



95 Wellington Street West  
Suite 1010  
P.O. Box 44  
Toronto, Ontario M5J 2N7  
416-628-0216

January 10, 2014

Phyllis Beaulieu, Manager of Licensing  
Nunavut Water Board  
PO Box 119  
Gjoa Haven, NU  
X0B 1J0

**Re: Authorized Representative for TMAC Resources Inc., Hope Bay Belt Licenses,  
Permits and Applications**

Dear Phyllis,

I am pleased to advise you that for authorizations and applications associated with exploration and the development of mining operations and support facilities within the Hope Bay Belt, John Roberts, Vice President Environmental Affairs will serve as the authorized representative for TMAC Resources Inc. (TMAC).

If you have any questions regarding this application please contact me at the coordinates provided below.

Yours truly,

A handwritten signature in black ink, appearing to read 'Catharine Farrow', written over a horizontal line.

Catharine Farrow  
Chief Executive Officer

Phone: 416-628-0126  
Fax: 416-644-9337  
e-mail : catharine.farrow@tmacresources.com



The Articles of the Corporation be and they are hereby amended by:

- (a) providing that the issued and outstanding 1,000,000 common shares of the Corporation (the "**Common Shares**") be divided, on the basis of 12.6 Common Shares for each issued and outstanding Common Share, into 12,600,000 Common Shares;
- (b) increasing the authorized capital of the Corporation by creating an unlimited number of non-voting common shares (the "**Non-Voting Common Shares**");
- (c) declaring that the authorized capital of the Corporation, after giving effect to the foregoing, shall consist of an unlimited number of Common Shares and an unlimited number of Non-Voting Common Shares; and
- (d) providing that the rights, privileges, restrictions and conditions attached to the Common Shares and Non-Voting Common Shares are as follows:

## **I. COMMON SHARES**

The rights, privileges, restrictions and conditions of the Common Shares are as set out in this Part I and in Part III. Unless otherwise indicated, any reference to "**Section**" in this Part I refers to a section of this Part I.

### **1. Definitions**

For purposes of this Part I, the following definitions shall apply:

- 1.1 "**business day**" means a day on which securities may be traded on the stock exchange on which the Common Shares are then listed or if such shares are not then listed, a day other than a Saturday, a Sunday or any other day on which the principal chartered banks located in Toronto, Ontario are not open for business;
- 1.2 "**Common Shares**" means the common shares in the share capital of the Corporation;
- 1.3 "**Corporation**" means TMAC Resources Inc;
- 1.4 "**Non-Voting Common Shares**" means the non-voting common shares in the share capital of the Corporation;
- 1.5 "**Offer**" means an offer to purchase Non-Voting Common Shares which must, by reason of applicable securities legislation or by-laws, regulations or policies of a stock exchange on which the Common Shares or Non-Voting Common Shares are listed, be made to each holder of Non-Voting Common Shares whose last address on the records of the Corporation is



in a province or territory of Canada to which the relevant requirement applies;

- 1.6 **"Offer Date"** means the date on which an Offer is made;
- 1.7 **"Redemption Date"** has the meaning given thereto in Section 5.4;
- 1.8 **"Redemption Period"** means the period of time commencing on the seventh business day after the Offer Date and terminating on the last date upon which holders of Non-Voting Common Shares may accept the Offer; and
- 1.9 **"Redemption Price"** means the value of the consideration offered under an Offer which, in the case of non cash consideration shall be determined solely by the board of directors of the Corporation, acting reasonably.

## **2. Voting Rights**

The holders of Common Shares shall be entitled to notice of, to attend and to one vote per Common Share held at any meeting of the shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such).

## **3. Dividends**

The holders of Common Shares shall be entitled to receive dividends as and when declared by the board of directors of the Corporation on the Common Shares as a class, provided that no dividend may be declared in respect of, or any other benefit conferred upon the holders of, Common Shares unless concurrently therewith the same dividend per share in respect of, or the same benefit per share, is conferred upon the holders of, the Non-Voting Common Shares determined as if all Non-Voting Common Shares had been converted to Common Shares as of the date of determination.

## **4. Participation upon Liquidation, Dissolution or Winding Up**

The holders of Common Shares and the holders of Non-Voting Common Shares shall be entitled, in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, to share rateably in such assets of the Corporation as are available for distribution.

## **5. Redemptions**

- 5.1 Subject to the provisions of this Section 5 and applicable law, if an Offer is made, each outstanding Common Share shall be redeemed by the Corporation at the Redemption Price per Common Share at the option of the holder as provided in Section 5.4. The redemption right provided for in this Section 5.1 may be exercised by notice in writing given to the Corporation during the Redemption Period accompanied by the share

certificate or certificates representing the Common Shares in respect of which the holder desires to exercise such right of redemption, and such notice shall be executed by the holder of the Common Shares registered on the books of the Corporation, or by his duly authorized attorney, and shall specify the number of Common Shares which the holder desires to have redeemed. The holder shall pay any governmental or other tax imposed on or in respect of such redemption. Upon receipt by the Corporation of such notice and share certificate or certificates, the Corporation shall issue or cause to be issued a cheque for the aggregate Redemption Price to be paid to such holder (less any tax required to be withheld) in accordance with Sections 5.2 and 5.4. If less than all of the Common Shares represented by any share certificate are to be redeemed, the holder shall be entitled to receive a new share certificate representing in the aggregate the number of Common Shares represented by the original share certificate which are not to be redeemed.

5.2 The redemption right provided for in Section 5.1 shall not come into effect if:

- (a) one or more shareholders of the Corporation who did not make or act in concert with the person or persons making the Offer and who, in the aggregate, beneficially own, directly or indirectly, or exercise control or direction over, not less than 50% of the outstanding Non-Voting Common Shares, determine within five business days after the Offer Date that he or they will continue to so own or exercise control or direction over, in the aggregate, 50% or more of the outstanding Non-Voting Common Shares;
- (b) contemporaneously with the Offer, an offer is made to the holders of Common Shares upon the same terms and conditions as those contained in the Offer, including the consideration to be paid to the holders of Non-Voting Common Shares and the offer is for the same percentage of Common Shares as the percentage of Non-Voting Common Shares sought to be acquired under the Offer, excluding in each case the number of shares then owned by the offeror;
- (c) the board of directors of the Corporation determines within five business days after the Offer Date that the Offer is not bona fide or is made primarily for the purpose of causing the redemption right provided for in Section 5.1 to come into effect and not primarily for the purpose of acquiring Non-Voting Common Shares; or
- (d) the Offer is not completed in accordance with its terms;

provided that:



