ensure that a third party (either the Crown or the landowner, the KIA) would have adequate security in place to ensure that environmentally responsible shutdown, interim care and maintenance and reclamation of the Doris North Project can be carried out, should it become necessary. It is assumed for discussion purposes within this submission that the Board will adopt the Global Reclamation Amount. However, it is acknowledged and TMAC respects that this decision is that of the Board and the Board alone.

4. SUMMARY OF INAC AND KIA POSITION ON SECURITY AND POTENTIAL OVERBONDING

This submission has also been prepared on the assumption that INAC and the KIA continue to maintain the positions that they respectively took at the end of the Public Hearing, which TMAC understood to be as follows (it is noted that the Global Reclamation Amount was revised slightly following the Public Hearing and so the numbers in this summary will vary slightly from those originally presented to the Board) :

Summary of INAC Position on Security:

- INAC 's recommendation to the Board (the INAC Security Proposal), was that the Minister should hold 52.6% (or \$16,161,691) of the Global Reclamation Amount, on the basis of the apportionment of land and inland waters liability in INAC's reclamation estimate.
- INAC stated at the Public Hearing the INAC Security Proposal is contingent on its request to TMAC and KIA to provide the relevant provisions of the Doris North agreements to INAC legal counsel. INAC indicated that INAC legal counsel would use this information to advise INAC in order to confirm that reclamation security held by the KIA is available for the same purposes as

security to be held by the Minister under the Act. While this agreements themselves are treated by the parties as confidential and very commercially sensitive, following the Public Hearing, KIA released the relevant excerpts to INAC legal counsel for the requested purpose.

- Taking into account the letters of credit that TMAC has previously posted under the Water Licence and with the KIA, the INAC Security Proposal would require an additional \$3,071,691 to be posted by TMAC with the Minister upon issuance of the amended Water Licence. An additional \$12,797,958 in letters of credit would need to be posted by TMAC with the KIA.

Summary of the KIA Position on Security:

- The KIA's recommendation to the Board, (the KIA Security Proposal), on the matter of apportionment of security amount between land and inland waters was that the KIA should hold 84% (or \$25,809,545) of the Global Reclamation Amount pursuant to its agreements with TMAC, and 16% of the Global Reclamation Amount shall be posted with the Minister (or \$4,916,104) pursuant to the Water Licence. This is based on the fact that other than marine project components such as the jetty and marine pipeline, the Doris North Project is situated entirely on Inuit Owned Lands. This allocation was also carefully considered in respect of KIA's apportionment of land and water liability.
- Taking into account the letters of credit that TMAC has previously posted under the Water Licence as well as with the KIA, the KIA Security Proposal would require an additional \$24,043,545, to be posted by TMAC with the KIA in the form of letters of credit and the letters of credit to be held by the Minister under the Water Licence would be reduced to \$4,916,104.

TMAC is aware that INAC and the KIA have had some preliminary discussions about the concept of a shared security arrangement that may provide for an alternative approach to those described above. TMAC would be supportive if INAC and the KIA wished to enter into such an arrangement. However, TMAC objects to being put in a position of having to potentially overbond because the KIA and INAC have not yet come to an agreed mechanism for jointly administering security.

Respectfully, while TMAC appreciates that some thought has been given to overbonding since the end of the Public Hearing, INAC's limited and late engagement on this issue has been challenging. TMAC has actively focused on consultation with all parties throughout the licencing process, and we have arranged numerous meetings, discussions and emails with INAC over the past several years in an effort to build consensus and work through issues where there was difference using a collaborative approach. TMAC is of the view that such consultation is key in order to ensure that well-developed and sound proposals are presented to the Board for their consideration. TMAC is very disappointed that INAC did not clearly articulate its position on overbonding until the very end of the Public Hearing and water licencing process.

TMAC is equally disappointed that in its final submissions to the Board INAC has brought forward a last minute proposal without prior discussion with TMAC which does not respect the confidentiality of TMAC and KIA's agreements, appears to disregard the direct evidence given during these proceedings given by both KIA and TMAC, and would require TMAC to overbond in any event. We do not believe this approach is constructive.

For the reasons set out in the balance of this submission, TMAC remains of the view that the Board should reject the approach that INAC has put forward and that the KIA Security Proposal should be preferred.

5. TMAC'S CURRENT FINANCIAL POSITION AND PAST PERFORMANCE

With respect to the considerations set out at section 2(a) of the Regulation, while TMAC is not in a position to accept overbonding for the Doris North Project, TMAC's financial position is very strong. Attached to this submission as Appendix B as evidence is a copy of TMAC's most recent financial statements and management discussion and analysis (which are also publicly available in the SEDAR filing system at www.sedar.com). TMAC is poised to commence gold production at Hope Bay in January 2017. There is significant gold in the ground at Hope Bay and all necessary infrastructure that will be required to produce that gold has now been delivered to site. In addition, TMAC holds \$10 million of sudden and accidental discharge environmental insurance (as required pursuant to the agreements between the KIA and TMAC) which could be accessed in the event of an environmental incident at the mine. In short, it is highly unlikely that any closure and reclamation activities requiring access to any security bonding would be undertaken in the near term.

With respect to the considerations set out at section 2(b) of the Regulation, TMAC notes that it currently holds two Type B Water Licences in addition to the Water Licence, and it is very proud of its past performance of environmental stewardship throughout the Hope Bay Belt. TMAC's compliance record in respect of the Type B Water Licences and the Water Licence each can be viewed in their entirety on the NWB Public Registry. TMAC has operated in compliance with all applicable regulatory requirements in all material respects. This strong record should be taken into account by the Board when contemplating the appropriate security arrangements under the amended Water Licence.

6. SUMMARY OF CURRENT RELEVANT LETTERS OF CREDIT

TMAC's obligation to post reclamation security with the KIA arises under the Framework Agreement between the KIA and TMAC, signed March 30, 2015 (the Framework Agreement). As per the Framework Agreement, TMAC is required to maintain security with the KIA to ensure that the KIA shall have sufficient funds available to it to complete reclamation of the Doris North Project, should TMAC fail to do so. Currently, the KIA holds \$1,766,000 in the form of letters of credit from TMAC pursuant to the Framework Agreement in relation to Doris North reclamation liabilities. Copies of these letters of credit are attached to this submission at Appendix C. As confirmed with the Board previously, TMAC and the KIA also entered into a Water Compensation Agreement on

March 30, 2015 which is intended to compensate should there be adverse impacts on Inuit arising from the use of waters or deposit of waste. KIA has confirmed in its written submissions to the Board as well as in its sworn oral evidence that the purpose of the letters of credit that have been provided by TMAC to KIA is for reclamation, should TMAC fail to carry out the required work.

When the current Water Licence was originally issued in 2007, the previous Doris North Project owner (Miramar Hope Bay), Aboriginal Affairs and Northern Development Canada (as it then was) and the KIA were unable to come to an agreement as to how the overall security amount could be divided in order to address the issue of overbonding. As such, as required under Part C, Item 1 of the current Water Licence, TMAC currently has posted the entire amount of reclamation security, \$13,090,000, with the Minister in the form of letters of credit.

Accordingly, for some time this project has been overbonded, and with the increase in security triggered by the Water Licence amendment, the quantum and impact of overbonding on company operations will be significantly magnified. Overbonding creates undue financial hardship, especially given that TMAC is not yet a producing mining company. TMAC must post cash collateral equal to the security amount for every letter of credit that is issued (at a cost of capital of approximately 10% to 12% per annum); for every one million in cash collateralized as a letter of credit there is an approximate cost to the company of \$100,000 - \$120,000 per year. Posting this cash collateral means that this cash is held by the financial institution and so is not otherwise available to TMAC for investment in the project and in Nunavut. The additional cash used to collateralize the letters of credit for any overbonding would not be used for reclamation in any event (as per the Global Reclamation Amount these amounts are in excess of what is required to reclaim the project) and cannot be used for any other purpose. Therefore, even short term overbonding results in a significant financial and administrative burden for the company with no corresponding environmental benefit.

The current relevant letters of credit held by the Minister and by the KIA in relation to the INAC Security Proposal and the KIA Security Proposal are summarized in Table 1.

Table 1. Summary of Security Proposals and Letters of Credit

	Held by Minister	Held by KIA	Global Reclamation Amount
Summary of LOCs Currently Posted by TMAC	\$13,090,000	\$1,766,000	
INAC Security Proposal	\$16,161,691 (Current LOCs held by Minister increased by \$3,071,691)	\$14,563,958 (Current LOCs held by KIA increased by \$12,797,958)	\$30,725,649

KIA Security Proposal	\$4,916,104 (Current LOCs held by Minister reduced by \$8,173,896)	\$25,809,545 (Current LOCs held by KIA increased by \$24,043,545)	\$30,725,649
-----------------------	--	---	--------------

7. **TMAC'S POSITION ON QUANTUM OF SECURITY TO BE POSTED WITH THE MINISTER**

If the Board fails to consider the evidence that TMAC and KIA have provided respecting their private arrangements and adopts the INAC Security Proposal or the approach outlined in INAC's most recent submission, the Board's assessment of reclamation liability for the Doris North Project would exceed the limits imposed on the Board under section 10(1) of the Regulations. As stated above, the KIA has provided the Board with direct evidence that if necessary, it will use the letters of credit supplied by TMAC to carry out the complete reclamation of the site. TMAC does not agree with INAC that it is necessary to provide copies of KIA's negotiated agreements to the Board to verify this assertion given the KIA's clear and direct evidence on this point.

As further evidence, drawing from its direct knowledge of its agreements with KIA, TMAC confirms the following:

- The private security that would be held by the KIA pursuant to the arrangements is available for the same purpose as licence security under section 76(2)(b) of the Act;
- The KIA is required and if needed intends to use the security for the same purpose as licence security under section 76(2)(b) of the Act;
- The private security that would be held by the KIA cannot be used for purposes other than those generally described in section 76(2)(b) of the Act. That is, pursuant to the Framework Agreement, the reclamation security posted with the KIA by TMAC cannot be reduced but for the purposes of having carried out the reclamation required under the approved Closure and Reclamation Plan; and
- The private security is no more vulnerable to TMAC or the KIA's creditors than Act-based security would be.

While there may be other cost effective and acceptable approaches, at the present time, TMAC believes that reclamation would be most efficiently and effectively undertaken with one designated project lead who is appropriately funded to execute the task. In this situation, the most appropriate project lead is the KIA. Should it become necessary, the KIA has confirmed it would administer the funds and undertake any necessary reclamation activities in a responsible manner protective of land and water resources on Inuit Owned Lands and in consideration of the needs of future generations. As stated at section 17.1.1 of the NLCA, *"The primary purpose of Inuit Owned Lands shall be to provide Inuit with rights in land that promote economic self-sufficiency of Inuit*

through time, in a manner consistent with Inuit social and cultural needs and aspirations." There is no reason to believe that KIA would fail to fully discharge their obligation under the NLCA to ensure that the Inuit Owned Lands on which the Doris North Project is situated will continue to meet that very high standard once mining is complete.

Further, the KIA is a solvent Designated Inuit Association with potential liability under the Act for the operations located on their Inuit Owned Lands. There is no reasonable basis to assume that the KIA would apply the letters of credit for any purpose other than reclamation. In the unlikely event that INAC were unhappy with the KIA's reclamation efforts and site conditions did not comply with the Act, it would be open to INAC to direct the KIA to undertake the necessary work and take further related enforcement action under the Act if need be.

In its submission, INAC continues to encourage the Board to adopt an allocation of liability between land and water (as per Amec Foster Wheeler's calculations) with a corresponding minimum allocation of security to the Minister of no less than 52.6% of the Global Reclamation Liability. TMAC is of the view that the reclamation liability should instead be viewed holistically. The Board has determined on previous occasions that reclamation activities cannot be separated between land and water as they are interrelated; there is risk in trying to isolate water-related reclamation activities from land-related reclamation activities, which could result in inefficient reclamation completed at a much higher cost (for example, increased project management, administration and mobilization costs). TMAC is concerned that allocating the funds as suggested by INAC is impractical and artificial and has the potential to negatively impact potential execution of future reclamation activities - thereby increasing risk that the project cost far exceeds the highly conservative Global Reclamation Amount.

8. COMMENTS ON POTENTIAL WATER LICENCE TERMS AND CONDITIONS RESPECTING SECURITY

TMAC is aware that in the 2015 renewal of the Meadowbank Type A Water Licence, the Board amended Part C to expressly allow for the proponent, the DIO or INAC to bring forward an application to amend the security amount required under Part C, Item 1. This amendment was intended to permit the proponent or DIO to request the Board to consider a reduction in the security amount required under Part C, Item 1 to reflect any changes to the security held under the private arrangement between the proponent and DIO. Part C was also amended to permit the Board to discount from the security amount held by the Crown under the licence based on the reclamation security amount held by the DIO, where that security is held for equivalent purposes. As part of this arrangement, the Board included a term stating that the Board and INAC would be provided at least 60 days prior notice of any reduction in security by the Inuit landowner. There was also a formal mechanism in the licence which would permit the Board to increase the security required under the licence, if required.

TMAC does not believe that the Board should follow the same approach in this case. In particular, it is a concern that the NWB required evidence that the letters of credit had

been posted with the DIO before it would consider the question of whether to discount the quantum of security to be posted with the Minister. This approach reduces certainty that the security obligations under the licence would be reduced, and even if the applicant were successful would result in overbonding for at least a temporary period. TMAC wishes to emphasize that overbonding, even over a short term period such as 90-180 days (a reasonable estimate of the time it could take to consider an application to reduce security and revise letters of credit accordingly should the request be granted), has a real and quantifiable negative consequence for TMAC.

In its most recent submissions, INAC suggests that the Board should only discount where it is satisfied that "*the landowner actually holds security*". Putting aside the evidence at Appendix C that KIA does actually hold current letters of credit applicable to reclamation liabilities at Doris North, the nature of the Board process means that increases in reclamation security are not ever posted until after licence issuance. It is not clear why security posted with KIA should be treated differently in this respect than the security to be posted with the Minister. INAC's latest proposal to first issue all of the security with the Minister, and later apply for a reduction, would require TMAC to tie up approximately \$60,000,000 in cash collateral during the period of issuing replacement letters of credit while awaiting the receipt of the cash collateral posted for the letters of credit being replaced. This volume of cash simply would not be available nor should the company be required to be required to be under such financial strain.

TMAC proposes an alternative approach as follows:

- That the Board set the minimum security due to the Minister under the Water Licence as \$4,915,944 (as per the KIA Security Proposal);
- That the Board include in the amended Water Licence a forty -five (45) day period to permit TMAC sufficient time to post security in the form of irrevocable letters of credit with both the KIA and the Minister totalling the Global Reclamation Amount and provide evidence of same to NWB (it is noted that KIA has indicated that they would be satisfied with a sixty (60) day period).

This approach would be supported on the evidence provided to the Board to date (namely, the evidence provided by TMAC and the KIA representatives during the amendment process, oral evidence to the Board during the Public Hearing as well as the documents filed subsequently), and would support administrative efficiency as this approach would avoid the requirement for a future application for reduction to the Board as well as the need for overbonding.

Accordingly, TMAC suggests that the Board replace the current wording at Part C of the Water Licence with the following terms and conditions in the Amended Water Licence:

1. The Licensee shall, within forty-five (45) days following the approval of this Licence by the Minister:
 - a. revise the current security furnished with the Minister such that the Minister holds an amount of not less than \$4,915,944 in the form, of the nature, subject to such

terms and conditions, in accordance with, the Regulations, or that is satisfactory to the Minister; and

b. provide the Board:

(i) certified copies of documents evidencing that security is furnished and maintained with the Kitikmeot Inuit Association for the purposes of reclamation of the Doris North Project in an amount of up to \$25,809,545 that is in the form, of the nature, subject to such terms and conditions, in accordance with, the Regulations, or that is satisfactory to the Minister; and

(ii) a signed declaration by a senior executive of the Kitikmeot Inuit Association that confirms that in the event it is necessary, the security would only be used by the Kitikmeot Inuit Association for purposes consistent with those listed under section 76(2)(b) of the Act.

2. The sum total of security described at Part C Item 1(a) and 1(b) must not be less than thirty million seven hundred twenty five thousand six hundred and forty-nine (\$30,725,649) at any time after the expiry of the time period described at Part C, Item 1.

3. The Licensee, the Minister or Kitikmeot Inuit Association, may apply to amend the amount of security required to be held under the Licence. The submission shall include supporting evidence to justify the amendment and will be processed by the Board as an amendment to the terms and conditions of the Licence. Should the Minister or Kitikmeot Inuit Association initiate an amendment under this section, the Board shall process the amendment application following the process and procedures that would be followed as if the application were initiated by the Licensee.

4. The security referred to in Part C, Item 1(a) shall be maintained until such time as it is fully or in part refunded by the Minister pursuant to Section 76(5) of the Act. This clause shall survive the expiry of this Licence or renewals thereof and until full and final reclamation has been completed to the satisfaction of the Minister.

5. The Licensee is required to provide the Board and the Minister with sixty (60) days written notice prior to any material change affecting the security arrangements between the Licensee and the Kitikmeot Inuit Association, including, but not limited to the form of security, quantum of security or terms associated with holding, accessing or releasing the security. Notwithstanding this requirement, should the Licensee or the Kitikmeot Inuit Association become aware of or cause any change to the amount or terms of security referred to in Part C, Item 1(b), the Licensee or the Kitikmeot Inuit Association will promptly notify the Board.

7. If the Board determines it to be necessary, or upon the request of Licensee, the Minister and/or the Kitikmeot Inuit Association, the Board may issue further directions under this Part with respect to the process for amending the amount of security to be furnished and maintained under the Licence.

9. CONCLUSION

In summary:

- the Global Reclamation Amount is more than sufficient to reclaim the Doris North Project to the standards required by the KIA and under the Act;
- TMAC is a financially viable company with a responsible past performance record in respect of other water licences in Nunavut, and
- the KIA Security Proposal is consistent with the Act and Regulations, the *Nunavut Land Claims Agreement* and generally with a relationship of mutual respect between the Federal government and Inuit organizations.

For all of these reasons, the KIA Security Proposal should be adopted by the Board and, if recommended by the Board, accepted by the Minister.

It is important to emphasise that TMAC intends to carry out all reclamation required in respect of the Doris North Project. However, should this fail to occur, TMAC is very confident that the KIA would ensure that the project is fully reclaimed. Taking into account the evidence provided to the Board during the amendment process, the Public Hearing and herein, it is neither necessary nor in the public interest for the Board to adopt the INAC Security Proposal, which would result in overbonding in respect of the amended Water Licence.

As TMAC has emphasized throughout this amendment process, timely issuance of the amended Water Licence is of critical importance to the long-awaited commencement of mining at Doris North. To that end, if any further evidence is required by the Board in respect of this submission, or more generally, in respect of the matter of security, we would be pleased to promptly provide it as needed.

Regards,



M John Roberts
Vice President, Environmental Affairs

Email: john.roberts@tmacresources.com

cc. KIA, INAC

Appendix A

SRK Revised Estimate

Note the electronic files filed with the Board together with this submission entitled "2AMDOH1323_TMACFinalSubmission_ReclamationSecurity_AppA2 " and "2AMDOH1323_TMACFinalSubmission_ReclamationSecurity_AppA3" are part of this Appendix and should be reviewed along with the enclosed memo.

Memo

To:	John Roberts, PEng, Vice President Environment	Client:	TMAC Resources Inc.
From:	Maritz Rykaart, PhD, PEng	Project No:	1CT022.006
Cc:		Date:	September 21, 2016
Subject:	Doris Project: Closure and Reclamation Cost Estimates – Final Amount September 14, 2016		

1 Introduction

1.1 Background

SRK Consulting (Canada) Inc. was contracted by TMAC Resources Inc. to prepare a Closure and Reclamation cost estimate for the Doris Project, taking into consideration the Amendment changes submitted in June 2015. Since that first submission, the Closure and Reclamation cost estimate has undergone a number of revisions as a result of the independent Closure and Reclamation cost estimate prepared by Indigenous and Northern Affairs Canada (INAC) and supported by their consultant, AMEC Foster Wheeler.

This memo summarizes the record of information exchanges that have occurred throughout this process. It also provides the final Closure and Reclamation cost estimate, which constitutes an agreement between TMAC and INAC as stated during the Doris Project Water Licence hearing held in Cambridge Bay on September 13 and 14, 2016.

1.2 Engagement Record

Table 1 lists the engagements and information exchanged between TMAC and INAC in regards to the Closure and Reclamation cost estimate.