- (e) in the case of Section 5.2(a), within six business days after the Offer Date, a certificate signed by or on behalf of one or more shareholders of the Corporation is delivered to the Secretary of the Corporation confirming that: (A) such shareholders did not make or act in concert with the person or persons making the Offer; (B) such shareholders beneficially own, directly or indirectly, or exercise control or direction over in the aggregate not less than 50% of the outstanding Non-Voting Common Shares; and (C) such shareholders have determined that they will not accept the Offer and provided further that upon any variation of the Offer, including an increase in price, such shareholders of the Corporation shall be deemed not to have accepted the Offer as varied and the certificate delivered by or on behalf of them as described above shall be deemed to continue to apply and no further certificate need be filed for purposes of these share provisions unless and until one or more of such shareholders determine to accept the Offer as varied and the result of such acceptance would be to reduce the aggregate holdings of the remaining shareholders who delivered such certificate to less than 50% of the outstanding Non-Voting Common Shares in which case a certificate to that effect signed by or on behalf of such shareholders who determine to accept the Offer as varied shall be delivered to the Corporation forthwith after such determination and, in any event, not less than five business days prior to termination of the Redemption Period;
- (f) in the case of Section 5.2(c), provided that the Corporation has appointed a transfer agent for the Common Shares, the Secretary of the Corporation delivers to the transfer agent for the Common Shares within six business days after the Offer Date a certified copy of a resolution of the board of directors of the Corporation determining that the Offer is not bona fide or is made primarily for the purpose of causing the redemption right provided for in Section 5.1 to come into effect and not primarily for the purpose of acquiring the Non-Voting Common Shares and stating the reason for such determination; and
- (g) as soon as reasonably possible after the receipt of a certificate under Section 5.2(e) or a certified copy of a resolution under Section 5.2(f), the Corporation shall send to the holders of Common Shares notice of and a brief description of the effect of the determination under Section 5.2(a) or Section 5.2(c), as the case may be.

5.3 If the events described in Sections 5.2(a), (b) or (c) shall not have occurred within five business days after the Offer Date, or if any amended certificate as described in Section 5.2(e) shall have been delivered, the Corporation shall send as soon as reasonably possible to the holders of

Common Shares a notice containing a brief description of the rights of such holders hereunder.

- 5.4 The redemption of any Common Shares delivered to the Corporation for redemption pursuant to Section 5.1 shall be subject to the provisions of this Section 5.4 and the Corporation shall make all arrangements necessary or desirable to give effect to this Section 5.4. All Common Shares delivered for redemption pursuant to Section 5.1 shall be redeemed subject to completion of the Offer but no cheques representing the Redemption Price for the Common Shares so redeemed shall be delivered to the holders of such Common Shares unless and until the Offer is completed in accordance with its terms. Upon completion of the Offer (the “**Redemption Date**”), the Corporation shall deliver to the holders of such Common Shares payment representing the Redemption Price for the Common Shares so redeemed. If the Offer is not completed, the right provided in Section 5.1 shall not be effective and the Corporation shall return or issue and deliver to the holders entitled thereto share certificates representing Common Shares delivered to the Corporation pursuant to Section 5.1.
- 5.5 Any cheque representing payment of the Redemption Price not presented to the Corporation’s bankers for payment, or otherwise not claimed within six years after the Redemption Date, shall be irrevocably forfeited to the Corporation.
- 5.6 From and after the Redemption Date, the Common Shares redeemed shall cease to be entitled to dividends, and the parties that were the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect of such redeemed shares, unless payment of the Redemption Price shall not be duly made by the Corporation.
- 5.7 All Common Shares which are redeemed, in accordance with the rights, privileges, restrictions and conditions attaching to the Common Shares, shall, subject to applicable law, be deemed to be returned to the authorized but unissued capital of the Corporation.

## 6. Capital Reorganization

Neither the Non-Voting Common Shares nor the Common Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the shares of the other of such classes are subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

## II. NON-VOTING COMMON SHARES

The rights, privileges, restrictions and conditions of the Non-Voting Common Shares are as set out in this Part II and in Part III. Unless otherwise indicated, any reference to “**Section**” in this Part II refers to a section of this Part II.



## 1. Definitions

For purposes of this Part II, the following definitions shall apply:

- 1.1 “**Act**” means the *Business Corporations Act* (Ontario), as now enacted;
- 1.2 “**affiliate**” has the meaning given thereto in the Act;
- 1.3 “**business day**” means a day on which securities may be traded on the stock exchange on which the Common Shares are then listed or if such shares are not then listed, a day other than a Saturday, a Sunday or any other day on which the principal chartered banks located in Toronto, Ontario are not open for business;
- 1.4 “**Closing Date**” has the meaning given thereto in the Transaction Agreement dated January 25, 2013 between the Corporation and Hope Bay Mining Ltd., as amended, restated or supplemented from time to time;
- 1.5 “**Common Shares**” means the common shares in the share capital of the Corporation;
- 1.6 “**Conversion Rights**” has the meaning given thereto in Section 7.1(b);
- 1.7 “**Conversion Time**” has the meaning given thereto in Section 7.4;
- 1.8 “**Corporation**” means TMAC Resources Inc.;
- 1.9 “**Non-Voting Common Shares**” means the non-voting common shares in the share capital of the Corporation;
- 1.10 “**Offer**” means an offer to purchase Common Shares which must, by reason of applicable securities legislation or by-laws, regulations or policies of a stock exchange on which the Common Shares are listed, be made to each holder of Common Shares whose last address on the records of the Corporation is in a province or territory of Canada to which the relevant requirement applies;
- 1.11 “**Offer Date**” means the date on which an Offer is made;
- 1.12 “**Redemption Date**” has the meaning given thereto in Section 5.4;
- 1.13 “**Redemption Period**” means the period of time commencing on the seventh business day after the Offer Date and terminating on the last date upon which holders of Common Shares may accept the Offer; and
- 1.14 “**Redemption Price**” means the value of the consideration offered under an Offer which, in the case of non cash consideration shall be determined solely by the board of directors of the Corporation, acting reasonably.



## **2. Voting Rights**

2.1 The holders of Non-Voting Common Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation provided that, except as required by law, the holders of Non-Voting Common Shares shall not be entitled as such to vote at any meeting of the shareholders of the Corporation. The holders of the Non-Voting Common Shares shall be entitled to receive all informational documents and other communications:

- (a) required to be sent to the holders of Common Shares by applicable law or by any stock exchange on which the Common Shares are listed; and
- (b) voluntarily sent by the Corporation to the holders of Common Shares in connection with any meeting of shareholders of the Corporation.

2.2 Without limiting Section 2.1, the holders of Non-Voting Common Shares shall not be entitled as such to vote separately as a class upon, nor entitled to dissent in respect of, any proposal to amend the articles of the Corporation to:

- (a) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class;
- (b) effect an exchange, reclassification or cancellation of the shares of such class; or
- (c) create a new class or series of shares equal or superior to the shares of such class.

## **3. Dividends**

The holders of Non-Voting Common Shares shall be entitled to receive dividends as and when declared by the board of directors of the Corporation on the Non-Voting Common Shares as a class, provided that no dividend may be declared in respect of, or any other benefit conferred upon the holders of, Non-Voting Common Shares unless concurrently therewith the same dividend per share in respect of, or the same benefit per share, is conferred upon the holders of, the Common Shares determined as if all Non-Voting Common Shares had been converted to Common Shares as of the date of determination.

## **4. Participation upon Liquidation, Dissolution or Winding Up**

The holders of Non-Voting Common Shares and the holders of Common Shares shall

be entitled, in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, to share rateably in such assets of the Corporation as are available for distribution.

## 5. Redemptions

- 5.1 Subject to the provisions of this Section 5 and applicable law, if an Offer is made, each outstanding Non-Voting Common Share shall be redeemed by the Corporation at the Redemption Price per Non-Voting Common Share at the option of the holder as provided in Section 5.4. The redemption right provided for in this Section 5.1 may be exercised by notice in writing given to the Corporation during the Redemption Period accompanied by the share certificate or certificates representing the Non-Voting Common Shares in respect of which the holder desires to exercise such right of redemption, and such notice shall be executed by the holder of the Non-Voting Common Shares registered on the books of the Corporation, or by his duly authorized attorney, and shall specify the number of Non-Voting Common Shares which the holder desires to have redeemed. The holder shall pay any governmental or other tax imposed on or in respect of such redemption. Upon receipt by the Corporation of such notice and share certificate or certificates, the Corporation shall issue or cause to be issued a cheque for the aggregate Redemption Price to be paid to such holder (less any tax required to be withheld) in accordance with Sections 5.2 and 5.4. If less than all of the Non-Voting Common Shares represented by any share certificate are to be redeemed, the holder shall be entitled to receive a new share certificate representing in the aggregate the number of Non-Voting Common Shares represented by the original share certificate which are not to be redeemed.
- 5.2 The redemption right provided for in Section 5.1 shall not come into effect if:
- (a) one or more shareholders of the Corporation who did not make or act in concert with the person or persons making the Offer and who, in the aggregate, beneficially own, directly or indirectly, or exercise control or direction over, not less than 50% of the outstanding Common Shares, determine within five business days after the Offer Date that he or they will continue to so own or exercise control or direction over, in the aggregate, 50% or more of the outstanding Common Shares;
  - (b) contemporaneously with the Offer, an offer is made to the holders of Non-Voting Common Shares upon the same terms and conditions as those contained in the Offer, including the consideration to be paid to the holders of Common Shares and the offer is for the same percentage of Non-Voting Common Shares as



the percentage of Common Shares sought to be acquired under the Offer, excluding in each case the number of shares then owned by the offeror;

- (c) the board of directors of the Corporation determines within five business days after the Offer Date that the Offer is not bona fide or is made primarily for the purpose of causing the redemption right provided for in Section 5.1 to come into effect and not primarily for the purpose of acquiring Common Shares; or
- (d) the Offer is not completed in accordance with its terms;

provided that:

- (e) in the case of Section 5.2(a), within six business days after the Offer Date, a certificate signed by or on behalf of one or more shareholders of the Corporation is delivered to the Secretary of the Corporation confirming that: (A) such shareholders did not make or act in concert with the person or persons making the Offer; (B) such shareholders beneficially own, directly or indirectly, or exercise control or direction over in the aggregate not less than 50% of the outstanding Common Shares; and (C) such shareholders have determined that they will not accept the Offer and provided further that upon any variation of the Offer, including an increase in price, such shareholders of the Corporation shall be deemed not to have accepted the Offer as varied and the certificate delivered by or on behalf of them as described above shall be deemed to continue to apply and no further certificate need be filed for purposes of these share provisions unless and until one or more of such shareholders determine to accept the Offer as varied and the result of such acceptance would be to reduce the aggregate holdings of the remaining shareholders who delivered such certificate to less than 50% of the outstanding Common Shares in which case a certificate to that effect signed by or on behalf of such shareholders who determine to accept the Offer as varied shall be delivered to the Corporation forthwith after such determination and, in any event, not less than five business days prior to termination of the Redemption Period;
- (f) in the case of Section 5.2(c), provided that the Corporation has appointed a transfer agent for the Non-Voting Common Shares, the Secretary of the Corporation delivers to the transfer agent for the Non-Voting Common Shares within six business days after the Offer Date a certified copy of a resolution of the board of directors of the Corporation determining that the Offer is not bona fide or is made primarily for the purpose of causing the redemption right provided for in Section 5.1 to come into effect and not primarily for



the purpose of acquiring the Common Shares and stating the reason for such determination; and

- (g) as soon as reasonably possible after the receipt of a certificate under Section 5.2(e) or a certified copy of a resolution under Section 5.2(f), the Corporation shall send to the holders of Non-Voting Common Shares notice of and a brief description of the effect of the determination under Section 5.2(a) or Section 5.2(c), as the case may be.
- 5.3 If the events described in Sections 5.2(a), (b) or (c) shall not have occurred within five business days after the Offer Date, or if any amended certificate as described in Section 5.2(e) shall have been delivered, the Corporation shall send as soon as reasonably possible to the holders of Non-Voting Common Shares a notice containing a brief description of the rights of such holders hereunder.
- 5.4 The redemption of any Non-Voting Common Shares delivered to the Corporation for redemption pursuant to Section 5.1 shall be subject to the provisions of this Section 5.4 and the Corporation shall make all arrangements necessary or desirable to give effect to this Section 5.4. All Non-Voting Common Shares delivered for redemption pursuant to Section 5.1 shall be redeemed subject to completion of the Offer but no cheques representing the Redemption Price for the Non-Voting Common Shares so redeemed shall be delivered to the holders of such Non-Voting Common Shares unless and until the Offer is completed in accordance with its terms. Upon completion of the Offer (the "**Redemption Date**"), the Corporation shall deliver to the holders of such Non-Voting Common Shares payment representing the Redemption Price for the Non-Voting Common Shares so redeemed. If the Offer is not completed, the right provided in Section 5.1 shall not be effective and the Corporation shall return or issue and deliver to the holders entitled thereto share certificates representing Non-Voting Common Shares delivered to the Corporation pursuant to Section 5.1.
- 5.5 Any cheque representing payment of the Redemption Price not presented to the Corporation's bankers for payment, or otherwise not claimed within six years after the Redemption Date, shall be irrevocably forfeited to the Corporation.
- 5.6 From and after the Redemption Date, the Non-Voting Common Shares redeemed shall cease to be entitled to dividends, and the parties that were the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect of such redeemed shares, unless payment of the Redemption Price shall not be duly made by the Corporation.
- 5.7 All Non-Voting Common Shares which are redeemed, in accordance with

the rights, privileges, restrictions and conditions attaching to the Non-Voting Common Shares, shall, subject to applicable law, be deemed to be returned to the authorized but unissued capital of the Corporation.

## 6. Capital Reorganization

Neither the Common Shares nor the Non-Voting Common Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the shares of the other of such classes are subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

## 7. Conversion Rights

7.1 Each Non-Voting Common Share shall be convertible into one Common Share without the payment of additional consideration as follows:

- (a) at the election of the holder thereof at any time and from time to time prior to the date that is 24 months following the Closing Date provided that the holder thereof and its affiliates collectively hold less than 49.9% of the Common Shares on a non-diluted basis (and will hold 49.9% or less of the Common Shares on a non-diluted basis upon such conversion), further provided that this limitation will not apply if the redemption right provided for in Section 5.1 comes into effect and after such time the holder may convert any or all Non-Voting Common Shares held into Common Shares without restriction; and
- (b) automatically on the date that is 24 months following the Closing Date (collectively, the "**Conversion Rights**").