Table 1: Summary of Correspondence and Communication between TMAC and INAC

Date	Details	Product	Posted with NWB
June 2015	TMAC Interim Closure and Reclamation Plan, Revision 4. This document does not include the Closure and Reclamation cost estimate, but provides the Plan on which the estimate is based.	Supporting Document P5-2 of the Amendment Application.	Yes
July 11, 2015	SRK Technical Memo detailing the Closure and Reclamation cost estimate basis, and complete cost estimate of \$25,061,000.	Supporting Document P5-2b of the Amendment Application. TMAC's costs not provided in RECLAIM 7, but in a comparable format.	Yes

Date	Details	Product	Posted with NWB
August 12, 2015	Initial in person meeting in Iqaluit, NU with INAC (K. Costello) and TMAC (J. Roberts, A. Buchan) on the topic of security.	Internal meeting record.	No
September 18, 2015	Submission of AANDC Information Request pertaining to TMAC's Amendment application, specifically pertaining to the re-grading percentages assigned to the overburden dump in the Closure and Reclamation cost estimate (AANDC 15)	Submission of Information Requests.	Yes
October 8, 2015	TMAC submission addressing Information Requests. Included was a clarification pertaining to the re-grading percentages assigned to the overburden dump in the Closure and Reclamation cost estimate.	TMAC response to Information Request AANDC IR#15.	Yes
December 8, 2015	INAC submission of Technical Comments on Amendment Application including remediation of ponding adjacent to roads and pads and assumed percentages for cost estimate.	Submission of Technical Comments.	Yes
December 8, 2015	AMEC's independent Closure and Reclamation cost estimate prepared on behalf of INAC. Quantum assigned was \$47,818,383.	Technical report prepared by AMEC. Cost estimate provided in RECLAIM 7 format.	Yes
December 21, 2015	TMAC submission addressing Technical Comments. Included was a clarification pertaining to the re-grading percentages assigned to the overburden dump in the Closure and Reclamation cost estimate.	TMAC response to Technical Comment AANDC 15.	Yes
	TMAC submission addressing Technical Comments. Includes a commitment by TMAC to allow for additional remediation of ponding adjacent to roads and pads by increasing the Closure and Reclamation cost estimate (Direct Costs) by \$26,000.	TMAC response to Technical Comment AANDC TC 10.	Yes
	TMAC submission responding the INAC revised Closure and Reclamation cost estimate received on December 8, 2015. Documented in SRK Technical Memo dated December 18, 2015. The revised quantum is \$28,939,129.	TMAC response to INAC's revised Closure and Reclamation cost estimate submitted December 8, 2015. TMAC's response not provided in RECLAIM 7 format but comparable format.	Yes
Technical Hearing, January 26-29, 2016	Verbal conference between M. Rykaart (SRK on behalf of TMAC), J. Doucette (AMEC on half of INAC), and S. Burgess (INAC). Discussions included winter road construction, duration of closure activities, fuel demand (re-use vs. new), camp rental (re-use vs. new), mobilization and demobilization costs and post-closure monitoring costs.	No formal documents produced. TMAC agreed to revise the post-closure monitoring to match the schedule proposed by INAC. INAC agreed to revisit their cost estimate in light of the information provided by TMAC.	No
February 3 2016	Further to the Technical Meeting, TMAC submitted an Addendum to ICRP, in response to AANDC TC 10	Memo.	Yes

Date	Details	Product	Posted with NWB
February 24, 2016	Submission of unlocked electronic version of TMAC's December 18, 2016 Closure and Reclamation cost estimate to J. Doucette (AMEC) and S. Burgess (INAC) via e-mail from M. Rykaart (SRK on behalf of TMAC).	Open unlocked electronic version provided in format directly compatible to RECLAIM 7 to facilitate review by INAC.	No
June 7, 2016	Meeting in Iqaluit with INAC (S. Burgess, S. Forte, E. Paul, I. Parsons, A. Tariq, F. Ngwa, J. Doucette via phone) the NWB (S. Aredes, D. Hohnstein via phone), TMAC (J. Roberts, S. Hamm) and SRK on behalf of TMAC (M. Rykaart) to discuss INAC outstanding issues, including closure cost estimate	Follow-up email issued to attendees, identifying discussion items and status (see below, June 14, 2016).	Yes
June 13, 2016	Resubmission of the February 24, 2016 information from TMAC to INAC via email from M. Rykaart (SRK, on behalf of TMAC) to S. Forte (INAC).	Clarification discussions between TMAC and INAC.	No
June 14, 2016	Follow-up to meeting in Iqaluit with INAC, the NWB and TMAC to discuss INAC outstanding issues, including closure cost estimate. Summarized INAC's commitment to provide a revised cost estimate and TMAC to review in a timely manner and schedule a meeting with INAC.	Follow-up email issued to attendees, identifying discussion items and status.	Yes
June 24, 2016	Pre-Hearing Conference, discussed status of proponent's and parties' cost estimates	NWB issues Revised Issues List and PHC report.	Yes
June 28, 2016	E-mail from S. Forte (INAC) to S. Hamm (TMAC) requesting the information previously submitted by TMAC on February 24, 2016.	Clarification discussions between TMAC and INAC.	No
June 28, 2016	E-mail from S. Hamm (TMAC) to S. Forte (INAC) to responding to same day information request, providing chronology of information previously submitted by TMAC on February 24, 2016.	Clarification discussions between TMAC and INAC.	No
July 18, 2016	E-mail questions from S. Burgess (INAC) to J. Roberts (TMAC) regarding fuel allowance and cost, camp costs, demolition duration and crusher need for cover construction.	Clarification discussions between TMAC and INAC.	No
July 20, 2016	E-mail response from S. Hamm (TMAC) to S. Forte (INAC) regarding fuel allowance and cost, camp costs, demolition duration and crusher need for cover construction. This was in response to the July 18, 2016 e-mail from S. Burgess (INAC).	Clarification discussions between TMAC and INAC.	No
July 20, 2016	E-mail response from S. Forte (INAC) to S. Hamm (TMAC) acknowledging TMAC's July 20, 2016 clarifications, but noting that the issues are not yet resolved.	Clarification discussions between TMAC and INAC.	No
July 22, 2016	AMEC's revised independent Closure and Reclamation cost estimate prepared on behalf of INAC. Quantum assigned was \$44,122,533.	Technical report prepared by AMEC, and electronic version of RECLAIM submitted to TMAC.	Yes

Date	Details	Product	Posted with NWB
July 25, 2016	Conference call between TMAC (J. Roberts, S. Hamm), SRK (M. Rykaart on behalf of TMAC) and INAC (S. Forte, D. Abernethy and S. Burgess) with INAC to understand INAC's revised costs estimate. Clarification was sought as to INAC's supporting data pertaining to assignment of Indirect Costs, specifically implementation scheduling, manpower and equipment loading estimates.	Clarification discussions between TMAC and INAC.	No
July 26, 2016	E-mail from S. Forte (INAC) to J. Roberts (TMAC) providing responses received from J. Doucette (AMEC on behalf of INAC) pertaining to TMAC questions regarding AMEC's July 22, 2015 revised cost estimate.	Clarification discussions between TMAC and INAC.	No
August 3, 2016	Response to INAC July 22, 2016 Closure and Reclamation cost estimate. The revised estimate includes a revised and detailed closure schedule, provides comprehensive benchmarking data for closure construction duration, and provides comprehensive benchmarking data for engineering, project management, health and safety and bonding cost percentages. The revised quantum is \$28,368,698.	Technical Memo prepared by SRK, and unlocked electronic version of RECLAIM 7 Closure and Reclamation cost estimate.	Yes
August 17, 2016	E-mail questions from S. Burgess (INAC) to J. Roberts (TMAC) regarding TMAC's closure construction crew size.	Clarification discussions between TMAC and INAC.	No
August 17, 2016	E-mail response from J. Roberts (TMAC) to S. Burgess (INAC). Response includes email from M. Rykaart (SRK) to J. Roberts (TMAC) responding to the August 17, 2016 email from INAC. Also included was an unlocked spreadsheet providing TMAC's closure execution camp and equipment loading calculations.	Clarification discussions between TMAC and INAC.	No
August 30, 2016	Conference call between AMEC (J. Doucette and M. Gavin) and SRK (M. Rykaart). Also in attendance was INAC (S. Forte, and D. Abernethy) and TMAC (M. Theunissen). Discussed INAC's rationale for assigning camp costs.	Clarification discussions between TMAC and INAC.	No
August 31, 2016	E-mail from M. Rykaart (SRK, on behalf of TMAC) to S. Forte (INAC) acknowledging an error pertaining to assignment of salary costs for the Water Management crew in the Closure and Reclamation cost estimate. This increases the overall quantum of TMAC's Closure and Reclamation cost estimate to \$29,678,698.	Clarification discussions between TMAC and INAC.	No
September 1, 2016	Email from INAC (D. Abernethy) to TMAC (J. Roberts) and SRK on behalf of TMAC (M. Rykaart). Revised estimate based on Aug 30 discussions. Revised quantum of \$38,624,065.	\$38,624,065.	No

Date	Details	Product	Posted with NWB
September 12, 2016	AMEC's revised independent Closure and Reclamation cost estimate prepared on behalf of INAC. Quantum assigned was \$39,637,723.	AMEC Technical Report.	Yes
September 12, 2016	E-mail request from S. Forte (INAC) to M. Rykaart (SRK, on behalf of TMAC) regarding clarification on confirmation of TMAC's Closure and Reclamation cost estimate of \$29,678,698.	Clarification discussions between TMAC and INAC.	No
September 12, 2016	E-mail response from M. Rykaart (SRK, on behalf of TMAC) to S. Forte (INAC) to confirm TMAC's Closure and Reclamation cost estimate of \$29,678,698. Email included unlocked electronic version of RECLAIM 7 Closure and Reclamation cost estimate.	Clarification discussions between TMAC and INAC.	No
Sept 12, 2016	In person meeting in Cambridge Bay between INAC (K. Costello), TMAC (J. Roberts, S. Hamm, A. Buchan) and SRK on behalf of TMAC (M. Rykaart) regarding difference in quantum between TMAC and INAC estimates	Clarification discussions between TMAC and INAC.	No
September 14, 2016	INAC's revised Closure and Reclamation cost estimate. Quantum assigned was \$32,308,345. Rationale for changes included removal of snow machine, and decrease of person-days.	Summary spreadsheet table provided. Revised RECLAIM 7 Closure and Reclamation cost estimate not provided.	Yes
September 14, 2016	Final agreed upon Closure and Reclamation cost estimate between TMAC and INAC, Quantum agreed to was \$31,289,321.	SRK Technical Memo and unlocked electronic version of RECLAIM 7 Closure and Reclamation cost estimate.	This document

1.3 Prior Cost Estimates

Table 2 summarizes the changes to the Closure and Reclamation cost estimate between June 2015 and September 14, 2016.

Table 2: Changes to the Closure and Reclamation Costs Estimate between June 2015 and September 14, 2016

Period	Direct Costs	Indirect Costs	Total Costs
TMAC (Jun. 11, 2015)	\$17,339,000	\$7,722,000	\$25,061,000
INAC (Dec. 8, 2015)	\$20,807,690	\$27,010,693	\$47,818,383
TMAC (Dec. 18, 2015)	\$19,747,514	\$9,190,615	\$28,938,130
INAC (Jul. 22, 2016)	\$19,039,644	\$25,082,889	\$44,122,533
TMAC (Aug. 3, 2016)	\$15,507,869	\$12,860,828	\$28,368,697
TMAC (Aug. 31, 2016)	\$16,507,869	\$13,170,828	\$29,678,697
INAC (Sep. 1, 2016)	\$18,259,644	\$20,364,421	\$38,624,065
INAC (Sep. 12, 2016)	\$18,259,644	\$21,378,079	\$39,637,723
INAC (Sep. 14, 2016)	\$17,698,944	\$14,609,401	\$32,308,345
TMAC & INAC Agreed (Sep. 14, 2016)	\$16,794,419	\$14,494,902	\$31,289,321

2 Final Changes

2.1 Context

TMAC provided a comprehensive rebuttal to INAC's revised cost estimate submitted on July 22, 2016. This rebuttal was documented in the SRK Technical Memo dated August 3, 2016, submitted as evidence during the Water Licence Hearing on September 13, 2016.

Although INAC had submitted three revised cost estimates on September 1, September 12 and September 14, 2016, the final agreed upon cost estimate builds on TMAC's submission on August 3, 2016, and the subsequent correction noted on August 31, 2016, as opposed to INAC's September 2016 estimates. INAC's rationale for their estimate remains unsupported with respect to assignment of Indirect Costs, Water Management Costs and Interim Care and Maintenance Costs.

The agreed to changes between TMAC and INAC are described in the sections below.

2.2 RECLAIM Summary Tab

Changes on the Summary Tab of the RECLAIM model are as follows:

- Surface and Groundwater Management costs have been increased, and the details are defined in Section 2.3.
- Interim Care and Maintenance costs have been reduced, the related changes are described in Section 2.4.
- Mobilization and Demobilization costs were increased, and are described in Section 2.6.
- Post-Closure Monitoring and Maintenance costs have been increased and are described in Section 2.5.
- Engineering, Project Management, and Health and Safety Plans/Monitoring & QA costs are slightly increased, as a result of the small increase in Direct Costs; however, the percentages assigned remain unchanged.
- Bonding & Insurance Costs have been increased from 0% to 1%. Although TMAC contends that the Direct Cost unit rates are inclusive of contractor bonding and insurance, TMAC acknowledged in the revised rate that some additional bonding or insurance may be required for INAC.

2.3 RECLAIM Water Management Tab

The RECLAIM Water Management Tab changes include:

- The number of pumps purchased and shipped to site have been increased from three to five. TMAC remains confident that three pumps would be sufficient considering the minimal activities; however, by increasing to five pumps there would be dedicated pumps at the TIA,

each of the two Pollution Control Ponds, one at the Sedimentation Control Pond, and a spare/mobile.

- The pump maintenance costs have been increased by assuming \$10,000 of maintenance per pump, including the spare/mobile pump. Previously, TMAC had assumed the spare/mobile pump would only incur 50% of regular maintenance costs.

2.4 RECLAIM ICM Tab

The changes related to the ICM Tab of the RECLAIM model are as follows:

- TMAC had originally stated that a full-time electrician and mechanic are not required. It has been assumed there would always be at least two persons on site, and that these trades would be present for half the time. TMAC has however agreed to revise this so that both trades would be on site full time during ICM.

2.5 Post-Closure Tab

TMAC has agreed to not apply a 2% discount rate, but maintain a 0% discount rate.

2.6 Mobilization Tab

TMAC's schedule and associated manpower and equipment loading, as provided in the August 3, 2016 submission, remains unchanged. TMAC has agreed to increase the project management and overhead manpower loading from 10% of the total work crew, to 30% of the total work crew. This increase changes the total person days assigned to the project as follows:

- The days during which there would be less than ten people on site would reduce from 672 days to 512 days;
- The person-days when there would be more than ten persons on site, would increase from 4,095 to 6,601.

3 Closure

Table 3 summarizes the final agreed upon Closure and Reclamation cost estimate between TMAC and INAC based on the rationale provided in this memo.

Table 3: Summary of TMAC and INAC Closure and Reclamation Cost Estimate

Category	Cost
Direct Costs	
Open Pit	\$457,188
UG Mine	\$248,726
Tailings	\$7,312,645
Rock Pile	\$379,285
Doris Camp	\$3,876,329
Chemicals	\$632,071
Water Management	\$1,450,000
Interim Care and Maintenance	\$2,438,175
Subtotal: Direct Costs	\$16,794,419
Indirect Costs	
Mobilization/Demobilization	\$7,800,688
Post-Closure Monitoring	\$1,320,000
Engineering	\$839,721
Project Management	\$839,721
Health & Safety	\$167,944
Bonding/Insurance	\$167,944
Contingency	\$3,358,884
Market Place Factor Adjustment	\$0
Subtotal: Indirect Costs	\$14,494,902
TOTAL Costs	\$31,289,321

Disclaimer—SRK Consulting (Canada) Inc. has prepared this document for TMAC Resources Inc.. Any use or decisions by which a third party makes of this document are the responsibility of such third parties. In no circumstance does SRK accept any consequential liability arising from commercial decisions or actions resulting from the use of this report by a third party.

The opinions expressed in this report have been based on the information available to SRK at the time of preparation. SRK has exercised all due care in reviewing information supplied by others for use on this project. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information, except to the extent that SRK was hired to verify the data.

Appendix B

TMAC Financial Information



TMAC Resources Inc.

Management's Discussion and Analysis

June 30, 2016

(Expressed in Canadian dollars, except where otherwise indicated)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Periods Ended June 30, 2016

COMPANY OVERVIEW	3
SECOND QUARTER 2016 HIGHLIGHTS	3
2016 OUTLOOK	4
THE HOPE BAY PROJECT'S PATH TO PRODUCTION OVERVIEW	5
HOPE BAY	6
EXPLORATION	16
PERMITTING	21
FINANCIAL AND CORPORATE	23
LIQUIDITY AND CAPITAL RESOURCES	32
COMMITMENTS AND CONTINGENCIES	33
OUTSTANDING SHARE, OPTIONS AND RESTRICTED SHARE RIGHTS DATA	34
OFF-BALANCE SHEET ARRANGEMENTS	34
NON-IFRS MEASURES	34
FINANCIAL INSTRUMENTS AND CRITICAL ACCOUNTING ESTIMATES	34
INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES	35
INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE	35
RISKS AND UNCERTAINTIES	35
NOTE REGARDING SCIENTIFIC AND TECHNICAL INFORMATION	36
CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION	36

*This management's discussion and analysis of the financial condition and results of operations ("MD&A") of TMAC Resources Inc. ("TMAC" or the "Company") was prepared to enable a reader to assess material changes in the financial condition and results of operations of TMAC as at June 30, 2016 and for the three and six month periods ended June 30, 2016 and June 30, 2015. This MD&A is prepared as at August 11, 2016 and is intended to supplement and complement the unaudited financial statements and notes of TMAC as at June 30, 2016 and for the three and six month periods ended June 30, 2016 and June 30, 2015 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking statements that are based on management's current expectations and are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to TMAC's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in forward-looking statements (please see "Cautionary Note Regarding Forward-Looking Information" below). This MD&A should be read in conjunction with TMAC's audited financial statements and notes thereto for the years ended December 31, 2015 and 2014 (the "Financial Statements") and MD&A for the year ended December 31, 2015, available on www.sedar.com. The Company's common shares (the "Common Shares") trade on the Toronto Stock Exchange (the "TSX") under the stock trading symbol **TMR**. Additional information relevant to the Company's activities, including TMAC's annual information form (the "AIF"), can be found at the Company's website www.tmacresources.com and on SEDAR at www.sedar.com.*

COMPANY OVERVIEW

TMAC 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**"). The Company's registered head office is 95 Wellington Street West, Suite 1010, Toronto, Ontario, Canada M5J 2N7.

TMAC's efforts are devoted to the exploration, evaluation and development of the Hope Bay property which includes much of the Hope Bay greenstone belt. TMAC completed a Preliminary Feasibility Study (the "**PFS**"), with an effective date of March 31, 2015, that demonstrated the technical feasibility and economic viability of three advanced projects at Hope Bay: **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.

On July 7, 2015, the Company completed an initial public offering (the "**IPO**") of Common Shares which began trading on the TSX. Additionally, on July 23, 2015, TMAC entered into a Credit Agreement (defined below) with respect to a senior secured term loan facility for an aggregate principal amount of up to US\$120 million maturing on December 31, 2018 (the "**Debt Facility**"). The Company completed the first drawdown of US\$50 million on February 10, 2016 and the second drawdown of US\$35 million on July 7, 2016. On July 19, 2016, TMAC completed a bought deal financing for gross proceeds of \$60 million (the "**Bought Deal Financing**") for exploration and development of the zone below the dyke at Doris (the "**BTD Zone**"), equipment and site infrastructure costs related to the exploration and development of the BTD Zone and for general working capital. TMAC believes it has sufficient funds available from existing cash on hand or available under the Debt Facility at June 30, 2016 to maintain its mineral investments, fund its exploration and evaluation and administration costs and to develop Hope Bay for production all as per its "**Path to Production**" plan.

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 losses, successfully drawing the remaining funds from the Debt Facility and the successful development of the Hope Bay Project to satisfy its commitments and continue as a going concern, and are included under the headings "*Risks and Uncertainties*" in the AIF and the MD&A for the year ended December 31, 2015 and "*Cautionary Note Regarding Forward-Looking Information*" in this MD&A.