7.2 In the event of a notice of redemption of any Non-Voting Common Shares pursuant to Section 5.1, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the Redemption Date, unless the Redemption Price is not fully paid on such Redemption Date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Corporation, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Common Shares and Non-Voting Common Shares.

7.3 No fractional Common Shares shall be issued upon conversion of Non-Voting Common Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a Common Share as determined in good faith by the board of directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of Non-Voting



Common Shares the holder is at the time converting into Common Shares and the aggregate number of Common Shares issuable upon such conversion.

- 7.4 In order for a holder of Non-Voting Common Shares to voluntarily convert Non-Voting Common Shares into Common Shares, such holder shall surrender the certificate or certificates for such Non-Voting Common Shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Non-Voting Common Shares (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the Non-Voting Common Shares represented by such certificate or certificates in accordance with Section 7.1(a). Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for Common Shares to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent for the Non-Voting Common Shares (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "**Conversion Time**"), and the Common Shares issuable upon conversion of the shares represented by such certificates shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Non-Voting Common Shares, or to his, her or its nominees, a certificate or certificates for the number of full Common Shares issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the Non-Voting Common Shares represented by the surrendered certificate that were not converted into Common Shares, and (ii) pay in cash such amount as provided in Section 7.3 in lieu of any fraction of a Common Share otherwise issuable upon such conversion.
- 7.5 The Corporation shall at all times when the Non-Voting Common Shares shall be outstanding, reserve and keep available out of its authorized but unissued share capital, for the purpose of effecting the conversion of the Non-Voting Common Shares, such number of its duly authorized Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Non-Voting Common Shares; and if at any time the number of authorized but unissued shares of Common Shares shall not be



sufficient to effect the conversion of all then outstanding Non-Voting Common Shares, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the articles of the Corporation.

- 7.6 All Non-Voting Common Shares which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive Common Shares in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Section 7.3 and to receive payment of any dividends declared but unpaid thereon.
- 7.7 If there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Shares (but not the Non-Voting Common Shares) are converted into or exchanged for securities, cash or other property (for greater certainty, other than a transaction covered by Section 6), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each Non-Voting Common Share shall thereafter be convertible in lieu of the Common Share into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of a Common Share issuable upon conversion of such Non-Voting Common Share immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the board of directors of the Corporation) shall be made in the application of the provisions in this Section 7 with respect to the rights and interests thereafter of the holders of the Non-Voting Common Shares, to the end that the provisions set forth in this Section 7 shall thereafter be applicable, as nearly as reasonably may be possible, in relation to any securities or other property thereafter deliverable upon the conversion of the Non-Voting Common Shares.

### III. ADDITIONAL TERMS

In addition to the rights, privileges, restrictions and conditions of the common shares (the "**Common Shares**") in the share capital of TMAC Resources Inc. (the "**Corporation**") and of the non-voting common shares (the "**Non-Voting Common Shares**") in the share capital of the Corporation respectively set out in Part I and Part II, the rights, privileges, restrictions and conditions of the Common Shares and the Non-Voting Common Shares shall include those as set out in this Part III.

- 1.1 A holder of Common Shares or of Non-Voting Common Shares may require the Corporation to acquire some or all of the Common Shares or Non-Voting Common Shares held by such holder in order to satisfy a liability owing by the holder to the Corporation under an indemnity or otherwise.
- 1.2 The value of the Common Shares and the Non-Voting Common Shares to be transferred to the Corporation shall be 75% of the market price of the Common Shares as of the date of the Acquisition Notice (as defined below), unless otherwise agreed in writing between the Corporation and the holder. The market price for these purposes is the "market price" determined pursuant to section 1.3 of Ontario Securities Commission Rule 62-504 or any successor provision.
- 1.3 The right provided for in this Part III may be exercised by notice (the "**Acquisition Notice**") in writing given to the Corporation accompanied by the share certificate or certificates representing the Common Shares and Non-Voting Common Shares in respect of which the holder desires to exercise such right, and such Acquisition Notice shall be executed by the holder of the Common Shares and Non-Voting Common Shares, as the case may be, registered on the books of the Corporation, or by his duly authorized attorney, and shall specify the number of Common Shares and Non-Voting Common Shares which the holder desires to have the Corporation acquire. The holder shall pay any governmental or other tax imposed on or in respect of such transfer. Upon receipt by the Corporation of such Acquisition Notice and share certificate or certificates, the Corporation shall register such transfer on the books of the Corporation and deliver to the holder a full and final release in respect of the amount of the applicable liability that has been satisfied by such transfer. If less than all of the Common Shares or Non-Voting Common Shares represented by any share certificate are to be acquired, the holder shall be entitled to receive a new share certificate representing in the aggregate the number of Common Shares or Non-Voting Common Shares represented by the original share certificate which are not to be acquired.
- 1.4 From and after the date of receipt of the Acquisition Notice, the Common Shares and Non-Voting Common Shares acquired by the Corporation shall cease to be entitled to dividends, and the parties that were the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect of such acquired shares.
- 1.5 All Common Shares and Non-Voting Common Shares which are redeemed, in accordance with the rights, privileges, restrictions and conditions attaching to the Common Shares and Non-Voting Common Shares, shall, subject to applicable law, be deemed to be returned to the authorized but unissued capital of the Corporation.

6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.  
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on  
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2013/03/08

(Year, Month, Day)  
(année, mois, jour)

These articles are signed in duplicate.  
Les présents statuts sont signés en double exemplaire.

TMAC RESOURCES INC.

(Print name of corporation from Article 1 on page 1)  
(Veuillez écrire le nom de la société de l'article un à la page une).

By/  
Par :

(Signature)  
(Signature)

Gordon Morrison

President and Chief Technology Officer

(Description of Office)  
(Fonction)





## CORPORATE GOVERNANCE INFORMATION

### Officers Contact Information

1. Catharine Farrow, Chief Executive Officer  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216
2. Ron Gagel, Executive VP & Chief Financial Officer  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216
3. Grant Goddard, Chief Operating Officer  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216
4. Jay Goldman, Secretary  
2100 Scotia Plaza, 40 King Street West, Toronto, ON M5H 3C2  
Office phone: 416-860-6474
5. Dave King, VP Exploration & Geoscience  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216
6. Terry MacGibbon, Executive Chairman  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216
7. Julia Micks, Executive VP Human Resources  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216
8. Gord Morrison, President & Chief Technology Officer  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216
9. Maarten Theunissen, VP Finance  
372 Bay Street Suite 901, Toronto, ON M5H 2W9  
Office phone: 416-628-0216



## **TMAC Resources Inc.**

Audited Financial Statements

For the period from October 30, 2012, date of incorporation, to December 31, 2013

(Expressed in Canadian dollars, except where otherwise indicated)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

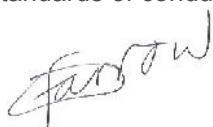
Management acknowledges responsibility for the preparation and presentation of financial statements of TMAC Resources Inc. (the "**Company**") which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial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

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

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

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

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



Catharine Farrow  
Chief Executive Officer  
Officer



Ronald P. Gagel  
Executive Vice President and Chief Financial

April 28, 2014  
Toronto, Canada





**KPMG LLP**  
**Chartered Accountants**  
Bay Adelaide Centre  
333 Bay Street Suite 4600  
Toronto ON M5H 2S5

Telephone (416) 777-8500  
Fax (416) 777-8818  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of TMAC Resources Inc.

We have audited the accompanying financial statements of TMAC Resources Inc., which comprise the statement of financial position as at December 31, 2013, the statements of profit or loss, changes in shareholders' equity and cash flows for the period from October 30, 2012, date of incorporation, to December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



Page 2

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of TMAC Resources Inc. as at December 31, 2013, and its financial performance and its cash flows for the period from October 30, 2012, date of incorporation, to December 31, 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants  
April 28, 2014  
Toronto, Canada

# STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

(Expressed in Canadian dollars)

	Notes	As at December 31, 2013 \$000s
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		17,837
Amounts receivable	4	406
Consumables, materials and supplies	5	7,097
Prepaid expenses		850
		<b>26,190</b>
<b>Non-current assets</b>		
Property, plant and equipment	6	483,696
Goodwill	7	80,600
Other	8	2,798
		<b>567,094</b>
<b>Total assets</b>		<b>593,284</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	9	1,803
Newmont Loan	10	14,369
Other liabilities	11	-
		<b>16,172</b>
<b>Non-current liabilities</b>		
Provision for environmental rehabilitation	12	16,681
Deferred tax liabilities	13	80,300
		<b>96,981</b>
<b>Total liabilities</b>		<b>113,153</b>
<b>Equity</b>		
Share capital	14	482,788
Reserves	14	496
Accumulated deficit		(3,153)
		<b>480,131</b>
<b>Total equity and liabilities</b>		<b>593,284</b>

Commitments and contingencies (note 20)

Subsequent events (note 21)

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

Approved on behalf of the board of directors



A. Terrence MacGibbon  
Executive Chairman



Andrew P. Adams  
Director



## STATEMENT OF PROFIT OR LOSS

For the period from October 30, 2012, date of incorporation, to December 31, 2013  
(Expressed in Canadian dollars)

	Notes	Period ended December 31, 2013 \$000s
<b>General and administrative</b>		
Salaries and wages		1,220
Professional fees and consulting		591
Travel		155
Investor relations		33
Office, regulatory and general		130
<b>Loss before the following</b>		<b>2,129</b>
Finance income	15	(170)
Finance expense	15	381
Foreign exchange loss		1
Business development expenses	3	1,176
<b>Loss before income taxes for the period</b>		<b>3,517</b>
Deferred income tax expense	13	(364)
<b>Net loss and comprehensive loss for the period</b>		<b>3,153</b>
<b>Net loss per share</b>	14(d)	
Basic		\$0.04
Diluted		\$0.04
<b>Weighted average number of shares (thousands)</b>		
Basic and diluted		82,519

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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from October 30, 2102, date of incorporation, to December 31, 2013

(Expressed in Canadian dollars)

	Notes	Shares #000s	Share Capital \$000s	Reserves \$000s	Deficit \$000s	Total \$000s
<b>Balance as at October 30, 2012</b>		-	-	-	-	-
Private placement and share split	14	12,600	-	-	-	-
Issued on purchase of Hope Bay	3	57,400	450,000	-	-	450,000
Initial Equity Financing	14	11,497	32,788	-	-	32,788
Initial Equity Financing Rights	14	1,022	-	-	-	-
Equity component of Newmont						
Loan, net of tax	10	-	-	496	-	496
Net loss for the period		-	-	-	(3,153)	(3,153)
<b>Balance as at December 31, 2013</b>		<b>82,519</b>	<b>482,788</b>	<b>496</b>	<b>(3,153)</b>	<b>480,131</b>

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

## STATEMENT OF CASH FLOWS

For the period from October 30, 2012, date of incorporation, to December 31, 2013  
(Expressed in Canadian dollars)

	Notes	Period ended December 31, 2013 \$000s
<b>Net loss for the period</b>		<b>(3,153)</b>
<b>Operating activities</b>		
Adjusted for:		
Finance income	15	(170)
Finance expense	15	381
Unrealized foreign exchange loss		1
Deferred tax expense	13	(364)
Increase (decrease) in non-cash working capital:		
Amounts receivable		(406)
Prepaid expenses		(211)
Trade and other payables		103
<b>Operating cash flows before interest and tax</b>		<b>(3,819)</b>
Cash tax paid		-
Cash interest paid		(32)
<b>Cash flows from operating activities</b>		<b>(3,851)</b>
<b>Investing activities</b>		
Additions to property, plant and equipment	6	(26,150)
Interest received		170
<b>Cash flows used in investing activities</b>		<b>(25,980)</b>
<b>Financing activities</b>		
Private placement, net of issue costs	14(b)	32,669
Newmont Loan	10	15,000
<b>Cash flows from financing activities</b>		<b>47,669</b>
Effects of exchange rate changes on cash and cash equivalents		(1)
<b>Net increase in cash and cash equivalents for the period</b>		<b>17,837</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>17,837</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

## 1. NATURE OF OPERATIONS AND GOING CONCERN

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**") (note 3). TMAC's registered address is 40 King Street West, Suite 2100, Toronto, Ontario, M5H 3C2. These financial statements are for the fourteen month period from October 30, 2012, date of incorporation, to December 31, 2013.

TMAC's efforts are devoted to the exploration, evaluation and development of Hope Bay. The recoverability of the amount paid for the acquisition of, and investment in, Hope Bay is dependent upon the discovery of economically recoverable reserves and resources, the preservation of the Company's interest in the underlying mineral licences and mining lease agreements, the ability to obtain necessary financing to complete the exploration, evaluation and development of Hope Bay and the attainment of profitable operations thereat or, alternatively, the disposal of whole or part of Hope Bay or TMAC's interests therein on an advantageous basis.

For the fourteen month period ended December 31, 2013, the Company reported a loss and deficit of \$3,153,000. As at December 31, 2013, TMAC did not have sufficient funds available, from existing cash on hand, to maintain its mineral investments, meet its exploration and evaluation and administrative costs and repay its financial obligations for at least one year; however, subsequent to year end, the Company completed a private placement (the "**Second Equity Financing**") on April 28, 2014 (note 21) and raised sufficient funds to maintain TMAC's current business plans and repay its financial obligations for at least one year. Although the Company has been successful in raising funds to date, as evidenced by the financings in March 2013 and April 2014, there can be no assurance that adequate funding will be available in the future or available under terms favourable to the Company to develop for production Hope Bay. These financial statements have been prepared on the going concern basis. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in these financial statements.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

The board of directors (the "**Board**") approved these financial statements on April 28, 2014.

### (b) Basis of presentation

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

### (c) Functional and presentation currency and foreign currency transactions

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

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

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.