SECOND QUARTER 2016 HIGHLIGHTS

Hope Bay Project

-) Mining and mine development, productivity and ore production were on target. Mining and mine development continued in the second quarter of 2016 with 60,500 tonnes of the planned 64,000 tonnes having been mined. Productivity averaged 0.4 metres per man-shift, exceeding the estimates published in the PFS. Ore production was 23,000 tonnes at an estimated grade of 14.2 grams of gold per tonne ("**g/t**").
-) Taking into account ore mined in late 2015 and ore mined by the previous operator, based on the PFS estimates for the material mined, the stockpile is estimated to contain 56,900 tonnes of ore at a grade of 13.9 g/t, or 25,400 ounces of gold of which 23,800 ounces of gold are recoverable at the estimated recovery rate of 94%.
-) Manufacture of the processing plant (the "**Processing Plant**") by Gekko Systems Pty of Ballarat, Australia ("**Gekko**") for delivery in 2016 was complete at June 30, 2016 and in line with the schedule and budget.

-)] The Processing Plant, mining equipment, diesel fuel, materials and supplies, and reagents are on route to Hope Bay as part of the 2016 sealift.
-)] Construction of the building that will house the Processing Plant (the “**Mill Building**”) progressed with 60% of the structural steel constructed at June 30, 2016.
-)] As part of the Nunavut Impact Review Board (“**NIRB**”) and Nunavut Water Board (“**NWB**”) regulatory review process of the application to amend the Doris environmental permits (the “**Doris Permit Amendments**”), the NIRB recommended in June 2016 that the amendments, as identified in TMAC’s application, be allowed to proceed. Once the Minister has accepted the NIRB’s recommendation, expected shortly, an amended Project Certificate will be issued.
-)] On June 7, 2016, TMAC announced that high-grade gold had been drill intersected at the BTB Zone.
-)] Additional claims were staked to link the Elu claims with the Hope Bay claims.

Financial and Corporate

-)] On June 22, 2016, TMAC entered into an agreement with the Lenders to extend to December 31, 2016 the period during which the Company can draw on the remaining funds under the Debt Facility. The conditions precedent to drawing the Debt Facility’s remaining US\$70 million balance are the receipt by the Company of: (i) an amended Project Certificate from the NIRB, and (ii) an amended Water License from the NWB for Doris, which conditions may be waived at the discretion of the Lenders (the “**Waiver**”).
-)] On July 7, 2016, TMAC drew down an additional amount of US\$35.0 million under the Debt Facility upon receiving a Waiver in respect of this amount leaving a balance of US\$35.0 million available to be drawn.
-)] On July 19, 2016, TMAC completed a Bought Deal Financing of an aggregate of 3,975,000 Common Shares from the Company and 2,120,000 Common Shares from Resource Capital Fund VI L.P. (“**RCF**”), a major shareholder, at a price of \$15.10 per Common Share for gross proceeds of approximately \$92.0 million, of which approximately \$60.0 million of the gross proceeds were received by the Company and approximately \$32.0 million of the gross proceeds were received by RCF including the over-allotment option exercised by the underwriters.

2016 OUTLOOK

Hope Bay Project

-)] Deliver the Processing Plant and mobile equipment in the 2016 sealift.
-)] Complete erection of the Mill Building and the installation of associated services.
-)] Complete the installation of and initiate commissioning of the Processing Plant.
-)] Complete preparation of the tailings impoundment area (“**TIA**”) to receive tailings.
-)] Stockpile, by December 31, 2016, 110,700 tonnes of ore with an estimated 55,600 ounces of contained gold that, at a 94% recovery rate, amounts to 52,300 ounces of recoverable gold.
-)] Obtain the amended Doris Permit Amendments.
-)] Complete and submit the draft environmental impact statement (“**DEIS**”) on Madrid and Boston.
-)] Deploy approximately \$23 million of the net proceeds of approximately \$56.5 million from the Bought Deal Financing in 2016, with the balance of \$33.5 million to be spent in 2017, for the development of an exploration ramp to access and delineate additional ounces at the Doris BTB Zone.

Financial and Corporate

-)] Drawdown the remaining funds under the Debt Facility.

THE HOPE BAY PROJECT'S PATH TO PRODUCTION OVERVIEW

With the \$9 million of funds raised from the Flow-Through Financing (defined below), the total estimated cash outflows, including working capital, for the combined 2015 and 2016 years for the Path to Production plan increased from \$325 million to \$334 million. As at June 30, 2016, TMAC had incurred \$249 million of the planned \$334 million of cash outflows under the Path to Production plan. The cash outflows to date are in line with the Path to Production plan in terms of timing and the amount of cash outflows. The expenditures included in the Path to Production are based on the two calendar years commencing January 1, 2015. Accordingly, by the end of June 2016, TMAC is 18 months into those planned 24 months of expenditures, or 75% of the way, and envisions achieving commercial production during the first quarter of 2017.

At June 30, 2016, TMAC had \$37 million of cash and cash equivalents, excluding restricted cash of \$29 million, comprising a \$10 million minimum cash balance in a segregated account in accordance with the Debt Facility requirements and \$19 million invested in guaranteed investment certificates set aside as collateral for the letters of credit (the "**Letters of Credit**") that support environmental reclamation bonding and provide security for compliance under various agreements with indigenous organizations. The existing cash on hand, together with the US\$35 million drawdown on the Debt Facility completed on July 7, 2016, and the US\$35 million remaining to be drawn on the Debt Facility, provide an approximate \$40 million cushion for the Company to achieve commercial production at the Hope Bay Project, beginning with Doris, expected in the first quarter of 2017. The proceeds from the Bought Deal Financing will be used for exploration and development of the BTB Zone, but can provide an additional cash cushion if needed.

Table 1 shows the expected cash outflows over the two-year period 2015-2016 detailed in the Path to Production plan and the expenditures to date. TMAC is now approximately three-quarters of the way through the Doris development period and has incurred 70% of the planned expenditures.

Table 1: Path to Production cash outflows for the period from January 1, 2015 to December 31, 2016.

Principal Purpose	Path to Production 2015-2016 \$ million	Incurred to June 30, 2016 \$ million
Hope Bay Project development costs		
Direct costs	145	110
Indirect costs	20	13
Capitalized pre-production operating costs	54	33
Hope Bay Project development sub-total	219	156
Collateral for Letters of Credit	26	19
Corporate, exploration, permitting and general expenditures related to the Hope Bay Project	89 ⁽¹⁾	74
Total	334⁽²⁾	249

⁽¹⁾ Includes \$9 million from the Flow-Through Financing completed March 18, 2016.

⁽²⁾ Comprises \$325 million of the Path to Production and \$9 million from the Flow-Through Financing.

TMAC's Path to Production plan is to have a high-grade gold ore stockpile on surface at December 31, 2016 that totals 110,700 tonnes with 55,600 ounces of contained gold (at 15.2 g/t) to provide the Processing Plant with significant high-grade feed at start-up and a smooth production ramp-up to 1,000 tonnes per day in 2017 and to 2,000 tonnes per day in 2018.

EXPLORATION AND DEVELOPMENT BELOW THE DYKE AT DORIS

On June 7, 2016, TMAC announced that high-grade gold had been drill intersected at the BTB Zone during the ongoing underground drill program at Doris.

Underground exploration drilling commenced late in the first quarter of 2016 from the underground exploration drift developed during the fourth quarter of 2015 and first quarter of 2016. The exploration drift provided drilling platforms necessary to effectively test high potential targets beneath the diabase dyke. Historical drilling that targeted this area was limited by the few surface drilling platforms available to adequately drill from Doris Mountain north of the Doris camp infrastructure. The current exploration drift will be used to begin the access ramp.

The estimated net proceeds of approximately \$56.5 million from the Bought Deal Financing will be used in 2016 and 2017 for the development of an exploration ramp to access the BTB Zone to explore for additional ounces at the BTB Zone (table 2 below).

Table 2: BTB Zone budgeted exploration and development cash outflows for the period from July 19, 2016 to December 31, 2017.

Principal Purpose	2016-2017 \$ million
Exploration and development of the BTB Zone at Doris	30.5
Equipment and site infrastructure costs related to exploration and development of the BTB Zone at Doris	14.5
General working capital, including diesel fuel	11.5
Total	56.5

HOPE BAY

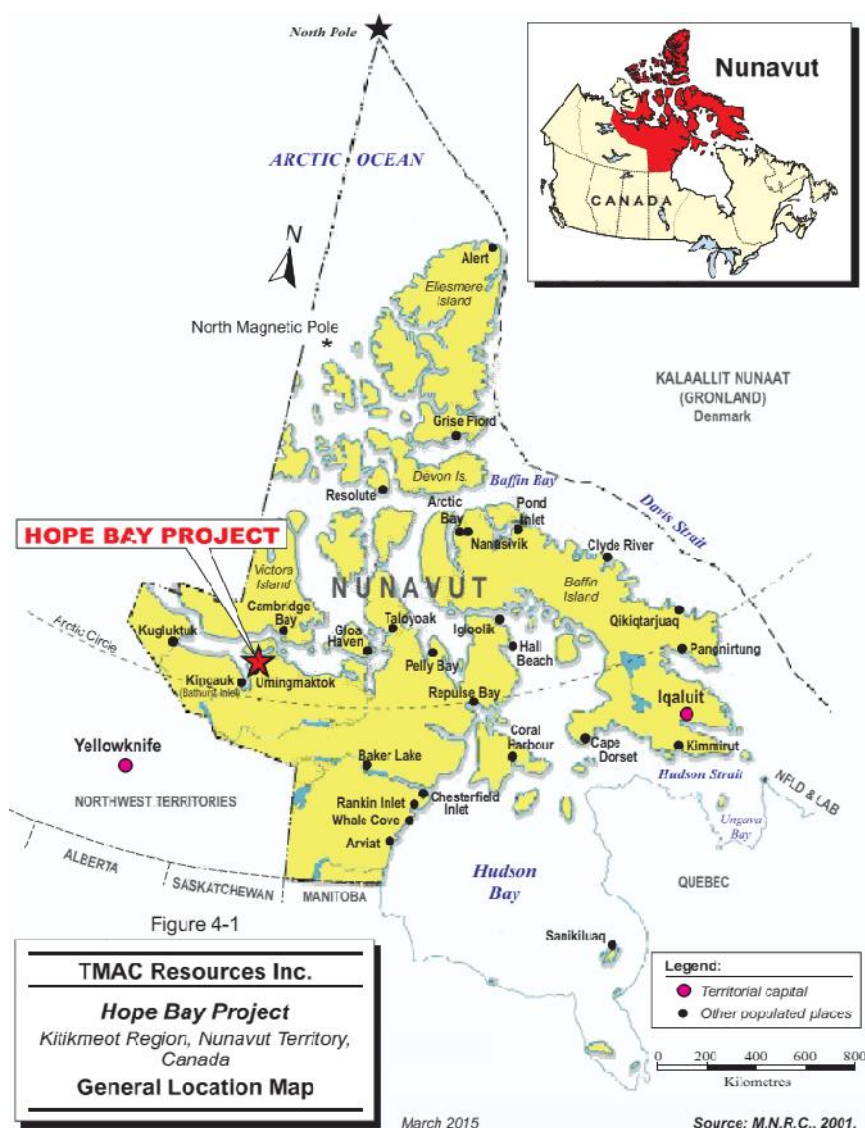
Overview

Hope Bay, originally acquired from Newmont Mining Corporation (collectively with subsidiaries “**Newmont**”) in March 2013, is located approximately 685 kilometres (“**km**”) northeast of Yellowknife, Northwest Territories, and approximately 125 km southwest of Cambridge Bay, and east of Bathurst Inlet, in the Kitikmeot region of western Nunavut Territory. Hope Bay is approximately 160 km above the Arctic Circle, comprises an area of 1,101 km² and forms one large contiguous block of land that is approximately 80 km by 20 km in extent.

The 100% owned Elu claims form a separate greenstone belt to the east of the Hope Bay claims, comprising an area of 31,259 hectares. In June 2016, TMAC staked the extension of the Elu greenstone belt, comprising 37,214 hectares, thereby linking the Elu claims with the Hope Bay claims. The Elu claims now form a land package that comprises an area of 685 km² and is approximately 80 km by 10 km in extent.

On March 30, 2015, TMAC entered into a Mineral Exploration Agreement (“**MEA**”) granting TMAC access to the Inuit-owned subsurface mineral rights administered by Nunavut Tunngavik Inc. (“**NTI**”). Also on March 30, 2015, TMAC entered into a Framework Agreement (the “**Framework Agreement**”) and an Inuit Impact Benefits Agreement (“**IIBA**”) administered by the KIA for Inuit-owned surface access rights. Both the MEA and Framework Agreement are for a 20 year period.

Figure 1: Hope Bay Project General Location Map.



Hope Bay mineral tenure includes Federal (the “Crown” or “Federal”) mineral claims, Crown mining leases, pending Crown mining leases, and the land access agreements covering surface title and subsurface mineral rights to Inuit owned lands.

The Hope Bay Project comprises the Doris, Madrid and Boston gold bearing mineral deposit trends. The Roberts Bay port is on Arctic Ocean tidewater and is located approximately three km from Doris. The Roberts Bay port facilities include a jetty, a diesel fuel storage facility, and a large lay down area for equipment and supplies. Existing infrastructure at Hope Bay includes gravel airstrips at Doris and Boston, power plants, camp facilities at both Doris and Boston, administration, maintenance, warehouse and mine-dry buildings, an all year haul road from Roberts Bay to Doris and through to Madrid and a permitted TIA.

Figure 2: Hope Bay and Elu properties mineral tenures.

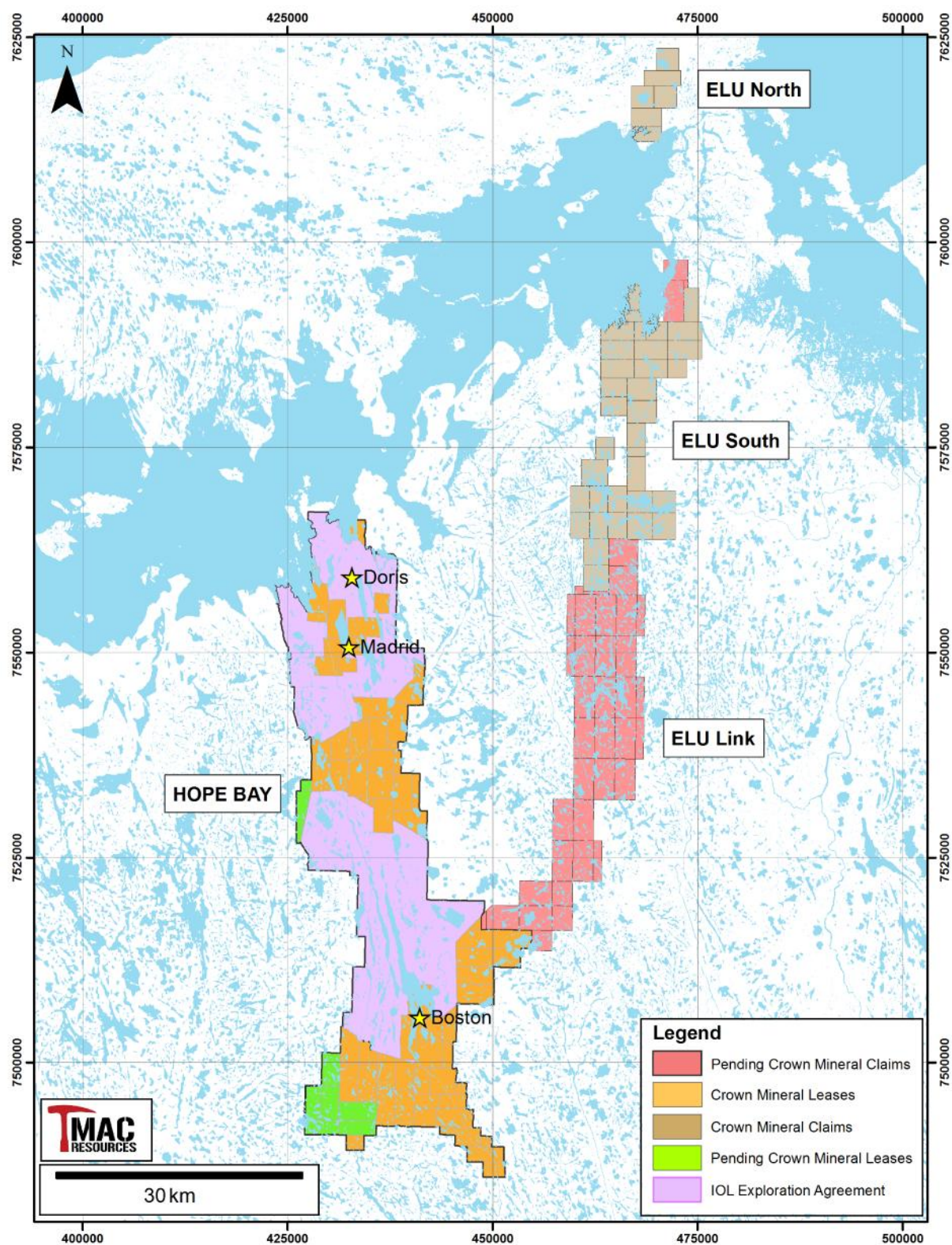


Figure 3: Doris site proximity to the Roberts Bay port on Arctic Ocean tidewater – August 2016.



Figure 4: Infrastructure at Doris - August 2016.



Development

Doris underground

Table 3 sets forth the production achieved to June 30, 2016 compared with the expected ore tonnes in the stockpile at June 30, 2016 as per the Path to Production plan.

Table 3: Path to Production metrics for the pre-production period 2015 – 2016.

	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Actual	Plan	Variance	Actual	Plan	Variance
Development:						
Tonnes of ore mined	23,000	31,700	(8,700)	35,800	44,900	(9,100)
Tonnes of waste mined	37,400	32,300	5,100	82,800	78,300	4,500
Total tonnes mined	60,400	64,000	(3,600)	118,600	123,200	(4,600)
Metres	1,070	1,199	(129)	2,098	2,290	(192)
Average Au grade g/t	14.2	8.7	5.5	13.9	11.1	2.8
Contained Au ounces	10,500	8,900	1,600	16,000	16,000	-
As at June 30, 2016						
	Actual	Plan	Variance			
Estimated Stockpile:⁽¹⁾						
Tonnes	56,900	66,000	(9,100)			
Average Au grade g/t	13.9	12.0	1.9			
Contained Au ounces	25,400	25,400	-			

(1) Estimated stockpile on surface includes 12,700 tonnes of ore containing an estimated 5,600 ounces of gold (at a 94% recovery rate is 5,300 ounces of recoverable gold) that had been brought to surface prior to underground development commencing in October 2015 (i.e., ore from test mining by TMAC in early 2015 and by Newmont in 2010 prior to TMAC's acquisition of Hope Bay).

Mining remains on track for the planned ramp-up to an average of 13 metres per day prior to the 2016 sealift. Productivity remained above 0.4 metres per man-shift including geology and technical services.

The ore shape, measured by face and back mapping, is now used to determine the relative grade of the diluted drift volume based on the block model ore grade. Longhole stope planning will use the detailed vein model produced from the face and back mapping. Chip samples continue to be collected but are not being used for mined grade determinations though they indicate slightly favourable grades when compared with the PFS block model. The detailed geology of the face and back mapping along with chip samples are being used to develop an updated resource model.

In order to improve the ore grade going to the stockpile over the block model, the resue mining method was tested in April and has been implemented where appropriate commencing in May. The resuing method involves blasting the vein and waste separately rather than all at once. The test was conducted to verify that the break can be controlled to prevent ore loss. In resuing, blasting of an ore drift is split into two phases. In the first phase, the portion of the face containing the ore is blasted to the width of the ore or the minimum width required to extract the ore, whichever is greater. In the second phase, the remaining width in waste is blasted and removed to the waste pile to create the drift dimensions necessary for longhole stoping. In the test area, a 2 metre wide vein was taken at 2.6 metres (minimum width of scoop bucket) and sent to the ore

stockpile. The remaining 1.5 metres of waste was taken in a second blast. By only taking 2.6 metres of the 4.1 metre-wide stope, the grade of the ore being placed on the stockpile increases. Without resuing, the round would have gone to waste based on block model grades, but with resuing it went to the ore stockpile instead. Work will continue to improve the methods and efficiencies used for resuing including the delivery of additional 2 cubic yard scoops to allow further reductions in ore mining widths.

Figure 5: After cast blasting and after mucking a resued round (4966 level) to improve grade, left (red) is ore and right (cyan) is waste.



The increase in grade during the three months ended June 30, 2016 over the three months ended March 31, 2016 reflects development in higher grade sill development areas and the impact of resue mining methods to increase grade through waste segregation at the face.

CMAC bolting arms were introduced in May and have improved productivity in narrow vein lateral development rounds, reducing labour costs for bolting and improving cycle times by eliminating the step of leveling the muck pile.

Eight headings on the sill level of the hinge were available with four active in June. Longhole development headings totaled 15 available with seven active in June.

Development through 2016 is expected to total 197,000 tonnes of ramp and stope access drifts and 97,000 tonnes of lateral development in ore to create sufficient work faces and a stockpile that will ensure the capacity to provide 1,000 tonnes of ore per day for processing in 2017. Mine development productivity in the second quarter of 2016 averaged 0.4 metres per man-shift, compared with the PFS assumption of 0.25 metres per man-shift at full production. Direct productivity achieved was 0.5 metres per man-shift indicating the potential for improvement once multiple headings are active with similar levels of technical and supervisory personnel and scheduled maintenance.

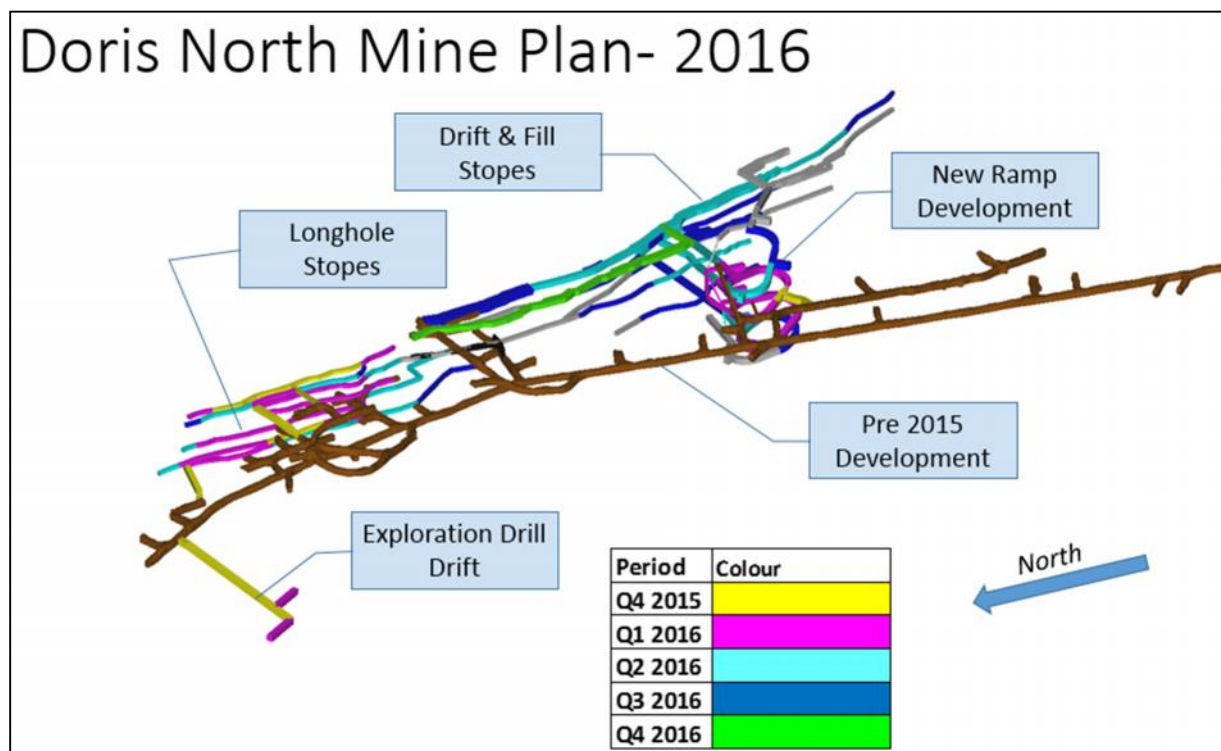
Taking into account ore mined in late 2015 and ore mined by the previous operator, based on the PFS estimates for the material mined, the stockpile is estimated to contain 56,900 tonnes of ore at a grade of 13.9 g/t, or 25,400 ounces of gold of which 23,800 ounces of gold are recoverable at the estimated recovery rate of 94%. Stockpiled contained ounces are in line with the plan.

The opportunity to advance mine development to support sustained operations at 1,000 tonnes per day early in 2017 and to accumulate an ore stockpile sufficient to support ramp up to 2,000 tonnes per day by 2018 was identified as the optimal way to commence production at Doris. Pre-

production and development mining, at full planned staffing levels, continued and ground conditions and productivities remain excellent.

The first pieces of mine equipment purchased in 2016 have been delivered to site and the balance of the mine equipment purchases for 2016 are on ships for delivery as part of the 2016 sealift, expected to arrive later in August.

Figure 6: Planned Doris development through December 2016 (looking obliquely down and to the southeast).



Doris vent raise infrastructure

The air compressor system is being replaced with distributed air compressors in the relatively stable underground environment to improve reliability and reduce power consumption. The new compressors were installed and commissioned early in July 2016. The large central compressor system will be maintained as a backup for this critical site service. The mine heater system software is being modified to increase reliability and reduce operating costs by adjusting system operations for the relatively low air volumes of 1,000 tonnes per day for 2017's operations.

Camp capacity expansion

The entire Doris camp infrastructure was operational during the second quarter. TMAC converted a portion of the surplus administration building to single occupancy rooms adding 50 beds as well as refurbishing 10 rooms previously used for storage to bring the total number of beds to 190 with a planned maximum occupancy of 190 for the entire Doris camp.

Mill Building Construction

Construction of the Mill Building structural steel was 60% complete as of June 30, 2016, 91% complete as of August 7, 2016 and is on schedule for completion prior to the scheduled assembly of Processing Plant equipment. Structural fill inside the foundation walls up to the bottom of the slab elevation, in progress as of June 30, 2016, has now been completed. Slab construction, including structural fill, was at 20% complete at June 30, 2016, progressed to 77% complete as of August 7, 2016 and is on plan for completion prior to the scheduled assembly of Processing Plant equipment.

Figure 7: Mill Building construction progress to the end of June 2016. As at the date of this MD&A, the structural steel and building cladding were approaching completion.



Other site construction and support activities

After widening and lengthening the Doris airstrip in late 2015 to accommodate larger personnel transport and cargo aircraft, starting mid-May 2016 TMAC is flying rotational employees and contractors to site using ATR-72 60-passenger airplanes from Edmonton two days per week thus reducing travel costs and travel time which is a change from previously mustering personnel out of Yellowknife.

Three ore grade piles were established to allow for blending in the Processing Plant in the future. In addition, waste containing gold (>3 g/t) has been segregated for early commissioning of the Processing Plant.

The road to Quarry 3 and to the subaerial tailings deposition point as well as earthworks to develop the tailings facilities was completed finishing off the 2016 planned scope of work. Advancement of the road to the south dam will resume in the fourth quarter.

Figure 8: TIA road development progress. The star indicates location at June 30, 2016 and the vertical line just left of Quarry 3 was the extent of the planned 2016 scope of work. D2 is the location of initial subaerial tailings disposal



Processing Plant engineering and fabrication

Fabrication and procurement of the Processing Plant was complete at June 30, 2016 with all scheduled factory acceptance testing accomplished and witnessed by TMAC staff. Processing Plant equipment and first fill reagents were loaded on the TMAC chartered vessel in July and the vessel is under way from Australia for a late August arrival at Hope Bay. Planning of the detailed installation and commissioning schedule for the Processing Plant was completed after a preconstruction coordination meeting held July 4th to 8th in Canada for Gekko, TMAC and construction trades contractors to review the plan.

The motor control centres (“**MCCs**”) were shipped in April from Gekko to Vancouver, trucked to Yellowknife and flown to site via C-130 Hercules aircraft. Special sleds were fabricated to allow the MCCs to be safely handled in and out of the C-130 Hercules. The MCCs’ sea-containers were shipped earlier than the remaining Processing Plant equipment to facilitate their installation on the mezzanine level before the roof encloses them and allow cabling installation to begin ahead of the arrival of the 2016 sealift.

The balance of the Processing Plant equipment arrived in Montreal from Europe and Mexico for scheduled cargo delivery to Hope Bay later in August.

Figure 9: Processing Plant layout.

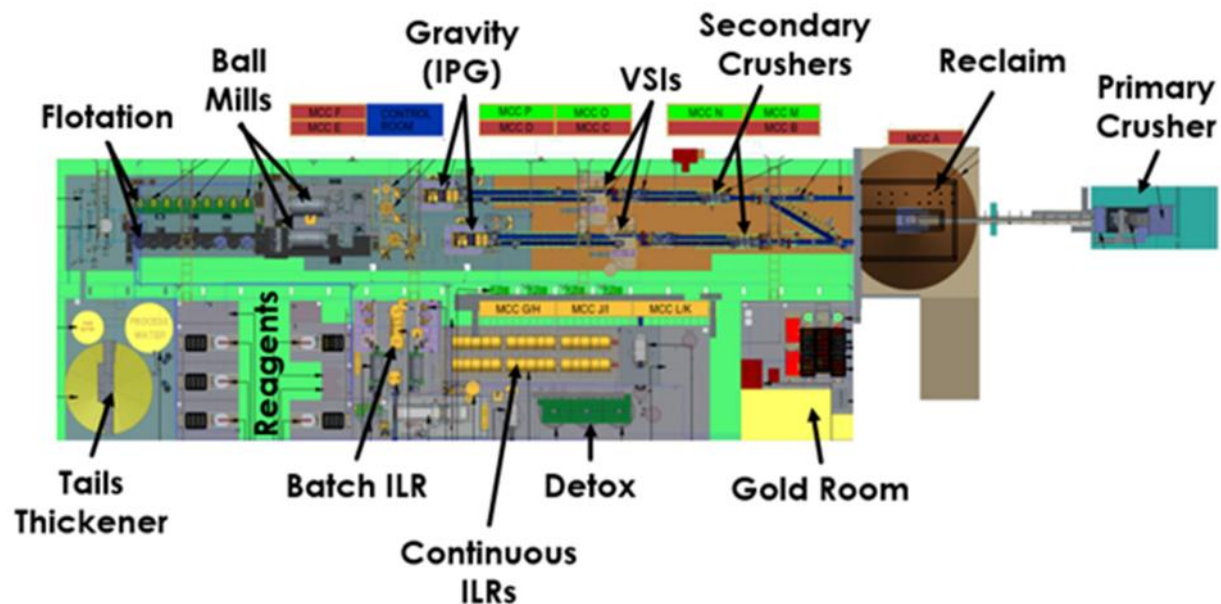


Figure 10: Resin column module in factory acceptance testing at Gekko's Ballarat facility.



Figure 11: Secondary crusher module in factory acceptance testing at Gekko's Ballarat facility.



Figure 12: Loading MCC modules for delivery by C130 Hercules aircraft to Hope Bay on specially designed skids. The MCC's were the largest volume item capable of being transported on this type of aircraft. The 10 MCC modules were airlifted to site to accelerate the Processing Plant assembly schedule.



EXPLORATION

2016 Exploration outlook

With the completion of the \$9.0 million flow-through common share financing on March 18, 2016 (the “**FT Financing**”), the exploration and geoscience budget for 2016 was increased to \$17.1

million. The primary objective of the 2016 exploration and evaluation program is to support the advancement of Hope Bay through continued geological modelling, diamond drilling and metallurgical test work and resource definition at both Doris and Madrid. The 2016 exploration drilling program comprises surface and underground diamond drilling targeting both near-term (one to three year) production areas and longer-term expansion of resources at Doris. The main objectives are to facilitate detailed stope design within certain areas of the current Doris mine plan and to potentially add significant high-grade gold ounces to the Doris Mineral Resource base. A second objective of the 2016 exploration program is to continue to refine the geological understanding of the Madrid North Deposit and continue to upgrade and expand the Naartok resource. A third objective of the 2016 exploration program is to undertake regional exploration work outside of the three known deposits at Doris, Madrid and Boston. The two airborne geophysical surveys covering the Hope Bay belt that had been started in the 2015 field season were completed during the second quarter of 2016. In addition to regional geophysical surveys, a surface gold in till sampling program was initiated within the northern portion of the Hope Bay belt to advance and refine high priority exploration targets near existing infrastructure.

Hope Bay

Overview

The progress of the surface and underground drill programs for 2016 to June 30, 2016 is provided in Table 4 below.

Table 4: Results of the surface and underground drill programs for six months ended June 30, 2016 compared with the plan for the 2016 year.

	Six months ended June 30, 2016 Actual	2016 Full year plan	Variance
<i>Surface drilling</i>			
- Doris North and Connector zones	5,410	8,000	(2,590)
- Madrid North	3,980	9,600	(5,620)
- Regional exploration	2,970	4,380	(1,410)
Total	12,360	21,980	(9,620)
Direct cost per metre	291	276	(15)
All in cost per metre	426	380	(46)
<i>Underground drilling</i>			
- BTD Zone	9,880	12,000	(2,120)
Direct cost per metre	164	166	2
All in cost per metre	280	268	(12)

Surface diamond drilling is focused on resource expansion and exploration in the southern portion of the Doris trend in the Doris Connector and Doris Central zone areas with 8,000 metres of drilling planned. A total of 12,500 metres of surface diamond drilling is planned for the Madrid North area, with 9,600 metres allocated to upgrading inferred resources and expanding the known mineralization and 2,900 metres of diamond drilling planned for additional exploration within the Madrid North trend. An additional 1,480 metres of surface diamond drilling was budgeted to target high priority regional exploration targets outside of the Doris and Madrid trends. The surface

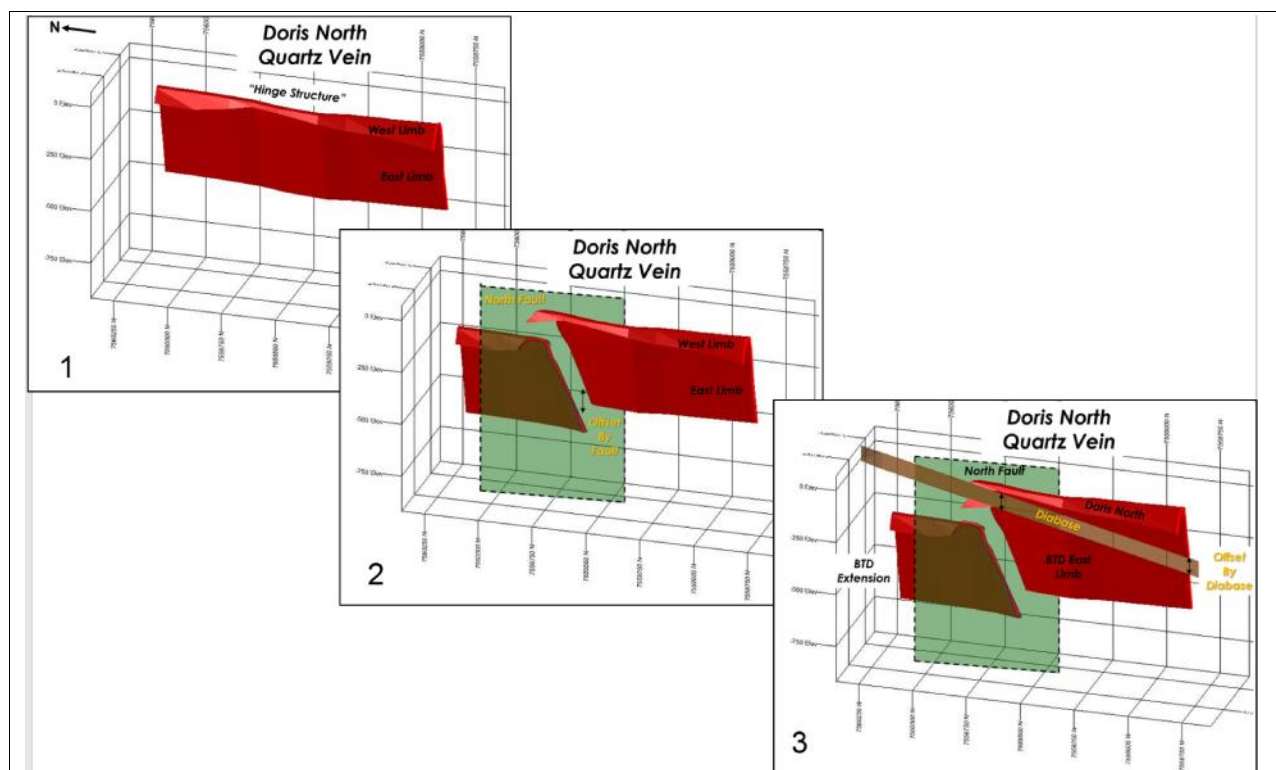
exploration diamond drilling program at Doris was stopped in July 2016 to focus on the BTD Zone from underground drilling platforms. A total of 12,000 metres of underground diamond drilling is budgeted for 2016, with 6,000 metres focused on infill drilling and 6,000 metres focused on resource expansion. A 300 metre exploration drift was developed to provide additional underground drilling platforms to drill the BTD Zone.

Drilling costs per metre to June 30, 2016 were higher than the full 2016 year plan due to the later than expected start-up of the drilling program and the absorption of proportionately higher camp overhead costs per metre due to fewer metres being drilled.

Development of the BTD Zone exploration drift continued and was sufficiently advanced to allow the start-up of underground drilling in late March. Drilling is focused on defining additional resources at the BTD Zone and infill drilling within the Doris North Indicated Mineral Resources to facilitate detailed mine planning and stope design.

Doris

Figure 13: Doris North Deposit schematic model illustrating the timing of offset of the BTD Extension and BTD East Limb zones by the North Fault below the diabase dyke. Stage 1 shows the East Limb mineral envelope (red) projected as a sheet-like feature extending almost vertically below the 'Hinge Structure' which represents the current upper termination of gold mineralization. Stage 2 shows the bisection of the gold mineralization by the northwest/southeast-oriented North Fault (green). The gold mineralization is down-dropped on the north side of the North Fault and is known as the BTD Extension. Stage 3 illustrates the current arrangement of the major mineralized zones at Doris North. The diabase dyke has been emplaced as a shallowly east-dipping, sill-like intrusion (brown) that separates the known Doris reserves (above) from the East Limb BTD. With the intrusion of the diabase dyke, the BTD Extension is displaced down 175 metres from Doris Hinge. North is to the left in each stage.



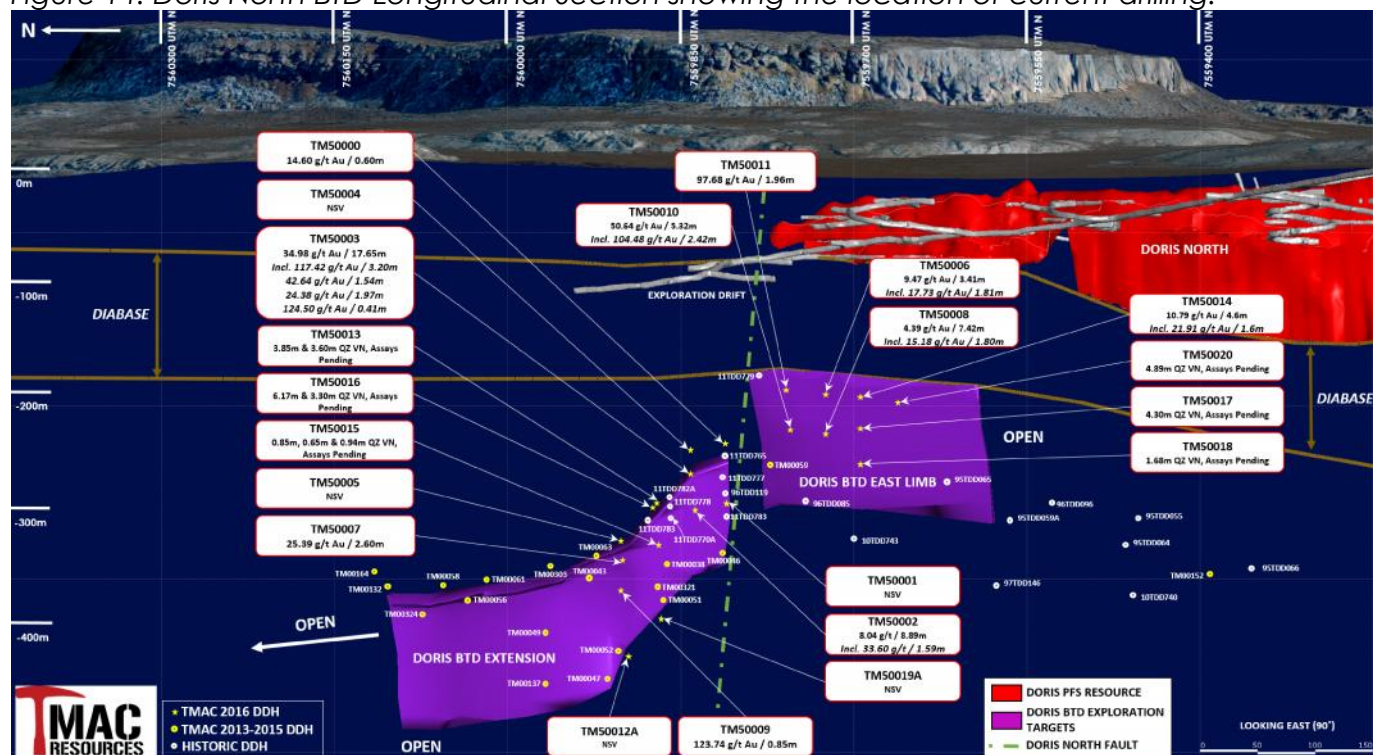
The Doris North BTD Extension is interpreted as the fault offset continuation, beneath the diabase dyke, of the Doris hinge structure. In addition to offsetting the Doris North hinge structure below the dyke, the offset fault also forms a break where the Doris North “east” limb mineralization continues to the south of the BTD Zone extension. A schematic model of the BTD Zone is provided below. These areas of the Doris North BTD Zone have the potential to add significant ounces of gold to the Doris mineral resource base.