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

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

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

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

#### ***(i) Estimated reserves and resources***

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

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

- Asset carrying values may be affected due to changes in estimated future cash flows; and,
- Prospective depreciation charges in the Statement of Profit and Loss may change when such charges are determined by the unit-of-production basis, or when the useful lives of assets change.

#### ***(ii) Determination of useful lives of assets for depreciation purposes***

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

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

### *(iii) Impairment of property, plant and equipment*

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

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

Judgment is also required in estimating the discount rate applied and future commodity prices used for impairment testing. The long-term commodity prices are derived from forward prices and analysts’ commodity price forecasts. These assessments often differ from current price levels and are updated periodically.

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

### *(iv) Fair value of assets and liabilities acquired in business combinations*

In a business combination the identifiable assets and liabilities are measured at fair value on the date of acquisition. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management’s judgments and estimates, as of the acquisition date, of the amount of mineral reserves and resources acquired, the exploration potential for areas with no identified mineral reserves and resources, future commodity prices, future operating costs and capital expenditure requirements and discount rates. Any excess of acquisition cost over the fair value of the identifiable net assets is recognized as goodwill.

### *(v) Determining if an acquisition is a business*

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, judgment is required to consider other factors to determine whether the set of activities or assets is a business. Those factors include, but are not limited to, whether the set of activities or assets:

- Has begun planned principal activities;
- Has employees, intellectual property and other inputs and processes that could be applied to those inputs;
- Is pursuing a plan to produce outputs; and,
- Will be able to obtain access to customers that will purchase the outputs.



## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

Not all of the above factors need to be present for a particular integrated set of activities or assets in the exploration and development stage to qualify as a business.

### **(vi) Environmental rehabilitation costs**

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

### **(vii) Taxation**

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

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

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

### **(viii) Share-based payments**

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

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

### **(ix) Functional currency**

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

### **(x) Compound financial instruments**

The fair value of the liability component of convertible debt is determined using management's best estimate of what the interest of a similar loan without a conversion option would be.

### **(xi) Contingencies**

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

### **(e) Business combinations**

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

### **(f) Cash and cash equivalents**

Cash and cash equivalents consist of cash held with major Canadian financial institutions in the form of cash and guaranteed investment certificates with investment terms that are less than 90 days at the time of acquisition

### **(g) Consumables, materials and supplies and other assets**

Consumables and materials and supplies inventories are valued on a weighted average basis and measured at the lower of acquisition cost and net realizable value.

Other assets is comprised of gold ore on surface and is valued at the lower of production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

### **(h) Property, plant and equipment**

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

#### **(i) General**

Property, plant and equipment costs include the fair value of consideration paid, including cash and shares, if any, on acquisition. Exploration expenditures relate to the initial search for deposits with economic potential. Evaluation expenditures arise from a detailed assessment of deposits or projects that have been identified as having economic potential. When a decision is made that an exploration and evaluation project has advanced to the development for production stage, the accumulated costs associated with that project are reclassified to project under development. Development costs are capitalized and include the costs associated with bringing the project to the production stage. When a decision is made that a project under development has advanced to the production stage, the accumulated costs associated with that project are reclassified as mining operations. At the production stage, the capitalization of certain mine construction costs ceases and they are either capitalized to inventory or expensed. Other costs related to property, plant and equipment additions or improvements and underground mine development that have a future economic benefit, or exploration and evaluation expenditures that meet the criteria for capitalization, are capitalized.

The amount of property acquisition costs and their related deferred exploration and evaluation and development expenditures represent historic expenditures incurred and are not intended to reflect present or future fair values.

Upon sale or abandonment of any mineral interest, the cost and related accumulated depreciation are written-off and any gains or losses thereon are included in the Statement of Profit or Loss.

#### **(ii) Property**

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

#### **(iii) Plant, equipment and mobile equipment**

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

#### **(iv) Exploration and evaluation**

Exploration and evaluation costs are capitalized and are comprised of costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploration drilling and sampling;
- examining and testing extraction and treatment methods; and,
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.



## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

### **(v) Development costs**

Development costs are capitalized until the mineral property is determined to be in production, becomes inactive, is assessed as impaired or is sold or abandoned. Development costs include accessing the ore body, designing and constructing the production infrastructure, borrowing costs relating to construction and other costs that can be directly attributed to bringing the assets to the condition necessary for their intended use. This includes costs associated with the commissioning period before the asset is in production and can operate at the level intended by management.

### **(vi) Depreciation**

The carrying amounts of property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific assets to which they relate.

Accumulated property costs are not depreciated prior to the commencement of production.

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

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

### **(vii) Impairment**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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### (i) Goodwill

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

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

### (j) Leases

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

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

### (k) Provisions

#### (i) General

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

#### (ii) Environmental rehabilitation

The mining, extraction and processing activities of the Company normally give rise to obligations for environmental rehabilitation. A provision is recognized for environmental rehabilitation costs, which 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

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

### (l) Income taxes

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

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

### (m) Share capital

#### (i) Common shares

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

#### (ii) Flow-through common shares

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

### (n) Share-based payments

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



## NOTES TO THE FINANCIAL STATEMENTS

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

### **(o) Earnings (loss) per share**

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

### **(p) Financial instruments**

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

#### ***(i) Financial assets***

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

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

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

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

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

#### ***(ii) Financial liabilities***

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

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

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

### ***(iii) Compound financial instruments***

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

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

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

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

### ***(iv) Impairment of financial assets***

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

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

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

### **(q) Borrowing costs**

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

## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

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

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

### (r) Related party transactions

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

### (s) Segment reporting

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

### (t) Adoption of new and revised international financial reporting standards

At the date of authorization of the financial statements for the period ended December 31, 2013, the following standards and interpretations, which are applicable to the Company, are effective from January 1, 2013, except for the amendments to IFRS 9 for which the effective date is to be determined and IAS 36 and IFRIC 21 which are effective January 1, 2015. Early adoption is permitted and the Company elected to adopt all applicable new standards, other than the amendments to IFRS 9, effective October 30, 2012, date of incorporation. The Company is currently assessing the impact of the amendments to IFRS 9 and IAS 36 and the IFRIC 21 new standard on its financial statements.

#### (i) IFRS 9, Financial instruments

IFRS 9, *Financial Instruments*, ("**IFRS 9**") will replace IAS 39, *Financial Instruments: Recognition and Measurement for classification and measurement of financial assets and liabilities*.

IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. A fair value option is provided for financial instruments otherwise measured at amortized cost. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In November 2013, the IASB issued amendments to IFRS 9.



## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

### (ii) IFRS 10, Consolidated financial statements

IFRS 10, *Consolidated Financial Statements*, ("**IFRS 10**") replaces the consolidation requirements in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12 *Consolidation - Special Purpose Entities*. While TMAC does not have subsidiaries and, therefore, does not have consolidated financial statements, the principles of financial statements are contained within IFRS 10.

### (iii) IFRS 13, Fair value measurement

IFRS 13, *Fair Value Measurement*, ("**IFRS 13**") defines fair value, and sets out in a single IFRS a framework for measuring fair value and related disclosures about those fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, with limited exceptions, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value.