Development of the exploration drift in the first quarter of 2016 has provided underground drilling platforms required to define the BTD zones. Initial drilling results are positive and were reported by News Release dated June 7, 2016. Underground diamond drilling on the BTD Zone continued throughout the second quarter of 2016 as TMAC continues to refine the geological interpretation and model providing the information necessary for initial resource estimation and potential development of the BTD Zone. Drilling Highlights of the BTD Zone:

) TM50003	Doris North BTD Extension	35.0 g/t Au over 17.7 metres
) TM50007	Doris North BTD Extension	25.4 g/t Au over 2.6 metres
) TM50010	Doris North BTD East Limb	50.6 g/t Au over 5.3 metres
) TM50011	Doris North BTD East Limb	97.7 g/t Au over 2.0 metres

Please see the News Release dated June 7, 2016 entitled “TMAC Intercepts High-Grade Gold Mineralization Below Current Reserves at the Doris Mine, Hope Bay” for the complete results of drilling and for the additional disclosures required under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

Figure 14: Doris North BTD Longitudinal Section showing the location of current drilling.



Underground sill development within the Doris North Deposit has continued throughout the second quarter. Geological mapping and chip sample assays continue to demonstrate good geological continuity and sample assays are high-grade, consistent with the resource model in

this area. This information will further refine the geological model and provide grade information required for detailed stope design.

Madrid

A summer helicopter drilling program was initiated in mid-April and continued through July. A total of 9,600 metres of diamond drilling is planned for the Madrid North area. Drilling is focused on infill drilling within the Naartok zone and defining mineralization not currently accounted for in the Madrid North resource. Significant mineralization has been intersected in historical diamond drillholes. The mineralization is associated with intense brecciation and alteration within the mafic volcanic host rocks. Drilling in 2016 is to define the geometry of the breccia and provide data required for initial resource estimation. To the end of June 2016, 13-drill holes have been completed at Naartok focused on refining the controls and distribution of near-surface gold mineralization. In addition to drilling within the Naartok zone, gold in till anomalies and limited historical drilling indicate the Madrid North mineralized system extends north from the Naartok zone, through the Akunniq area as discussed below under *Regional Exploration*.

Regional exploration

Between Doris and Madrid

The regional exploration program, funded from the FT Financing, provides for 4,380 metres of surface diamond drilling designed to follow-up on high priority exploration targets within the northern portion of the Hope Bay belt. The Akunniq area remains one of the highest priority targets including an area marked by a gold grain-in-till dispersal train that extends for several km down-ice of the Naartok Deposit, with till samples containing pristine gold grains. Based on total gold grain counts and pristine gold grain morphology, multiple dispersal trains have been identified in the Akunniq area suggesting multiple sources of gold mineralization. Three diamond drillholes were completed on the Akunniq target area with assay results pending.

Hope Bay and Elu belts

The two geophysical survey programs, initiated in 2015, have now been completed for the 2016 season. These include SkyTEM Mag/EM on the Hope Bay and Elu belts and the CGG Helifalcon gravity gradiometry survey on the Hope Bay Belt. CGG completed the gravity gradiometry survey in April and final data processing is complete and final reports have been received. SkyTEM has completed the Mag/EM survey on the Hope Bay belt during the second quarter. Also, in May, SkyTEM completed 665 km of the remaining 1,028 km to be surveyed on the Elu belt. The surveying was scheduled to be completed on May 13, 2016 but was suspended with 363 km remaining on the Elu North block and the survey equipment was demobilized to open up needed camp bed space for construction personnel. Although not 100% complete, all claims remain in good standing through 2017 or longer.

Overburden Drilling Management has completed a glacial till sampling program during the period June 17, 2016 to July 15, 2016 within seven target areas in the northern portion of the Hope Bay Belt: Doris North; Qaigtug; Akunniq; Init; Qamaniq; Kamik; and, Patch East Targets. Samples will be analyzed for total gold grain counts and gold grain morphologies which will be used to define glacial dispersal trains and potential bedrock source(s) of the gold-in-till. Results of these surveys will assist in refining future regional drilling targets.

PERMITTING

TMAC is in possession of all Federal and Territorial approvals required to commence initial production at Doris. Since the acquisition of Hope Bay in March 2013, TMAC has operated in compliance with its environmental approvals and has successfully administered a rigorous environmental monitoring and reporting program. TMAC has also maintained the rigorous baseline data collection programs required to support the future permitting of additional mining areas, including those at Madrid and Boston.

TMAC has established an on-going permitting program to ensure long-term regulatory compliance of mining activity at Hope Bay. The program takes a three-pronged approach designed to: increase the tonnage and mine life at Doris; allow the Company to extract bulk samples from the Madrid South and Madrid North areas; and, extend commercial mining to the Madrid and Boston areas of Hope Bay.

Doris

Prior to TMAC's acquisition of Hope Bay, a Project Certificate had been issued by NIRB and a Type A Water License, which is needed for mining, was issued by NWB for Doris. The Doris Project Certificate is for the life of the Doris mine while the Doris Water License expires in August 2023. Together these two permits allow for the mining, milling, use of water, placement of waste, and construction and operation of attendant infrastructure for Doris. The Company is not restricted to a daily mining rate and is, instead, currently permitted to mine up to an aggregate of 0.46 million tonnes. The Doris Permit Amendments are to take this amount up to 2.5 million tonnes. To place tailings at Doris, a TIA was sited, approved under Federal regulations and partially developed at a nearby lake. This area was re-designated under the Federal Fisheries Act as a TIA in accordance with the provisions of the Metal Mines Effluent Regulations – Schedule 2.

TMAC submitted the application for the Doris Permit Amendments in mid-June 2015 and has continued to work towards receiving approvals in 2016. During September 2015, consultation meetings were held in the communities of Gjoa Haven, Kugaaruk, Taloyoak, Cambridge Bay and Kugluktuk to inform the community members about the Doris Permit Amendment application and enable participants to ask questions and provide input on matters relating to the Doris Permit Amendment application. Technical meetings for both the NIRB and the NWB processes were held with various government, regulatory, Inuit and other interested parties (the **"Reviewing Parties"**) at the end of January 2016 with all issues reviewed and discussed. A public hearing was held for the NIRB process with the Reviewing Parties and the general public from April 12 to 14, 2016 whereat all NIRB process issues were resolved and the file was closed. In its June 13, 2016 public hearing report to the Minister of Indigenous and Northern Affairs Canada (**"INAC"**), NIRB recommended that the amendments, as identified in TMAC's application, be allowed to proceed. Once the INAC Minister accepts NIRB's recommendation, expected shortly, an amended Project Certificate will be issued shortly thereafter. Amendment of the current Type A Water License involves review by the NWB. A public hearing into the Water License provisions will be held in September 2016 and, if successful, it is anticipated that a draft amended Water License will be provided to the INAC Minister by approximately the end of October, after which the Minister has 45 days to review the recommendation.

Other permits include authorizations from the Department of Fisheries and Oceans (the **"DFO"**) (for the life of mine), a navigable waters permit from Transport Canada (for the life of mine) and a jetty lease from INAC for the Roberts Bay jetty which expires in July 2017. At the beginning of July 2015, TMAC informed INAC of its wish to renew the jetty lease and does not anticipate any

difficulties in obtaining the renewal. Further discussions have been held with INAC and the amendments to the applicable leases and permits will include updating the lease on the current jetty as well as provisions covering new in-water infrastructure associated with the effluent discharge pipeline into Roberts Bay. These permissions are expected to be in place by mid-2017.

Madrid and Boston and the remaining Hope Bay Belt

To carry out exploration in Nunavut, a Type B water license must be received from the NWB. TMAC holds two Type B water licenses, one for the Boston area at the southern end of the Hope Bay Belt, which permitted the extraction of a bulk sample of ore by a previous owner that is currently stockpiled at the Boston site, and a second one for exploration drilling over the Hope Bay greenstone belt.

Madrid advanced exploration application

The Company has submitted an application to NWB for a new Type B water license for advanced exploration, including the collection of bulk samples of up to 21,000 tonnes from each of Madrid North and Madrid South. The NWB referred the application to the NIRB for screening. On June 24, 2016, the NIRB determined that the Madrid advanced exploration project could proceed as an exception to the assessment of commercial mining of Madrid and Boston and returned the application back to the NWB for granting of the Type B water license. Water and waste management plans, included in the applications submitted in December 2014, are currently under consideration by the NWB. The Company will await the NWB's completion of its deliberations on the Doris Permit Amendments before seeking final approval of the Madrid advanced exploration application. This could move final approval of the application to late 2016 or 2017.

Commercial mining at Madrid and Boston

The long-term mining plan for Hope Bay includes the development of commercial mining operations at the Madrid and Boston sites. The bulk sample program currently under permitting consideration is an integral part of determining the viability of the Madrid deposits. For the Boston deposits, it is anticipated that plans for commercial development would be derived from existing knowledge augmented by additional exploration undertaken in the future.

From a permitting perspective, commercial mining at Madrid and Boston requires a two-stage process. The first stage involves initiating an environmental impact review process covering the proposed developments. The Company has initiated the preparation of the DEIS for submission to NIRB to cover the anticipated development and associated impacts of extending commercial mining to the southern portion of Hope Bay to include mines at Madrid and Boston. The Company plans to submit the DEIS in the fourth quarter of 2016 and anticipates, based on similar projects, an approximately two-year review period before a project certificate covering the southern developments is issued by NIRB. The second stage of the permitting process entails acquiring Type A water licenses from NWB to cover the proposed mining operations. TMAC anticipates that these can be obtained approximately one year following receipt of the project certificate from NIRB.

Environmental rehabilitation bonding

As part of TMAC's purchase of Hope Bay in March 2013, TMAC assumed environmental rehabilitation responsibilities for Hope Bay. Newmont had certain financial institutions provide Letters of Credit to INAC, DFO and KIA for bonding of Hope Bay environmental rehabilitation

liabilities. The purchase agreement with Newmont required Newmont to provide these Letters of Credit at Newmont's cost until June 30, 2014, after which Newmont agreed to continue to provide this support until an agreement between Newmont and TMAC could be negotiated that would provide an acceptable return to Newmont for providing this credit from July 1, 2014 onwards. On December 5, 2014, TMAC and Newmont entered into an agreement, effective July 1, 2014, whereby Newmont would continue to maintain the Letters of Credit until December 31, 2015. Beginning with the calendar quarter ending September 30, 2014, TMAC was required to make a cash payment to Newmont on the 15th calendar day after the last day of each calendar quarter in an amount equal to 8.4% of the average of the aggregate of the face values of the Letters of Credit for such prior calendar quarter multiplied by the number of days in the calendar quarter divided by 365. TMAC made all such cash payments.

In mid-December 2015, TMAC issued Letters of Credit totaling \$18,006,000, collateralized by TMAC's restricted cash deposits at a financial institution, to replace the Letters of Credit maintained by Newmont thereby terminating TMAC's obligations under the December 5, 2014 agreement. TMAC made its final payment of interest to Newmont for its support of the Letters of Credit in early January 2016. Newmont had a general security agreement in place for the Letters of Credit that was cancelled on January 22, 2016. During the period ended June 30, 2016, a Letter of Credit for \$467,000 issued to the DFO was returned after TMAC completed all the work associated with the Letter of Credit.

Additional Letters of Credit, that will be cash collateralized, will be issued on receipt of the Doris Permit Amendments as required by the environmental rehabilitation plan submitted as part of the application. The environmental rehabilitation liability is expected to increase due to the installation and commissioning of the Processing Plant and additional reclamation bonding required in relation to the TIA.

In addition to the Letters of Credit the Company maintains for environmental rehabilitation liabilities to INAC and the DFO, pursuant to the Framework Agreement, TMAC is required to provide the KIA with additional environmental rehabilitation assurance that, essentially, provides twice the amount of assurance required by the Federal regulators on certain aspects of the Hope Bay Project's environmental rehabilitation, totaling \$9,700,000 (the "**Overbonding Amount**"). The Overbonding Amount is secured by a general security agreement with the KIA (the "**KIA GSA**"). Pursuant to the Credit Agreement (defined below), the KIA GSA was subordinated to the Debt Facility. Also as part of 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. The first such Letter of Credit, with a face amount of \$400,000, was issued in April 2015. During 2016, the Company transferred an additional \$485,000 to restricted cash pursuant to an Overbonding Amount. The Letters of Credit are collateralized through a cash deposit that is included in restricted cash.

FINANCIAL AND CORPORATE

Bought Deal Financing

On July 19, 2016, TMAC completed a Bought Deal Financing of an aggregate of 3,975,000 Common Shares from the Company and 2,120,000 Common Shares from RCF, a major shareholder, at a price of \$15.10 per Common Share for gross proceeds of approximately \$92.0 million. Approximately \$60.0 million of the gross proceeds were received by the Company and approximately \$32.0 million of the gross proceeds were received by RCF including the over-allotment option exercised by the underwriters.

Flow-Through Financing

On March 18, 2016, the Company completed the FT Financing 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 million.

The gross proceeds from the sale of the Flow-Through Common Shares will be used for expenditures which qualify as Canadian exploration expenses (“**CEE**”) (within the meaning of the *Income Tax Act* (Canada)). The Company will renounce such CEE with an effective date of no later than December 31, 2016. Newmont and RCF indirectly acquired 242,979 shares and 250,227 shares, respectively, of the FT Financing to hold at that time 29.4% and 35.4%, respectively, of the Company’s then issued and outstanding Common Shares.

Debt Facility

On July 23, 2015, TMAC entered into a definitive 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 the Debt Facility having an aggregate principal amount of up to US\$120 million and maturing on December 31, 2018. Advances under the Debt Facility bear interest at 8.75% per annum, compounded and payable quarterly. Until September 30, 2017, the Company has the option to pay interest in cash or defer such interest, in which case such interest will continue to be outstanding and accrue interest at the same rate as the rate stipulated in the Debt Facility until paid in full. The Debt Facility 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.

As partial compensation for entering into the Debt Facility, the Company issued the Lenders 1,900,000 share purchase warrants (the “**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 closing price per Common Share is higher than \$15.00 for 20 consecutive trading days at any time after July 23, 2016. The fair value of the Warrants on the date of issuance was \$2,936,000, calculated using the Black Scholes option pricing model. 516,167 Warrants were exercised during the three month period ended June 30, 2016 and 1,383,834 Warrants remain outstanding as at June 30, 2016.

Also as partial compensation for entering into the Debt Facility, the Company issued the Lenders call options for 12,000 ounces of gold at a strike price of US\$1,140 per ounce with a term of five years expiring July 23, 2020 (the “**Gold Call Options**”). 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 fair value of the Gold Call Options on the date of issuance was \$3,131,000 calculated using the Black-Scholes option pricing model. The Gold Call Options are revalued every reporting period with any resultant fair value adjustment recorded in the Statement of Profit or Loss. The fair value at June 30, 2016 was calculated as \$5,042,000 and a loss of \$2,311,000 was recorded in the Statement of Profit or Loss in the six month period ended June 30, 2016 to record the fair value adjustment.

In addition to the Warrants and Gold Call Options, \$3,455,000 of transaction costs were incurred to date, including a \$1,547,000 (US\$1,200,000) payment to the Lenders as an arrangement fee, plus legal, due diligence costs and other costs. The cash transaction costs, the \$2,936,000 fair

value of the Warrants and the \$3,131,000 fair value for the Gold Call Options total \$9,522,000. These costs will be recognized in the Statement of Profit or Loss over the term of the Debt Facility. 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 1.0% of the outstanding balance of the Debt Facility on each such Anniversary Date, payable at TMAC’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.

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 equal to the remaining amount owed under the Debt Facility on December 31, 2018. The Credit Agreement stated that the Company can draw under the Debt Facility until June 30, 2016 (with an extension to August 31, 2016 under certain conditions), subject to a minimum amount per draw of US\$20 million. On June 22, 2016, TMAC entered into an agreement with the Lenders to extend to December 31, 2016 the period during which the Company can draw on the remaining funds under the Debt Facility. The remaining conditions precedent to drawing the Debt Facility’s remaining US\$70 million balance at June 30, 2016 are the receipt by the Company of: (i) an amended Project Certificate from the Nunavut Impact Review Board, and (ii) an amended Water License from the Nunavut Water Board for Doris, which conditions may be waived at the discretion of the Lenders.

The first drawdown, totaling US\$50.0 million, was completed on February 10, 2016. On July 7, 2016, the Company drew down an additional amount of US\$35.0 million under the Debt Facility upon receiving a Waiver in respect of this amount leaving a US\$35.0 million balance available to be drawn.

The Debt Facility was secured by the date of the first drawdown by a first ranking charge over all of the Company’s present and subsequently acquired property, plant and equipment subject to certain limited exceptions.

Results of operations

Table 5: Results of operations for the three and six months ended June 30, 2016 compared with the three and six months ended June 30, 2015.

	Three months ended			Six months ended		
	Jun 30, 2016 \$000s	Jun 30, 2015 \$000s	Change \$000s	Jun 30, 2016 \$000s	Jun 30, 2015 \$000s	Change \$000s
Expenses						
Salaries and wages	1,259	793	466	2,902	1,294	1,608
Share-based payments	786	446	340	1,362	1,525	(163)
Professional fees and consulting	145	251	(106)	304	384	(80)
Travel	86	99	(13)	175	118	57
Investor relations	146	27	119	293	55	238
Depreciation	4	4	-	8	8	-
Office, regulatory and general	258	109	149	496	228	268
Loss before the following	2,684	1,729	955	5,540	3,612	1,928
Finance income	(157)	(110)	(47)	(297)	(230)	(67)
Finance expense	167	512	(345)	357	1,014	(657)
Business development expenses	-	711	(711)	-	711	(711)
Foreign exchange loss (gain)	180	(128)	308	(3,313)	(127)	(3,186)
Fair value adjustments	820	-	820	2,311	-	2,311
Other	35	96	(61)	61	175	(114)
Loss before income taxes for the period	3,729	2,810	919	4,659	5,155	(496)
Deferred income tax recovery	(741)	(289)	(452)	(1,466)	(506)	(960)
Net loss and comprehensive loss for the period	2,988	2,521	(467)	3,193	4,649	(1,456)

Results of operations for the three and six month periods ended June 30, 2016 and 2015

Net loss and comprehensive loss for the three and six months ended June 30, 2016 were \$2,988,000 and \$3,193,000, respectively, compared with \$2,521,000 and \$4,649,000, respectively, for the three and six months ended June 30, 2015. The reasons for the fluctuations in the three month periods are described below.

Salaries and wages for the three and six months ended June 30, 2016 were \$1,259,000 and \$2,902,000, respectively, compared with \$793,000 and \$1,294,000 for the three and six months ended June 30, 2015. The quarterly expense was higher in 2016 due to an increase in the number of support personnel as the Company ramps up the development of the Hope Bay Project.

Share-based payments related to the expense for share purchase options (“**Options**”) which, for the three and six months ended June 30, 2016, were \$786,000 and \$1,362,000, respectively, compared with \$446,000 and \$1,525,000, respectively, for the three and six months ended June 30, 2015. Options granted in 2016 vest in three equal annual tranches commencing on the first anniversary of the grant. Options granted during 2015 and earlier vest over a two-year term with one-third vesting immediately and one-third vesting on each of the two subsequent anniversary dates of the grant. The difference in vesting periods resulted in the change in the share-based payments costs. Share-based payment expenses are recognized as the corresponding Options vest and are calculated using the Black-Scholes option pricing model. The revised vesting period for new Options issued from 2016 onwards results in new Option grants being expensed over a

longer period and reduces the expense recognized in the first year after granting the Options. In addition to the share-based payment expense, the Company capitalized \$194,000 of share-based payments to property, plant and equipment in the six months ended June 30, 2016 compared with \$578,000 in the six months ended June 30, 2015.

The remaining general and administrative expenses represented regulatory compliance costs to operate the Company, maintain and expand the Toronto office and market the Company to existing and potential investors.

Finance income for the three and six months ended June 30, 2016 was \$203,000 and \$401,000, respectively, of which, \$46,000 and \$104,000 was capitalized as borrowing costs in each respective period, resulting in net finance income of \$157,000 and \$297,000, respectively, compared with \$110,000 and \$230,000 of finance income, respectively for the three and six months ended June 30, 2015. No finance income was capitalized in the three and six month periods ended June 30, 2015. Finance income was earned on the average cash balances on hand during the respective periods.

Finance expense for the three and six months ended June 30, 2016 was \$167,000 and \$357,000, respectively, compared with \$512,000 and \$1,014,000, respectively, for the three and six months ended June 30, 2015. Finance expense during the three and six months ended June 30, 2016 includes the accretion of the provision for environmental rehabilitation and interest charges on the Letters of Credit. Interest charges of \$1,412,000 and \$2,230,000 and amortization of transaction costs of \$337,000 and \$526,000 on the Debt Facility, totaling \$1,749,000 and 2,756,000, respectively, for the three and six months ended June 30, 2015 were capitalized as borrowing costs. Finance expense during the three and six months ended June 30, 2015 includes the interest charged by Newmont to support the Letters of Credit and the accretion of the provision for environmental rehabilitation. The decrease in Newmont's interest charges during the three and six months ended June 30, 2016, compared with the same period for 2015, was due to the issuance by TMAC in mid-December 2015 of replacement Letters of Credit resulting in the termination of the agreement with Newmont that provided support for the Letters of Credit.

Foreign exchange gains for the three and six months ended June 30, 2016 resulted from the strengthening of the Canadian dollar on the revaluation of the Company's US\$50 million borrowings under the Debt Facility, partially offset by the revaluation of the Company's US dollar cash balances.

Fair value adjustments for the three and six months ended June 30, 2016 resulted from the increase in the price of gold from US\$1,060 per ounce at December 31, 2015 to US\$1,320 per ounces at June 30, 2016 and the resultant fair value adjustments of the Gold Call Options issued under the Credit Agreement.

Deferred income tax recovery for the three and six months ended June 30, 2016 of \$741,000 and \$1,466,000, respectively, relates to the loss incurred in the periods, partially offset by the net expense for the renunciation of CEE for flow-through shares of \$25,000 recognised in the three months ended June 30, 2016. The deferred income tax recovery for the three and six month periods ended June 30, 2015 of \$289,000 and \$506,000, respectively, included a recovery of \$615,000 and \$956,000 for the losses incurred during the respective periods, partially offset by an expense for the renunciation of CEE for flow-through shares of \$326,000 and \$450,000.

Summary of quarterly results

Table 6: Summary of certain of the Company's quarterly financial information for the eight quarters ended June 30, 2016:

	Jun 30 2016 \$000s	Mar 31 2016 \$000s	Dec 31 2015 \$000s	Sep 30 2015 \$000s	Jun 30 2015 \$000s	Mar 31 2015 \$000s	Dec 31 2014 \$000s	Sep 30 2014 \$000s
Loss for the period	2,988	205	3,065	1,851	2,521	2,128	4,469	1,245
Loss per share	\$0.04	\$0.00	\$0.04	\$0.02	\$0.05	\$0.04	\$0.11	\$0.03
Cash and cash equivalents	37,217	83,723	44,101	84,991	23,414	59,108	32,044	41,959
Total assets	931,130	927,091	854,431	858,215	705,871	701,515	657,183	654,409
Deficit	25,208	22,220	22,015	18,950	17,099	14,578	12,450	7,981

The Company does not currently generate any revenue. At this time, seasonality or commodity market fluctuations have limited direct impact on the Company's results of operations.

TMAC's loss in each period primarily reflected the level of general and administrative expenses, a foreign exchange gain of \$3,493,000 in the first quarter of 2016 related to the Debt Facility and US Dollar denominated cash balances that were partially offset with a fair value adjustment of \$1,491,000 from the revaluation of the Gold Call Options in the same period, a \$1,400,000 impairment charge in the fourth quarter of 2015 for the redundant camp stored at Becancour, Quebec, a loss on the sale of the Durban Plant of \$1,273,000 in the fourth quarter of 2015, first time share-based payment expenses in the second quarter of 2014 and a \$4,538,000 impairment charge for the Durban Plant in the fourth quarter of 2014. Cash balances fluctuated as a result of the various financings, offset by expenditures in the period. Total assets increased primarily as a result of financings and expenditures on the Hope Bay Project.

Financial position

Cash and liquidity

Cash and cash equivalents totaled \$37,217,000 as at June 30, 2016 compared with \$44,101,000 at December 31, 2015. The decrease in cash and cash equivalents resulted from expenses incurred to advance the development of Hope Bay, partially offset by the proceeds from the Debt Facility drawdown on February 10, 2016, the FT Financing and the proceeds received with the exercise of the Warrants.

The US and Canadian cash and cash equivalents are held on deposit with major Canadian banks.

Amounts receivable

Receivables of \$2,524,000 as at June 30, 2016 were primarily composed of \$2,026,000 of sales taxes receivable, interest receivable of \$254,000 and \$191,000 of recoverable diesel fuel taxes receivable, compared with \$3,996,000 as at December 31, 2015 that mainly related to sales and recoverable diesel fuel taxes. The decrease in sales taxes receivable is due to the receipt during 2016 of sales taxes receivable relating to the 2015 sealift.

Consumables, materials and supplies

The balance at June 30, 2016 included \$10,741,000 of diesel fuel, \$708,000 of jet fuel and \$8,690,000 of spare parts and other materials and supplies, compared with the balance at December 31, 2015 which included \$16,081,000 of diesel fuel, \$1,067,000 of jet fuel and \$9,338,000 of spare parts and other materials and supplies. Diesel fuel inventory declined due to the generation of electricity used for heating and lighting the camp by diesel generators and the operation of surface and underground diesel equipment. Additional diesel fuel was ordered and will be delivered to site in the 2016 sealift.

Spare parts and other materials and supplies consist of warehouse inventory and spare parts required for mining, development and exploration activities. The amount declined from \$9,338,000 at December 31, 2015 to \$8,690,000 at June 30, 2016 due to consumption of inventory as a result of the increase in mine development activities. Additional spare parts and other materials and supplies were ordered and will be delivered to site in the 2016 sealift.

Prepaid expenses

Prepaid expenses of \$8,936,000 as at June 30, 2016 were primarily composed of advances for consumables, materials and supplies ordered as part of the 2016 sealift, compared with \$2,152,000 as at December 31, 2015 that mainly related to prepaid insurance and deposits for the 2016 exploration drilling program at Hope Bay.

Equipment held for sale

A 56 room, 98-person, camp that was acquired as part of the purchase of the Hope Bay Project in 2013 remains stored at Becancour, Quebec. After assessing transportation costs and the design of this stored camp, TMAC has identified better alternatives for its needs at Hope Bay and initiated the process at the end of 2015 to sell the stored camp.

Property, plant and equipment

Table 7: Details of the Hope Bay Project's capitalized expenditures:

	Balance Dec 31, 2015 \$000s	Additions \$000s	Balance Jun 30, 2016 \$000s
Property	214,812	1,199	216,011
Plant and Equipment	296,200	42,828	339,028
Mobile Equipment	20,567	5,669	26,236
Development and engineering	14,595	11,835	26,430
Camp and Logistics	32,819	11,361	44,180
Drilling and Assaying	40,426	6,014	46,440
Environment	14,542	3,203	17,745
Evaluation	2,274	-	2,274
Geology	4,578	3,810	8,388
Share-based payments	1,588	194	1,782
Environmental Liability Adjustment	7,054	(294)	6,760
Borrowing costs capitalized	-	2,652	2,652
Total	649,455	88,471	737,926

Effective April 1, 2015, Doris transitioned from the exploration and evaluation stage to the development stage. All projects, other than Doris, are currently in the exploration and evaluation stage.

Property expenditures include land claim payments to the Federal government and the annual payment for surface access rights to the KIA. The expenditures also include property taxes paid to the Government of Nunavut.

Plant and equipment expenditures mainly consist of engineering and fabrication costs related to the Processing Plant and the Mill Building and the costs to date to pour foundations and to erect the Mill Building.

Mobile equipment expenditures relate to equipment purchases required for the preparation of Doris for development and development costs after April 1, 2015.

Development and engineering costs relate to an underground test mining project at Doris that commenced in the second quarter of 2015 and to Doris development that commenced in earnest in the fourth quarter of 2015 and continues to date.

Camp and logistics costs relate to costs for running the camp, including diesel fuel used in the power plant to generate electricity for the camp, transporting people, equipment and materials to and from site, and contractors' costs for general site supervision, medical, catering, cleaning and waste management services.

Drilling and assaying costs were incurred for drilling programs. Drilling costs mainly consist of contractor costs for drilling and helicopter services for providing support to the drill crews, including the mobilization of drill rigs.

Environment costs, primarily consist of consulting and legal fees, and were incurred to perform compliance activities to maintain permits, support permitting activities to obtain additional permits and the performance of studies to support permit applications.

Geology costs mainly consist of consulting fees and software expenditures to analyze and model drilling results.

Share-based payments relate to share-based payments for employees whose salary costs are capitalized to one of the other property, plant and equipment categories described above.

Environmental liability adjustments represent the change in the provision for environmental liabilities due to changes in assumptions used to calculate the provision. The changes mainly relate to the discount and inflation rates used in the calculation of the liability.

Goodwill

Goodwill of \$80,600,000 relates to the acquisition of the Hope Bay Project and was 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 and their tax base at the date of acquisition.

Restricted cash

Restricted cash of \$29,141,000 as at June 30, 2016 comprises investments in guaranteed investment certificates to collateralize the Letters of Credit for the \$18,006,000 of environmental rehabilitation liabilities, \$10,000,000 as a minimum cash balance requirement under the Debt Facility, \$885,000 for the Overbonding Amount and \$250,000 for security for the annual payment under the Framework Agreement.

Other assets

Other assets of \$14,159,000 as at June 30, 2016 decreased from \$28,497,000 at December 31, 2015 as a result of the transfer to property, plant and equipment of items previously classified as prepayments for long-lead items and the transfer to the Debt Facility of a portion of the transaction costs. The balance as at June 30, 2016 consists of: \$5,608,000 of transaction costs related to the transaction costs incurred under the Credit Agreement for the undrawn portion of the Debt Facility; and, \$8,551,000 deposited for the purchase and transportation of assets to be delivered to the Hope Bay Project during the 2016 sealift.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased to \$13,560,000 at June 30, 2016 from \$12,735,000 at December 31, 2015. The increase is primarily due to the ramp up of development activities at Doris, the exploration program and fabrication costs related to the Processing Plant.

Gold Call Options

The *Gold Call Options* were issued under the Credit Agreement and are carried at fair value. Fair value adjustments are recorded in the Statement of Profit or Loss.

Provision for environmental rehabilitation

The *provision for environmental rehabilitation* balance as at June 30, 2016 of \$24,719,000 remained unchanged when compared with the December 31, 2015 balance as neither the underlying liability nor the calculation assumptions changed.

Deferred tax

The *deferred tax liability* decreased to \$71,220,000 at June 30, 2016 from \$71,440,000 at December 31, 2015, mainly due to the recognition of deferred tax adjustments relating to the tax effect on the losses incurred during each period.

Equity

Share capital increased to \$767,294,000 at June 30, 2016 from \$755,896,000 at December 31, 2015 due to the completion of the FT Financing on March 18, 2016, the exercise of 516,167 of Warrants and the exercise of options during the period.

Related party transactions

Transactions with Newmont

Newmont is a related party as a result of its 29.2% ownership interest in TMAC's Common Shares. In the three months ended March 31, 2016, the Company paid Newmont \$313,000, compared to \$381,000 in the fourth quarter of 2015, related to finance expenses for environmental reclamation bonding Letters of Credit supported by Newmont and, as TMAC arranged for replacement Letters of Credit by the end of 2015, no additional finance expenses with Newmont were incurred in 2016 and no amounts were owing to Newmont at June 30, 2016, compared to \$313,000 as at December 31, 2015.

Transactions with RCF

RCF is a related party as a result of its 35.1% ownership interest in TMAC's Common Shares at June 30, 2016. In the six months ended June 30, 2016, TMAC reimbursed RCF \$6,000, compared with \$31,000 in the fourth quarter of 2015, for out-of-pocket expenditures incurred by RCF to visit the Hope Bay site and/or conduct due-diligence for their participation in equity financings. On July 19, 2016, RCF sold 2,120,000 shares of the Common Shares of TMAC held by RCF thereby reducing their ownership interest in TMAC to 30.9% at that time.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a development stage project and has not generated revenue or cash flow from its mineral properties. To June 30, 2016, TMAC's cash flow has primarily been generated from the issuance of equity securities in private placements and the IPO and from proceeds under the Debt Facility. In July 2016, TMAC completed the Bought Deal Financing for gross proceeds of \$60 million and completed a drawdown under the Debt Facility in the amount of US\$35 million. From the balance of 2016, the Company anticipates that cash inflows will come from further drawdowns under the Debt Facility.

Cash on hand, working capital and the Debt Facility, if fully drawn, are expected to be sufficient in amount to develop Doris for production, including all reclamation and other bonding requirements, general and administration costs and continuing to conduct planned exploration activities. Proceeds from the Bought Deal Financing are expected to be sufficient to fund the development of the BTB Zone to the end of 2017.

Working capital

Table 8: Working capital⁽¹⁾.

	June 30, 2016 \$000s	December 31, 2015 \$000s	Change \$000s
<i>Current assets</i>			
Cash and cash equivalents	37,217	44,101	(6,884)
Receivables	2,524	3,996	(1,472)
Consumables, materials and supplies	20,139	26,486	(6,347)
Prepaid expenses and other assets	8,936	2,152	6,784
	68,816	76,735	(7,919)
<i>Current liabilities</i>			
Trade and other payables	13,560	12,735	825
Other liabilities	1,110	-	1,110
Working capital	54,146	64,000	(9,854)

(1) Working capital is not a recognized measure under IFRS (see *Non-IFRS Measures* below).

Operating activities

Cash used in operating activities totaled \$9,848,000 for the six month period ended June 30, 2016, compared with cash used in operating activities of \$4,521,000 for the period ended June 30, 2015. The increase is mainly due to the payment of deposits and advances made for the acquisition of consumables, materials and supplies as part of the 2016 sealift.

Investing activities

Investing activities, predominantly related to expenditures on the Hope Bay Project and posting of collateral for the Letters of Credit, resulted in cash outflows of \$77,899,000 for the six-month period ended June 30, 2016, compared with \$44,529,000 for the six month period ended June 30, 2015. The increase was primarily due to the commencement of site development activities, expenditures incurred on the Processing Plant, the Mill Building, the 2016 sealift and an increase in exploration activities.

Financing activities

On February 10, 2016, TMAC satisfied the conditions precedent and completed the first drawdown under the Debt Facility in the amount of \$69.5 million (US\$50 million).

On March 18, 2016, TMAC completed a private placement of 827,206 Flow-Through Common Shares of TMAC at a price of \$10.88 per Flow-Through Common Share for gross proceeds of \$9 million.

COMMITMENTS AND CONTINGENCIES

Table 9: Commitments.

	2016	2017	2018	2019	2020
	\$000s	\$000s	\$000s	\$000s	\$000s
Contractual commitments	22,603	4,214	-	-	-
Debt Facility payments	-	17,573	43,340	-	-
Rental and lease payments	233	426	426	426	-
	22,836	22,213	43,766	426	-

Rental and lease payments mainly consist of office lease commitments for the Toronto office that expire in 2019. Contractual commitments include commitments for the Processing Plant and mobile equipment. The contract for the Processing Plant can be cancelled by providing Gekko with appropriate notice.

TMAC estimates the required annual landholding payments and environmental compliance work for the Hope Bay Project to be approximately \$1.7 million and \$2.5 million, respectively. None of these payments are contractual commitments but are required to maintain the Company's permits and land tenure agreements in good standing. Certain areas of Doris are permitted as an operating mine site resulting in environmental monitoring requirements and costs that are above those of an exploration-only or development-only site. On March 30, 2015, the landholding agreements with the KIA and NTI were renewed for a 20 year term, effective that date.

The Company stores a redundant camp in Becancour, Quebec on a month to month basis for an approximate cost of \$10,000 per month. The stored camp is accounted for as an asset held for sale.

The Company has not made any commitments for years including and subsequent to 2020.

OUTSTANDING SHARE, OPTIONS AND RESTRICTED SHARE RIGHTS DATA

As at August 11, 2016, the Company had 82,982,960 Common Shares, 3,721,972 common share purchase options, 111,809 restricted shares rights and 1,383,834 Warrants for a total of 88,191,656 Common Shares outstanding on a fully-diluted basis.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

NON-IFRS MEASURES

Working capital

This MD&A refers to working capital, which is not a recognized measure under IFRS. This non-IFRS performance measure does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable with a similar measure presented by other issuers. Management uses this measure internally to better assess performance trends. Management understands that a number of investors and others who follow the Company's business assess performance in this way. These data are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

FINANCIAL INSTRUMENTS AND CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of TMAC's financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with IFRS. The preparation of financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

The impact of financial instruments and areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in more detail in the Company's audited annual financial statements for the year ended December 31, 2015 which are available on the Company's website www.tmacresources.com and SEDAR at www.sedar.com.

In addition to the above, assumptions and estimates were made for the valuation of the Gold Call Options and the Warrants using parameters available when the transactions were incurred and in determining the fair value adjustment of the Gold Call Options when the financial statements were prepared.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of TMAC's internal controls over financial reporting and disclosure controls and procedures as at December 31, 2015. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as at December 31, 2015, the Company's internal controls over financial reporting and disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods.

Since December 31, 2015, there have been no material changes to the Company's internal controls over financial reporting and disclosure controls and procedures and their design remains effective.

TMAC's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its internal controls over financial reporting and disclosure controls and procedures will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

TMAC is a mineral exploration, evaluation and development entity, whose activities include the selection, acquisition, exploration, evaluation and development of mineral properties. The Company's current focus is to develop the Hope Bay Project. TMAC's future performance is largely tied to the development of its property interests and other prospective business opportunities and the overall financial markets. Financial markets for mineral companies have been and continue to be volatile, reflecting ongoing concerns about the stability of commodity prices. The Company's financial success will be dependent upon the extent to which it can achieve milestones in developing the deposits at the Hope Bay Project or the economic viability of any new discoveries that it may make. The development of such assets may take years to complete and the resulting revenue, if any, is difficult to determine with any certainty. To date, TMAC has not generated any revenue. The sales value of any minerals mined by TMAC is largely dependent upon factors beyond its control, such as the market value of the commodities produced. There are significant uncertainties regarding the prices of precious metals and the availability of equity financing for the purposes of exploration and development. Global commodity markets remain volatile and uncertain, which has contributed to difficulties in raising equity and borrowing funds. As a result, the Company may have difficulties raising equity financing, if needed, for the purposes of exploring, evaluating and developing mineral properties, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of TMAC to complete the development of and/or further explore or evaluate its current mineral exploration properties and any other property interests that may be acquired in the future.

RISKS AND UNCERTAINTIES

In addition to the risks noted above in the Financial Instruments section of this MD&A, risk factors described in the Company's AIF, dated February 25, 2016 and filed on SEDAR, should be given

special consideration when evaluating trends, risks and uncertainties relating to the Company's business.

NOTE REGARDING SCIENTIFIC AND TECHNICAL INFORMATION

Scientific and technical information contained in this document was reviewed and approved by David King, P.Geo., the Vice President, Exploration and Geoscience of TMAC, and Paul Christman, P.Eng., the Manager of Mining of TMAC, each of whom is a "qualified person" as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("**NI 43-101**").

Information of a scientific or technical nature in respect of the Hope Bay Project other than mineral reserve estimates for the stockpile and exploration information for exploration conducted in 2016 and 2015 is based upon the PFS, entitled "Technical Report on The Hope Bay Project, Nunavut, Canada", dated May 28, 2015, with an effective date of March 31, 2015, prepared by Graham G. Clow, P.Eng., Normand L. Lecuyer, P.Eng., Sean Horan, P.Geo., and Holger Krutzelmann, P.Eng., all of Roscoe Postle Associates Inc., Derek Chubb, P.Eng., of ERM Consultants Canada Inc., Maritz Rykaart, Ph.D., P.Eng., of SRK Consulting (Canada) Inc., and Timothy Hughes, FAusIMM, of Gekko Systems Pty Ltd., who are independent "qualified persons" under NI 43-101.

Mineral reserve estimate for the stockpile

The mineral reserve estimate for the stockpile has an effective date of June 30, 2016 and is based on the estimated grade and recovery rate in the PFS for the portion of the Hope Bay Project that was mined to produce the stockpile.