### (iv) IAS 19, Employee benefits

Amendments to IAS 19, *Employee Benefits*, ("**IAS 19**") require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. TMAC does not have any defined benefit obligations.

### (v) IAS 32, Financial instruments: presentation

Amendments to IAS 32, *Financial Instruments: Presentation*, ("**IAS 32**") clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

### (vi) IAS 36, Impairment of assets

IAS 36, *Impairment of Assets*, ("**IAS 36**") was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

### (vii) IFRIC 21, Levies

Amendments to IFRIC 21, *Levies*, ("**IFRIC 21**") provided guidance on the accounting for levies within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The main features of IFRIC 21 are: (i) the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation, and (ii) the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. ACQUISITION OF HOPE BAY

On November 30, 2012, Newmont Mining Corporation (collectively with its subsidiaries “**Newmont**”) and TMAC entered into a letter agreement whereby TMAC agreed to purchase 100% of Hope Bay from Hope Bay Mining Ltd. (“**HBML**”), a wholly-owned subsidiary of Newmont, subject to HBML retaining a 1% net smelter royalty (the “**Newmont NSR**”) on any metals produced from Hope Bay and a specified surrounding area of interest. A formal agreement of purchase and sale entitled “Transaction Agreement” between HBML and TMAC was entered into on January 25, 2013 and was amended at the time of closing of the transaction on March 12, 2013 (the “**Closing**”) by way of an “Amending Agreement”, dated March 12, 2013, (collectively the “**Transaction Agreement**”).

Pursuant to the Transaction Agreement, all of the Hope Bay assets were vended to TMAC for an aggregate purchase consideration of \$450,000,000 (the “**Purchase Consideration**”) in exchange for the issuance by TMAC of 57,400,000 Common Shares (the “**Payment Shares**”) to HBML representing 82% of the 70,000,000 Common Shares of TMAC then outstanding. HBML transferred \$300,000,000 of tax attributes to TMAC as part of the Purchase Consideration. In addition, TMAC assumed environmental rehabilitation liabilities for Hope Bay.

TMAC established two types of Common Shares: Voting Common Shares (the “**Voting Shares**”) and Non-Voting Common Shares (the “**Non-Voting Shares**”) (note 14). Newmont’s 57,400,000 Common Shares were split between Voting Shares and Non-Voting Shares such that Newmont’s ownership of Voting Shares was 49.9% of the Voting Shares outstanding, and TMAC’s management owned the remaining 18% or 12,600,000 Common Shares of the 70,000,000 Common Shares issued and outstanding at Closing. Pursuant to the Transaction Agreement, should at any time the total number of Common Shares owned by HBML result in Newmont beneficially owning more than 49.9% of the aggregate issued and outstanding Common Shares immediately following completion of the Initial Equity Financing, as defined below, the number of Voting Shares held by Newmont will instead equal an amount which results in Newmont’s ownership of Voting Shares being 49.9% of the aggregate issued and outstanding Voting Shares (on a non-diluted basis) at such time, and the remaining Payment Shares shall be Non-Voting Shares.

The Transaction Agreement also contains certain post-Closing terms and conditions including:

- As a condition of Closing, TMAC was to complete a private placement in the amount of \$30,000,000 to \$35,000,000, the funds for which were to pay for the acquisition costs incurred to purchase Hope Bay along with providing funds to conduct exploration, evaluation, environmental and administrative activities. Immediately after Closing, a private placement of Common Shares for an aggregate amount of \$35,000,000 was completed (the “**Initial Equity Financing**”) (note 14);
- TMAC shall use commercially reasonable efforts to complete an initial public offering of TMAC Common Shares (the “**IPO Financing**”) by December 31, 2013 and to have the Common Shares, including the Payment Shares (but not including the Non-Voting Shares), approved for listing on the Toronto Stock Exchange (“**TSX**”). Despite using commercially reasonable efforts, market conditions did not permit TMAC to complete the IPO Financing by December 31, 2013; and
- TMAC agreed to indemnify Newmont for any funds expended in connection with draws made on the letters of credit associated with Newmont’s environmental rehabilitation obligations for Hope Bay under the permits that are held by Aboriginal Affairs and Northern Development Canada, the Department of Fisheries and Oceans and the Kitmeot Inuit Association (“**KIA**”) (the “**Letters of Credit**”) (note 18). TMAC shall arrange for replacement bonds and/or letters of credit on or before the earlier of 30 days following the closing of the IPO Financing and June 30, 2014.

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In addition, a number of ancillary agreements were entered into between Newmont and TMAC on March 12, 2013, including:

- TMAC obtained a commitment from an affiliate of HBML (the “**Commitment Letter**”) to provide a non-revolving loan in the principal amount of up to \$15,000,000 (the “**Newmont Loan**”). TMAC made a drawdown of \$15,000,000 on December 18, 2013. (notes 10, 18 and 21);
- Newmont Royalty Agreement that provides for the 1% Newmont NSR smelter royalty retained by HBML on all saleable metals produced by TMAC from Hope Bay and an area of interest surrounding the Hope Bay property (note 18);
- Transition Services Agreement whereby TMAC can request assistance from Newmont at TMAC’s expense for certain services for a specified period of time ending on September 30, 2013 (note 18); and,
- Investor Rights Agreement providing Newmont and TMAC certain rights with respect to the board of directors of TMAC and the Common Shares of TMAC (note 18).

The aggregate fair values of assets acquired and liabilities assumed on acquisition date were as follows:

	<b>\$000s</b>
<b>Purchase price:</b>	
57,400,000 Common Shares	450,000
<b>Net assets acquired:</b>	
Consumables, materials and supplies	7,919
Property	203,660
Plant and equipment	246,547
Mobile equipment	5,456
Ore in stockpiles	2,798
Goodwill	80,600
Environmental rehabilitation liabilities	(16,380)
Deferred tax liabilities	(80,600)
<b>Total net assets</b>	<b>450,000</b>

In accordance with IFRS 3, “*Business Combinations*”, the acquisition of Hope Bay by TMAC was determined to be a business combination with TMAC being the acquirer of Hope Bay and, accordingly, was accounted for under the acquisition method of accounting. The results of operations are included in the Statement of Profit or Loss from the date of the acquisition.