Exploration

For a complete description of TMAC's sample preparation, analytical methods, data verification and QA/QC procedures that were used in relation to the exploration information disclosed herein, refer to the PFS, as filed on TMAC's profile at www.sedar.com. Further details regarding 2015 exploration activities, please refer to the Company's news releases titled "TMAC Provides Summary Of Exploration And Drilling Results At Hope Bay Project For 2015", dated February 25, 2016 and "TMAC Intercepts High-Grade Gold Mineralization Below Current Reserves at the Doris Mine, Hope Bay" dated June 7, 2016, filed on TMAC's profile at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws that are intended to be covered by the safe harbours created by those laws. "Forward-looking statements" or "forward-looking information" include statements that use forward-looking terminology such as "may", "will", "expect", "anticipate", "envision", "believe", "continue", "potential" or the negative thereof or other variations thereof or comparable terminology. Such forward-looking information in this MD&A includes, without limitation, any economic analysis or projection regarding the Hope Bay Project, including capital and operating costs, cash flow amounts and timing, recoveries and estimated production amounts and timing, mineral reserve estimates, the completion of the development of the Hope Bay Project, the timing for delivery of the Processing Plant and for completion of the Mill Building and associated services, other deliveries being made in 2016, the timing for completion of the TIA, the Path to Production metrics for the pre-production period including the size and grade of the stockpile by end of 2016, the timing of the Doris Permit Amendments, completion and submission of the DEIS, drawing down the remaining balance of the second tranche of funds under the Debt

Facility, the potential for commissioning in late 2016 and commercial production in the first quarter of 2017, the processing rates for the Processing Plant, cash flows being used to develop the rest of Hope Bay and the potential to discover additional mineralization to add to TMAC's mineral resources.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date the statements are made including, without limitation, assumptions about: favourable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the development of the Hope Bay Project and pursue planned exploration; future prices of gold and other metal prices; the timing and results of exploration and drilling programs; the accuracy of any mineral reserve and mineral resource estimates; the geology of the Hope Bay Project being as described in the PFS; the metallurgical characteristics of the Hope Bay Project being suitable for the Processing Plant; the stockpile at the end of 2016 having the characteristics projected in the Path to Production Plan, the successful and timely delivery, installation and operation of the Processing Plant; the successful completion of the Mill Building and tailings impoundment area, production costs; the accuracy of budgeted exploration and development costs and expenditures, including to complete development of the infrastructure at the Hope Bay Project; the price of other commodities such as diesel fuel; future currency exchange rates and interest rates; operating conditions being favourable, including whereby the Company is able to operate in a safe, efficient and effective manner; political and regulatory stability; the receipt of governmental and third party approvals, licences and permits on favourable terms; obtaining required renewals for existing approvals, licences, permits and Inuit agreements and obtaining all other required approvals, licences, permits and Inuit agreements on favourable terms; sustained labour stability; stability in financial and capital goods markets; availability of equipment; positive relations with the KIA, NIRB, NWB, and NTI and other local groups and the Company's ability to meet its obligations under its property agreements with such groups; the Company's ability to operate in the harsh northern Canadian climate; and satisfying the terms and conditions of the Debt Facility. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. Such risks include, without limitation: general business, social, economic, political, regulatory and competitive uncertainties; differences in size, grade, continuity, geometry or location of mineralization from that predicted by geological modelling and the subjective and interpretative nature of the geological modelling process; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization and the inherent riskiness of inferred mineral resources; a material decline in the price of gold; a failure to achieve commercial viability, despite an acceptable gold price, or the presence of cost overruns which render the Hope Bay Project uneconomic; geological, hydrological and climatic events which may adversely affect infrastructure, operations and

development plans, and the inability to effectively mitigate or predict with certainty the occurrence of such events; credit and liquidity risks associated with the Company's financing activities, including constraints on the Company's ability to raise and expend funds as a result of operational and reporting covenants associated with the Debt Facility and the risk that the Company will be unable to service its indebtedness; risks that the Company will not have sufficient funds to submit additional cash collateralized letters of credit for future bonding and reclamation obligations; the Company's inability to raise sufficient funds to develop the Hope Bay Project into commercial production; delays in construction or development of the Hope Bay Project resulting from delays in the performance of the obligations of the Company's contractors and consultants, the receipt of governmental and third party approvals, licences and permits in a timely manner or to complete and successfully operate mining and processing components; the Company's failure to accurately model and budget future capital and operating costs associated with the development and operation of the Hope Bay Project; difficulties with transportation and logistics relating to the delivery of essential equipment and supplies to the Hope Bay Project, including by way of airlift and sealift, and the logistical challenges presented by the Hope Bay Project's location in a remote Arctic environment; the Company's failure to develop or supply adequate infrastructure to sustain the development and operation of the Hope Bay Project, including the provision of reliable sources of electrical power, water, and transportation; adverse fluctuations in the market prices and availability of commodities and equipment affecting the Company's business and operations; the unavailability of specialized expertise in respect of operating in a remote, environmentally extreme and ecologically sensitive area such as in the Kitikmeot region of Nunavut; the Company's management being unable to successfully apply their skills and experience and attract and retain highly skilled personnel; the cyclical nature of the mining industry and increasing prices and competition for resources and personnel during mining cycle peaks; the Company's failure to maintain good working relationships with Inuit organizations; the Company's failure to comply with laws and regulations or other regulatory requirements; the Company's failure to comply with existing approvals, licences and permits, and Inuit agreements, and the Company's inability to renew existing approvals, licences, permits and Inuit agreements or obtain required new approvals, licences, permits and Inuit agreements on timelines required to support development plans; the Company's failure to comply with environmental regulations, the tendency of such regulations to become more strict over time, and the costs associated with maintaining and monitoring compliance with such regulations; the adverse influence of third party stakeholders including social and environmental non-governmental organizations; the adverse impact of competitive conditions in the mineral exploration and mining business; the Company's failure to maintain satisfactory labour relations and the risk of labour disruptions or changes in legislation relating to labour; the Company's lack of operating history and no history of earnings; limits of insurance coverage and uninsurable risk; the adverse effect of currency fluctuations on the Company's financial performance; difficulties associated with enforcing judgements against directors residing outside of Canada; conflicts of interest; the significant control exercised by RCF and Newmont over the Company; reduction in the price of Common Shares as a result of sales of Common Shares by existing shareholders; the dilutive effect of future acquisitions or financing activities and the failure of future acquisitions to deliver the benefits anticipated; trading and volatility risks associated with equity securities and equity markets in general; the Company's not paying dividends in the foreseeable future or ever; failure of the Company's information technology systems or the security measures protecting such systems; the costs associated with legal proceedings should the Company become the subject of litigation or regulatory proceedings; costs associated with complying with public company regulatory reporting requirements; and other risks involved in the exploration, development and mining business generally, including, without limitation, environmental risks and hazards, cave-ins, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions. Although the Company has attempted to identify important factors that could cause actual actions, events, conditions, results,

performance or achievements to differ materially from those described in forward-looking information, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended.

TMAC cautions that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, this forward-looking information. Forward-looking information contained herein is made as of the date of this document and TMAC disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.



TMAC Resources Inc.

Condensed Interim Financial Statements

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except where otherwise indicated)

CONDENSED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian dollars)

	Notes	As at June 30, 2016 \$000s	As at December 31, 2015 \$000s
Assets			
Current assets			
Cash and cash equivalents	3	37,217	44,101
Amounts receivable		2,524	3,996
Consumables, materials and supplies		20,139	26,486
Prepaid expenses		8,936	2,152
Equipment held for sale		500	500
		69,316	77,235
Non-current assets			
Property, plant and equipment	4	737,914	649,443
Goodwill		80,600	80,600
Restricted cash	3	29,141	18,656
Other assets	5	14,159	28,497
		861,814	777,196
Total assets		931,130	854,431
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		13,561	12,735
Other liabilities	6	1,110	-
		14,671	12,735
Non-current liabilities			
Debt Facility	7	63,889	-
Gold Call Options	8	5,042	2,731
Provision for environmental rehabilitation	9	24,719	24,719
Deferred tax liabilities		71,220	71,440
		164,870	98,890
Total liabilities		179,541	111,625
Equity			
Share capital	10(b)	767,294	755,896
Warrants	7,10(c)	2,139	2,936
Contributed surplus		7,364	5,989
Accumulated deficit		(25,208)	(22,015)
		751,589	742,806
Total equity and liabilities		931,130	854,431

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

CONDENSED STATEMENT OF PROFIT OR LOSS

(Unaudited)

(Expressed in Canadian dollars)

	Notes	Three months ended June 30, 2016 \$000s	Three months ended June 30, 2015 \$000s	Six months ended June 30, 2016 \$000s	Six months ended June 30, 2015 \$000s
General and administrative					
Salaries and wages		1,259	793	2,902	1,294
Share-based payments	10(d)	786	446	1,362	1,525
Professional and consulting fees		145	251	304	384
Travel		86	99	175	118
Investor relations		146	27	293	55
Depreciation		4	4	8	8
Office, regulatory and general		258	109	496	228
Loss before the following		2,684	1,729	5,540	3,612
Finance income	11	(157)	(110)	(297)	(230)
Finance expense	11	167	512	357	1,014
Business development expenses		-	711	-	711
Foreign exchange loss (gain)		180	(128)	(3,313)	(127)
Fair value adjustments	8	820	-	2,311	-
Other		35	96	61	175
Loss before income taxes for the period		3,729	2,810	4,659	5,155
Deferred income tax expense (recovery)		(741)	(289)	(1,466)	(506)
Net loss and comprehensive loss for the period		2,988	2,521	3,193	4,649
Net loss per share					
Basic & diluted	10(e)	(\$0.04)	(\$0.05)	(\$0.04)	(\$0.09)
Weighted average number of shares (thousands)					
Basic and diluted	10(e)	78,591	51,763	78,166	50,522

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

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian dollars)

	Notes	Share Capital \$000s	Warrants \$000s	Contributed surplus \$000s	Deficit \$000s	Total \$000s
Balance as at December 31, 2015		755,896	2,936	5,989	(22,015)	742,806
Flow-through financing	10(b)	6,548	-	-	-	6,548
Share-based payments	10(d)	-	-	721	-	721
Net loss for the period		-	-	-	(205)	(205)
Balance as at March 31, 2016		762,444	2,936	6,710	(22,220)	749,870
Warrants exercised	10(c)	4,669	(797)	-	-	3,872
Share purchase options exercised	10(d)	181	-	(181)	-	-
Share-based payments	10(d)	-	-	835	-	835
Net loss for the period		-	-	-	(2,988)	(2,988)
Balance as at June 30, 2016		767,294	2,139	7,364	(25,208)	751,589

	Notes	Share Capital \$000s	Warrants \$000s	Contributed surplus \$000s	Deficit \$000s	Total \$000s
Balance as at December 31, 2014		560,331	-	2,673	(12,450)	550,554
Third Equity Financing	10(b)	40,482	-	-	-	40,482
Surface access rights payment	10(b)	5,950	-	-	-	5,950
Share-based payments	10(d)	-	-	1,462	-	1,462
Net loss for the period		-	-	-	(2,128)	(2,128)
Balance at March 31, 2015		606,763	-	4,135	(14,578)	596,320
Share-based payments	10(d)	-	-	641	-	641
Net loss for the period		-	-	-	(2,521)	(2,521)
Balance at June 30, 2015		606,763	-	4,776	(17,099)	594,440

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

CONDENSED STATEMENT OF CASH FLOWS

(Unaudited)

(Expressed in Canadian dollars)

	Notes	Three months ended June 30, 2016 \$000s	Three months ended June 30, 2015 \$000s	Six months ended June 30, 2016 \$000s	Six months ended June 30, 2015 \$000s
Net loss for the period		(2,988)	(2,521)	(3,193)	(4,649)
Operating activities					
Adjusted for:					
Share-based payments	10(d)	786	446	1,362	1,525
Finance income	11	(157)	(110)	(297)	(230)
Finance expense	11	167	512	357	1,014
Depreciation		4	4	8	8
Unrealized foreign exchange loss (gain)		180	(140)	(3,313)	(139)
Fair value adjustments	8	820	-	2,311	-
Deferred income tax expense (recovery)		(741)	(289)	(1,466)	(506)
Increase (decrease) in non-cash operating working capital:					
Amounts receivable		(1,328)	(444)	1,594	(322)
Prepaid expenses		(7,193)	(1,259)	(7,193)	(1,260)
Accounts payable and accrued liabilities		-	1,372	-	792
Operating cash flows before interest and tax		(10,450)	(2,429)	(9,830)	(3,767)
Cash tax paid		-	-	-	-
Cash interest paid		(18)	(373)	(18)	(754)
Cash flows from (used in) operating activities		(10,468)	(2,802)	(9,848)	(4,521)
Investing activities					
Additions to property, plant and equipment		(40,071)	(32,490)	(67,693)	(44,109)
Interest received		166	110	279	230
Restricted cash		-	(650)	(10,485)	(650)
Cash flows from (used in) investing activities		(39,905)	(33,030)	(77,899)	(44,529)
Financing activities					
Third Equity Financing, net of issue costs	10(b)	-	-	-	40,282
Debt Facility drawdown	7	-	-	69,520	-
Flow-through financing, net of issue costs	10(b)	-	-	8,904	-
Warrants exercised	10(b)	3,872	-	3,872	-
Cash flows from (used in) financing activities		3,872	-	82,296	40,282
Effects of exchange rate changes on cash and cash equivalents		(5)	138	(1,433)	138
Net increase in cash and cash equivalents for the period		(46,506)	(35,694)	(6,884)	(8,630)
Cash and cash equivalents at the beginning of the period		83,723	59,108	44,101	32,044
Cash and cash equivalents at the end of the period		37,217	23,414	37,217	23,414

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

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 does not currently 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**. 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.

The Company raised aggregate gross proceeds of \$155,100,000 from an Initial Public Offering ("**IPO**") completed on July 7, 2015 and the exercise of an Over-Allotment Option (defined below) completed on August 11, 2015. Newmont Mining Corporation (collectively with subsidiaries "**Newmont**") and Resource Capital Fund VI L.P. ("**RCF**") purchased \$22,000,000 and \$45,000,000, respectively of the IPO. Additionally, on July 23, 2015, TMAC entered into a Credit Agreement (defined below) with respect to a senior secured term loan facility for an aggregate principal amount of up to US\$120,000,000 maturing on December 31, 2018 (the "**Debt Facility**"). On February 10, 2016, the Company completed the first drawdown of US\$50,000,000. On July 9, 2016, TMAC completed a second drawdown in the amount of US\$35,000,000 under the Debt Facility (note 14). On July 19, 2016, TMAC completed a bought deal financing for gross proceeds of \$60,000,000 (note 14).

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 losses, successfully drawing the funds from the Debt Facility (note 7), as defined below, and the successful development of Hope Bay to satisfy its commitments and continue as a going concern.

For the six months ended June 30, 2016, the Company reported a loss of \$3,193,000 and an accumulated deficit of \$25,208,000 as at June 30, 2016. TMAC believes it has sufficient funds available from existing cash on hand or available under the Debt Facility at June 30, 2016 to maintain its mineral investments, fund its exploration and evaluation and administration costs and to develop Hope Bay for production.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. The accounting policies of TMAC are in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and follow the same accounting policies and methods as noted in note 2 to the Company's audited financial statements for the year ended December 31, 2015.

These financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2015.

(b) Basis of presentation

Except for the financial instruments that are measured at fair value, these financial statements have been prepared on the historical cost basis using the same accounting policies as the audited financial

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

statements for the year ended December 31, 2015. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 audited financial statements for the year ended December 31, 2015. There have been no changes in the nature of critical accounting judgments, assumptions and estimates in the preparation of these condensed financial statements.

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that there has been no material change since December 31, 2015.

(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 the functional currency 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.

3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	June 30, 2016 \$000s	December 31, 2015 \$000s
Cash and cash equivalents	37,217	44,101
Restricted cash	29,141	18,656
	66,358	62,757

Cash and cash equivalents consists 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 cashable guaranteed investment certificates that the Company uses to collateralize letters of credit that were issued for environmental reclamation bonding and for payments to the Kitikmeot Inuit Association ("KIA") under the Framework Agreement, and \$10,000,000 held in a separate bank account as per the minimum cash balance requirement under the Debt Facility (note 7). During the period ended June 30, 2016, the Company transferred an additional \$485,000 to restricted cash pursuant to an Overbonding Amount (note 9).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

4. PROPERTY, PLANT AND EQUIPMENT

June 30, 2016	Property \$000s	Plant and equipment \$000s	Mobile equipment \$000s	Exploration /evaluation \$000s	Development \$000s	Total \$000s
Cost						
Balance at December 31, 2015	221,866	296,188	20,567	44,406	67,923	650,950
Additions:						
- Acquisitions	-	42,828	5,669	-	-	48,497
- Camp and logistics	-	4,812	-	845	5,704	11,361
- Capitalized depreciation	-	-	-	-	199	199
- Development and engineering	-	-	-	-	11,835	11,835
- Drilling and Assaying	-	-	-	2,659	3,354	6,013
- Environment	-	-	-	1,475	1,728	3,203
- Environmental liability	(293)	-	-	-	-	(293)
- Geology	-	-	-	3,810	-	3,810
- Property holding	1,199	-	-	-	-	1,199
- Share-based payment	-	-	-	-	194	194
- Capitalized borrowing costs	-	-	-	-	2,652	2,652
Balance at June 30, 2016	222,772	343,828	26,236	53,195	93,589	739,620
Accumulated depreciation						
Balance at December 31, 2015	-	730	777	-	-	1,507
Depreciation	-	81	118	-	-	199
Balance at June 30, 2016	-	811	895	-	-	1,706
Net book value at June 30, 2016	222,772	343,017	25,341	53,195	93,589	737,914

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

December 31, 2015	Property \$000s	Plant and equipment \$000s	Mobile equipment \$000s	Exploration /evaluation \$000s	Development \$000s	Total \$000s
Cost						
Balance at December 31, 2014	213,505	242,595	6,780	67,021	-	529,901
Additions:						
- Acquisitions	-	55,493	13,787	-	-	69,280
- Camp and logistics	-	-	-	6,321	10,895	17,216
- Capitalized depreciation	-	-	-	-	457	457
- Development and engineering	-	-	-	315	6,916	7,231
- Drilling and Assaying	-	-	-	7,528	3,191	10,719
- Environment	-	-	-	2,142	3,145	5,287
- Environmental liability	408	-	-	-	-	408
- Evaluation	-	-	-	770	-	770
- Geology	-	-	-	2,765	-	2,765
- Property holding	2,003	-	-	-	-	2,003
- Share-based payment	-	-	-	431	432	863
- Surface access rights payment	5,950	-	-	-	-	5,950
Reclassification	-	-	-	(42,887)	42,887	-
Transfer to asset held for sale	-	(1,900)	-	-	-	(1,900)
Balance at December 31, 2015	221,866	296,188	20,567	44,406	67,923	650,950
Accumulated depreciation						
Balance at December 31, 2014	-	533	517	-	-	1,050
Depreciation	-	197	260	-	-	457
Balance at December 31, 2015	-	730	777	-	-	1,507
Net book value at December 31, 2015	221,866	295,458	19,790	44,406	67,923	649,443

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.

5. OTHER ASSETS

	June 30, 2016 \$000s	December 31, 2015 \$000s
Deposits and advance payments	8,551	19,463
Prepaid Debt Facility costs	5,608	9,034
	14,159	28,497

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

TMAC incurred \$9,522,000 of transaction costs, including the \$2,936,000 fair value of the Warrants and the \$3,131,000 fair value of the Gold Call Options, related to the Credit Agreement (note 7) (as defined below), of which \$3,914,000 was allocated to the Debt Facility balance at first drawdown. The remaining balance of \$5,608,000 will be allocated to the Debt Facility with future drawdowns.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

6. OTHER LIABILITIES

Other liabilities relate to the unamortized premium attributable to the proceeds received from the issuance of flow-through Common Shares (note 10(b)).

	June 30, 2016 \$000s	December 31, 2015 \$000s
Balance at beginning of period	-	388
Premium from flow-through Common Shares issued (note 10(b))	2,382	-
Reduction for qualifying exploration expenditures incurred	(1,272)	(388)
	1,110	-

7. DEBT FACILITY

	June 30, 2016 \$000s	US\$000s
Balance at beginning of period	-	-
Drawdown	69,520	50,000
Interest accrued	2,230	1,711
Foreign exchange (gain) loss	(4,473)	-
	67,277	51,711
Transaction costs	(3,914)	
Amortization of transaction costs	526	
	(3,388)	
	63,889	

On July 23, 2015, TMAC entered into a definitive 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\$120,000,000 maturing on December 31, 2018, with advances under the Debt Facility bearing interest at 8.75% per annum, compounded and payable quarterly. 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.

On February 10, 2016, TMAC satisfied the conditions precedent and completed the first drawdown in the amount of \$69,520,000 (US\$50,000,000). Upon the first drawdown, the Company transferred \$10,000,000 to restricted cash as a minimum cash balance requirement under the Debt Facility.

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 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 Debt Facility has certain financial covenants including maintaining a \$10,000,000 minimum cash balance and a \$20,000,000 minimum working capital balance, and other customary non-financial covenants. As of June 30, 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 equal to the remaining amount owed under the Debt Facility on December 31, 2018. The Credit Agreement

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

stated that the Company can draw under the Debt Facility until June 30, 2016 (with an extension to August 31, 2016 under certain conditions), subject to a minimum amount per draw of US\$20,000,000. On June 22, 2016, TMAC entered into an agreement with the Lenders to extend to December 31, 2016, the period during which the Company can draw on the remaining funds under the Debt Facility. The remaining conditions precedent to drawing the Debt Facility's remaining US\$70,000,000 balance are the receipt by the Company of: (i) an amended Project Certificate from the Nunavut Impact Review Board, and (ii) an amended Water License from the Nunavut Water Board for Doris, which conditions may be waived at the discretion of the Lenders (the "**Waiver**"). On July 7, 2016, the Company drew down an additional amount of US\$35,000,000 under the Debt Facility upon receiving a Waiver in respect of this amount leaving a US\$35,000,000 balance available to be drawn.

The Company issued the Lenders 1,900,000 share purchase warrants (the "**Warrants**") (note 10(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 8). 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, \$3,455,000 of cash transaction costs were incurred, including a \$1,547,000 (US\$1,200,000) 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, totaled \$9,522,000, of which \$5,608,000 are deferred and recorded in other assets and will be allocated against future 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.

8. GOLD CALL OPTIONS

	June 30, 2016 \$000s	December 31, 2015 \$000s
Balance at beginning of period	2,731	-
Gold Call Options issued	-	3,131
Gold Call Options revaluation	2,311	(400)
	5,042	2,731

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 fair value adjustment recorded in the Statement of Profit or Loss. The fair value of the Gold Call Options was calculated at inception and at each reporting period using the Black-Scholes option pricing model with the following main assumptions:

	June 30, 2016	December 31, 2015
Gold price per ounce (US\$)	1,320	1,060
Volatility (%)	17.2%	18.1%
Interest rate	1.7%	1.7%
Term (years)	4.0	4.6

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

9. PROVISION FOR ENVIRONMENTAL REHABILITATION

	June 30, 2016 \$000s	December 31, 2015 \$000s
Balance at beginning of period	24,719	23,760
Adjustment in assumptions	(293)	408
Accretion	293	551
	24,719	24,719

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:

	June 30, 2016	December 31, 2015
Undiscounted amount of estimated cash flows (\$000s)	24,719	24,719
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 Development Canada, the Department of Fisheries and Oceans and the KIA.

Newmont maintained letters of credit on behalf of TMAC for environmental rehabilitation bonding liabilities that have been replaced by TMAC letters of credit during 2015. The Newmont letters of credit were collateralized by a general security agreement (the "**Newmont GSA**"). The Newmont letters of credit have been returned by the beneficiaries to the issuing banks for cancellation and the Newmont GSA was cancelled prior to the first drawdown.

TMAC provided the KIA with a general security agreement (the "**KIA GSA**") with respect to \$9,700,000 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**"). 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 June 30, 2016, TMAC has issued \$885,000 of letters of credit for the Overbonding Amount. The letters of credit are collateralized by a guaranteed investment certificate included in restricted cash.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

10. 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 (note 14):

	Total Number of Common Shares #	Value of Common Shares \$000s
Balance at December 31, 2014	42,815,403	560,331
Third Equity Financing (i)	7,814,523	40,482
Surface access rights (ii)	1,133,333	5,950
Balance at March 31, 2015 and June 30, 2015	51,763,259	606,763
Initial Public Offering (iii)	25,850,000	149,070
Balance at September 30, 2015	77,613,259	755,833
Share purchase options exercised	7,778	63
Balance at December 31, 2015	77,621,037	755,896
Flow through financing (iv)	827,206	6,548
Balance at March 31, 2016	78,448,243	762,444
Share purchase options exercised	43,550	181
Warrants exercised	516,167	4,669
Balance at June 30, 2016	79,007,960	767,294

(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 of 516,666 flow-through Common Shares (the “**Third FT Shares**”) at \$6.00 per share, for gross proceeds of \$3,100,000. Costs associated with the completion of the Third FT Shares issuance totaled \$228,000 (\$166,000 after offsetting deferred income taxes of \$62,000) 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 \$41,026,000. Costs associated with the completion of the Third Non-FT Shares issuance totaled \$745,000 (\$544,000 after offsetting deferred income taxes of \$201,000) and were charged to share capital in the Statement of Changes in Shareholders’ Equity. RCF acquired 7,619,047 of the Third Non-FT Shares for a total of \$40,000,000 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 \$3,100,000 of qualifying CEE and renounce the CEE to the Third FT Shares shareholders with an effective date of December

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

31, 2014. The \$0.75 per share premium of the Third FT Shares resulted in an other liability in the amount of \$388,000. TMAC incurred sufficient qualifying flow-through expenditures during 2015 and recorded the reversal of the \$388,000 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 Inuit owned lands.

(iii) Initial Public Offering and Over-allotment Option

On July 7, 2015, TMAC completed an IPO of an aggregate of 22,500,000 Common Shares at \$6.00 per Common Share for aggregate gross proceeds to TMAC of \$135,000,000. 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 \$20,100,000 which was received on August 11, 2015, resulting in total gross proceeds raised from the IPO of \$155,100,000.

Costs associated with the completion of the IPO totaled \$8,261,000 (\$6,031,000 after offsetting deferred income taxes of \$2,230,000) 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 \$9,000,000.

The gross proceeds from the sale of the Flow-Through Common Shares will be used for expenditures which qualify as Canadian exploration expenses ("**CEE**") (within the meaning of the Income Tax Act (Canada)). The Company will renounce such CEE with an effective date of no later than December 31, 2016. The \$2.88 per Flow-Through Common Share premium results in an other liability in the amount of \$2,382,000 which will be included in income at the time the CEE are incurred.

(c) Share purchase warrants

On July 23, 2015, the Company issued the Lenders 1,900,000 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. The fair value of the Warrants on date of issue of \$2,936,000 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%

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

During the three and six months ended June 30, 2016 516,167 warrants were exercised.

	Warrants	
	#	\$
Warrants at December 31, 2015 and March 31, 2016	1,900,000	2,936,000
Exercised	(516,167)	(797,000)
Warrants at June 30, 2016	1,383,833	2,139,000

(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	1,072,994	5.25
Options at March 31, 2015	2,636,320	5.25
Granted	8,332	5.25
Forfeited	(777)	5.25
Options at June 30, 2015	2,643,875	5.25
Granted	133,000	5.52
Forfeited	(11,053)	5.43
Options at September 30, 2015	2,765,822	5.26
Granted	12,900	5.95
Exercised	(7,778)	5.38
Forfeited	(1,556)	5.42
Options at December 31, 2015	2,769,388	5.27
Granted	1,022,250	7.23
Options at March 31, 2016	3,791,638	5.79
Granted	3,000	12.47
Exercised	(72,000)	5.25
Forfeited	(666)	5.95
Options at June 30, 2016	3,721,972	5.81

The share purchase options exercised during the six month ended June 30, 2016 were exercised at market prices that ranged from \$13.00 to \$16.71 per Common Share (year ended December 31, 2015: \$6.10 per Common Share).

TMAC granted 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

As at June 30, 2016, share purchase options granted and still outstanding were as follows:

Grant date	Quantity	Awards outstanding		Quantity	Awards exercisable	
		Remaining contractual life	Exercise price		Remaining contractual life	Exercise price
	#	Years	\$	#	Years	\$
Apr 28, 2014	1,282,328	2.83	5.25	1,282,328	2.83	5.25
Jun 26, 2014	100,000	2.99	5.25	100,000	2.99	5.25
Sep 22, 2014	100,000	3.23	5.25	66,667	3.23	5.25
Mar 17, 2015	1,070,828	3.71	5.25	713,893	3.71	5.25
Apr 8, 2015	8,332	3.77	5.25	5,555	3.77	5.25
Aug 14, 2015	63,000	4.12	5.55	21,001	4.12	5.55
Aug 24, 2015	60,000	4.15	5.49	20,000	4.15	5.49
Nov 10, 2015	12,234	4.36	5.95	4,303	4.36	5.95
Mar 1, 2016	1,005,250	4.67	7.20	-	-	7.20
Mar 28, 2016	17,000	4.74	9.00	-	-	9.00
May 17, 2016	3,000	4.88	12.47	-	-	12.47
	3,721,972	3.65	5.79	2,213,747	3.16	5.62

The fair value of the Company's options granted during the six month period ended June 30, 2016 ranged between \$3.13 and \$5.34 (six months ended June 30, 2015: \$7.74) per option and was estimated using the Black-Scholes option pricing method using the following weighted average assumptions:

	June 30, 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⁾	64% 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 projects are capitalized over the vesting period and share-based payment costs for all other options are expensed over the vesting period. The fair values of share purchase options expensed and capitalized during the period are as follows:

	Three months ended June 30, 2016 \$000s	Three months ended June 30, 2015 \$000s	Six months ended June 30, 2016 \$000s	Six months ended June 30, 2015 \$000s
Expensed	786	446	1,362	1,525
Capitalized	49	195	194	578
	835	641	1,556	2,103

The total fair value of unvested options that will be recognized in the Statement of Profit or Loss or capitalized as exploration and evaluation or development cost assets in future periods amounts to \$3,638,000 as at June 30, 2016 (December 31, 2015: \$1,165,000).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

(ii) *Restricted share plan*

	Number of restricted shares #
Restricted share rights at December 31, 2015	-
Granted	111,809
Options at March 31 and June 30, 2016	111,809

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) **Earnings (loss) per share**

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

11. FINANCE INCOME AND EXPENSES

	Three months ended June 30, 2016 \$000s	Three months ended June 30, 2015 \$000s	Six months ended June 30, 2016 \$000s	Six months ended June 30, 2015 \$000s
Finance income				
Interest income	(203)	(110)	(401)	(230)
Capitalized borrowing costs	46	-	104	-
Net finance income	(157)	(110)	(297)	(230)
Finance expense				
Accretion of environmental rehabilitation costs (note 9)	148	133	293	262
Debt Facility interest expense	1,412	-	2,230	-
Debt Facility transaction costs	337	-	526	-
Letters of Credit	19	379	64	752
	1,916	512	3,113	1,014
Capitalized borrowing costs	(1,749)	-	(2,756)	-
Net finance expense	167	512	357	1,014
Net finance costs	10	402	60	784

Interest is earned from short-term demand deposit accounts from a major Canadian bank.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

12. 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

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 are classified as Level 2 in accordance with the fair value hierarchy.

Gold Call Options are valued using pricing models which 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) Foreign Currency Risk

After the drawdown of the US\$50,000,000 Debt Facility, the nature and extent of TMAC's US dollar risk exposure has changed from that disclosed in the December 31, 2015 annual financial statements. At June 30, 2016, TMAC's exposure to US dollar-denominated net financial assets was approximately as follows:

	Net financial Assets/(liabilities)	Effect of a 10% change in exchange rates on loss
	\$000s	\$000s
US dollar cash balance	4,745	475
Debt Facility	(67,277)	(6,728)
Gold Call Options	(5,042)	(504)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

(Expressed in Canadian dollars, except as otherwise noted)

13. RELATED PARTY TRANSACTIONS

(a) Transactions with Newmont

Newmont is a related party as a result of its 29.2% ownership interest in TMAC's Common Shares at June 30, 2016. Newmont indirectly acquired 242,979 shares of the Flow-Through Common Shares to maintain their ownership at 29.4%. In the six months ended June 30, 2016, the Company paid Newmont \$313,000 (2015 - \$754,000) related to finance expenses for environmental reclamation bonding letters of credit supported by Newmont and, as TMAC arranged for replacement letters of credit by the end of 2015 (Note 9), no additional finance expenses with Newmont were incurred in 2016 and no amounts were owing to Newmont at June 30, 2016 (2015 - \$377,000).

(b) Transactions with RCF

RCF is a related party as a result of its 35.1% ownership interest in TMAC's Common Shares at June 30, 2016. RCF indirectly acquired 250,227 shares of the Flow-Through Shares to maintain their ownership at 35.4% at June 30, 2016. In the six months ended June 30, 2016, pursuant to the terms of the Third Equity Financing, TMAC reimbursed RCF \$6,000 (2015: \$31,000) for out-of-pocket expenditures incurred by RCF to visit the Hope Bay site and/or conduct due-diligence for their participation in equity financings.

(c) Compensation of key management personnel

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

	Three months ended June 30, 2016 \$000s	Three months ended June 30, 2015 \$000s	Six months ended June 30, 2016 \$000s	Six months ended June 30, 2015 \$000s
Management compensation	1,220	1,500	2,341	3,639
Directors fees	98	177	221	469
Share-based payments	777	705	1,448	2,010
	2,095	2,382	4,010	6,118

14. SUBSEQUENT EVENTS

(a) Drawdown

On July 7, 2016, TMAC completed a second drawdown in the amount of US\$ 35,000,000 under the Credit Agreement with respect to the Debt Facility (Note 7).

(b) Bought deal financing

On July 19, 2016, TMAC completed a bought deal financing of an aggregate of 3,975,000 Common Shares issued by the Company and 1,325,000 Common Shares sold by RCF, at a price of \$15.10 per Common Share for gross aggregate proceeds of approximately \$80,000,000, of which \$60,000,000 of the gross proceeds were received by TMAC and approximately \$20,000,000 of the gross proceeds were received by RCF. In addition, the underwriters exercised an option, granted by RCF, to purchase an additional 795,000 Common Shares at the offering price of \$15.10 per Common Share, representing 15% of the bought deal offering to cover over-allotments for additional gross proceeds to RCF of approximately \$12,000,000.

Appendix C

Current Letters of Credit
Re. Doris North Liability
Currently Held by KIA

Letter of Credit Reference No. SBT758776

Beneficiary:

Kitikmeot Inuit Association
Department of Lands and Environment
(Refer below for full name
and address)

Applicant:

TMAC Resources Inc.
95 Wellington Street West
Suite 1010
Toronto, Ontario M5J 2N7

Amount: CAD 1,366,000.00
One Million Three Hundred and Sixty Six
Thousand Canadian Dollars

Date of Expiry: 09 December 2016

Beneficiary's full name and address:
Kitikmeot Inuit Association
Department of Lands and Environment
#4 Akhak Street, PO Box 360.
Kugluktuk, Nunavut X0B 0E0
Attn: Director Lands, Environment and Resources

Re: TMAC Resources Inc. ("TMAC") reclamation security obligations under all Commercial Leases pursuant to the Framework Agreement dated March 30, 2015 between TMAC and the Kitikmeot Inuit Association ("KIA").

At the request of and for the account of TMAC (the "Applicant"), we, Canadian Imperial Bank of Commerce, Trade Finance Centre, 595 Bay Street, 7th Floor, Toronto, Ontario M5G 2M8, hereby establish in your favour our irrevocable standby letter of credit no. SBT758776 (the "Letter of Credit") for sums not exceeding in the aggregate CAD1,366,000.00 (One Million Three Hundred and Sixty Six Thousand Canadian Dollars).

This Letter of Credit is available with us for drawing at sight, without enquiry as to whether you have a right as between yourself and the applicant, to make such demand and without recognizing any claim of the applicant, against presentation to us, by you or your duly authorized representative or agent of the following documents:

1. A sight draft drawn on "Canadian Imperial Bank of Commerce, Trade Finance Centre, 595 Bay Street, 7th Floor, Toronto, Ontario M5G 2M8, standby letter of credit No.SBT758776 dated December 11, 2015".
2. The original of this irrevocable standby letter of credit no.SBT758776 for our endorsement of payment thereon; and
3. A statement purportedly signed by an official of KIA certifying that the signatory is an official of KIA and has authority to sign the statement on behalf of KIA and certifying that KIA is entitled to draw on this Letter of Credit pursuant to section 12.1 (c) of the framework agreement between KIA and TMAC dated March 30, 2015 (as amended from time to time, the "Agreement").

Partial drawings are permitted

This Letter of Credit is effective from December 11, 2015 and shall expire at our counters at 5PM on December 9, 2016. This Letter of Credit shall be renewed automatically without amendment for an additional one-year period from the initial expiration date and for an additional one-year period from each future date, unless at least ninety (90) days prior to the present or future expiration date we notify you in writing by registered mail or courier that we elect not to consider this Letter of Credit renewed for such additional period.



Trade Finance Centre
11 December 2015

5621348
2106C BIL-2012/01

Place and date of issue Lieu et date d'émission

This Page forms an integral part of our Letter of Credit No. SBT758776.

We hereby agree that all drafts drawn under and in compliance with the terms of this Letter of Credit shall be duly honoured by us if presented for payment on or before the present or future expiration date.

Except so far as is otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication no. 600. Notwithstanding Article 36 of said publication, if this Letter of Credit expires during an interruption of business as described in Article 36, we agree to effect payment if this credit is drawn on us within fifteen (15) days after the resumption of business. For matters not covered by such publication, it shall be governed by and construed in accordance with the laws of the province of Ontario.

For Canadian Imperial Bank of Commerce

Counter Signature

F. Barbosa
80011

Authorized Signature

C. Thavaratnam
T1444



Letter of Credit Reference No. SBT758737

Beneficiary:

Kitikmeot Inuit Association
Department of Lands and Environment
(Refer below for full name
and address)

Applicant:

TMAC Resources Inc.
95 Wellington Street West
Suite 1010
Toronto, Ontario M5J 2N7

Amount: CAD 400,000.00

Four Hundred Thousand Canadian Dollars

Date of Expiry: 09 December 2016

Beneficiary's full name and address:

Kitikmeot Inuit Association
Department of Lands and Environment
#4 Akhak Street, PO Box 360.
Kugluktuk, Nunavut X0B 0E0
Attn: Director Lands, Environment and Resources.

Re: TMAC Resources Inc. ("TMAC") reclamation security obligations under all Commercial Leases pursuant to the Framework Agreement dated March 30, 2015 between TMAC and the Kitikmeot Inuit Association ("KIA").

At the request of and for the account of TMAC (the "Applicant"), we, Canadian Imperial Bank of Commerce, Trade Finance Centre, 595 Bay Street, 7th Floor, Toronto, Ontario M5G 2M8, hereby establish in your favour our irrevocable standby letter of credit no. SBT758737 (the "Letter of Credit") for sums not exceeding in the aggregate of CAD400,000.00 (Four Hundred Thousand Canadian Dollars).

This Letter of Credit is available with us for drawing at sight, without enquiry as to whether you have a right as between yourself and the Applicant, to make such demand and without recognizing any claim of the Applicant, against presentation to us, by you or your duly authorized representative or agent of the following documents:

1. A sight draft drawn on "Canadian Imperial Bank of Commerce, Trade Finance Centre, 595 Bay Street, 7th Floor, Toronto, Ontario M5G 2M8, standby letter of credit No.SBT758737 dated December 11, 2015".
2. The original of this irrevocable standby letter of credit no.SBT758737 for our endorsement of payment thereon; and
3. A statement purportedly signed by an official of KIA certifying that the signatory is an official of KIA and has authority to sign the statement on behalf of KIA and certifying that KIA is entitled to draw on this Letter of Credit pursuant to section 12.1 (c) of the framework agreement between KIA and TMAC dated March 30, 2015 (as amended from time to time, the "Agreement").

Partial drawings are permitted

This Letter of Credit is effective from December 11, 2015 and shall expire at our counters at 5PM on December 9, 2016. This Letter of Credit shall be renewed automatically without amendment for an additional one-year period from the initial expiration date and for an additional one-year period from each future date, unless at least ninety (90) days prior to the present or future expiration date we notify you in writing by registered mail or courier that we elect not to consider this Letter of Credit renewed for such additional period.



This Page forms an integral part of our Letter of Credit No. SBT758737.


We hereby agree that all drafts drawn under and in compliance with the terms of this Letter of Credit shall be duly honoured by us if presented for payment on or before the present or future expiration date.

Except so far as is otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication no. 600. Notwithstanding Article 36 of said publication, if this Letter of Credit expires during an interruption of business as described in Article 36, we agree to effect payment if this Letter of Credit is drawn on us within fifteen (15) days after the resumption of business. For matters not covered by such publication, it shall be governed by and construed in accordance with the laws of the province of Ontario.

For Canadian Imperial Bank of Commerce


Counter Signature

F. Barboza
B6011


Authorized Signature

C. Thavaratnam
T1444