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Fair values have been estimated using a variety of methods as listed below for significant balances:

Asset Acquired or Liability Assumed	Method of Determining Fair Value	Fair Value \$000s
Consumables, materials and supplies	Estimated primarily using a replacement cost approach based on inventory records and the selling price for comparable items.	7,919
Property	Estimated discounted cash flows and value of comparable transactions to estimate the fair value of mineral resources and licenses based on a third party valuation report.	203,660
Plant and equipment	Estimated primarily using a replacement cost approach based on fixed asset records and asset valuation reports.	246,547
Mobile equipment	Estimated primarily using a replacement cost approach based on fixed asset records and asset valuation reports.	5,456
Ore in stockpiles	Based on estimated recoverable value of contained metal less estimated processing, refining, shipping, and selling costs.	2,798
Goodwill	Estimated pursuant to IFRS.	80,600
Environmental rehabilitation liabilities	Estimated from a third party environmental rehabilitation liability report using assumptions about inflation rates, life of assets and discount rate.	16,380
Deferred tax liabilities	Estimated based on assumed marginal tax rates on difference between Purchase Consideration and transferred tax attributes.	80,600

From the date of Closing of the acquisition, no revenues and a net loss of \$nil were generated by the Hope Bay operations. Had the acquisition taken place at the beginning of the fiscal year, TMAC's pro forma revenue from Hope Bay would be \$nil and pro forma net loss would have been \$nil for the fourteen months ended December 31, 2013. TMAC incurred transaction costs totaling \$1,176,000 related to the acquisition of Hope Bay all of which were expensed in the Statement of Profit or Loss in the current period.

#### 4. Amounts receivable

	December 31, 2013 \$000s
Recoverable sales tax	404
Other	2
	<b>406</b>



## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

### 5. Consumables, materials and supplies

	December 31, 2013 \$000s
Consumables	5,864
Materials and supplies	1,233
	<b>7,097</b>

### 6. Property, plant and equipment

December 31, 2013	Property \$000s	Plant and equipment \$000s	Mobile equipment \$000s	Exploration and evaluation \$000s	Total \$000s
<b>Cost</b>					
Balance at October 30, 2012	-	-	-	-	-
Acquisition of Hope Bay (note 3)	203,660	246,547	5,456	-	455,663
Additions					
- Acquisition and engineering	-	1,293	506	-	1,799
- Camp and logistics	-	658	459	8,214	9,331
- Capitalized depreciation	-	-	-	498	498
- Drilling and Assaying	-	-	-	10,789	10,789
- Environment	-	-	-	3,290	3,290
- Evaluation	-	-	-	612	612
- Geology	-	-	-	689	689
- Property holding	1,523	-	-	-	1,523
<b>Balance at December 31, 2013</b>	<b>205,183</b>	<b>248,498</b>	<b>6,421</b>	<b>24,092</b>	<b>484,194</b>
<b>Accumulated depreciation</b>					
Balance at October 30, 2012	-	-	-	-	-
Depreciation	-	287	211	-	498
<b>Balance at December 31, 2013</b>	<b>-</b>	<b>287</b>	<b>211</b>	<b>-</b>	<b>498</b>
<b>Net book value at December 31, 2013</b>	<b>205,183</b>	<b>248,211</b>	<b>6,210</b>	<b>24,092</b>	<b>483,696</b>

All property, plant and equipment are currently in the exploration and evaluation stage.

Hope Bay is located approximately 685 kilometres (“km”) northeast of Yellowknife, Northwest Territories and approximately 125 km southwest of Cambridge Bay, Nunavut Territory and is situated east of Bathurst Inlet, Nunavut Territory. Hope Bay lies approximately 160 km above the Arctic Circle, comprises an area of 1,101 km<sup>2</sup> and forms one large contiguous block of land that is approximately 80 km by 20 km in size. Hope Bay mineral tenure includes Federal (the “**Crown**”) mineral claims, Crown mining leases, pending Crown mining leases and Inuit exploration agreements.

Nunavut Tunngavik Inc. (“**NTI**”), the organization which coordinates and manages Inuit responsibilities set out in the Nunavut Land Claims Agreement (“**NLCA**”), holds the surface title and mineral rights to Inuit-Owned Lands in the Kitikmeot region of Nunavut, including the surface rights over the entire Hope Bay area and mineral rights over selected portions of Hope Bay as described above. The KIA administers the surface rights and the Inuit Impact Benefit Agreement (“**IIBA**”) associated with Hope Bay. The IIBA provides guidelines for Inuit employment and Inuit contractor involvement at Hope Bay, and provides for certain payments to the KIA for administration of the IIBA. In addition, TMAC assumed from Newmont the rights and obligations of the surface rights lease agreement (the “**Commercial Lease**”) with the KIA that governs surface access rights and compensation that is payable to the KIA for

## NOTES TO THE FINANCIAL STATEMENTS

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that access. The Commercial Lease, which has a five year term commencing September 13, 2013, permits TMAC to commence production at the Doris deposit. Payments to the KIA for use of the surface lands are incurred for quarrying fees, water usage, habitat disturbance and wildlife conservation.

Hope Bay is comprised of the Roberts Bay port, the Doris, Madrid and Boston gold bearing mineral deposits and other areas of mineralized interest. Roberts Bay is located approximately five km from the Doris site and is the port entry point from the north-west passage. The facility includes a cargo offloading jetty, a diesel fuel offloading facility, 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, an all year haul road from Doris to Madrid, and permitted tailings facility. In addition, a partially completed expandable 800 tonne per day modular mill is currently stored in Durban, South Africa and mill grinding equipment is stored in Baltimore, USA.

NTI owns approximately 50% of the subsurface minerals at Hope Bay with the other 50% owned by the Crown. The ownership of mineral rights is allocated approximately as follows: Doris - 100% by NTI; Madrid - 50%/50% shared mineral rights between NTI and the Crown; Boston and southwards -100% owned by the Crown. As NTI is a private owner of the Inuit owned subsurface mineral rights, royalty rates for the NTI's mineral rights are governed by production leases granted by NTI. A production lease is a necessary prerequisite in order to commence production. While a production lease is not finalized, terms for similar leases with NTI should result in TMAC paying NTI an annual 12% net profits interest royalty from any production, this amount being effectively set by a limit in allowable deductions. Crown lands are subject to a sliding scale net profits interest royalty of up to 13%; however, there is no limit to the allowable deductions.

Newmont has retained the 1% Newmont NSR on commercial production from the Hope Bay Project area of interest. TMAC has a right of first refusal on any sale of the Newmont NSR (note 18).

Newmont has general security agreements in place for each of the Newmont Loan and the Letters of Credit (note 18).

Cash additions of assets in the exploration and evaluation stage, adjusted for non-cash working capital movements, amounted to \$26,150,000.

### 7. Goodwill

The goodwill balance of \$80,600,000 relates to the acquisition of Hope Bay (note 3) and is the result of the requirement under business combinations accounting to recognize a deferred income tax liability for the difference between the fair value of the identifiable assets and liabilities acquired and their tax base (note 3). Goodwill has been allocated to the Hope Bay CGU for impairment testing purposes. An impairment test was performed on the CGU at December 31, 2013. The recoverable amount was determined by estimating the fair value less costs of disposal through a discounted cash flow analysis on the Doris, Madrid and Boston deposits over 12 years along with a comparable transaction value analysis for the rest of the Hope Bay property. The following significant assumptions were used in the discounted cash flow analysis: US\$1,350/ounce for the price of gold based on an average of analysts' forecasts; 6% discount rate; and, 1.066 foreign exchange rate for the Canadian dollar relative to the United States dollar based on market forecasts. The test showed no impairment for Hope Bay at December 31, 2013.

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

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### 8. Other

Other assets consists of an ore stockpile on surface valued at \$2,798,000 that also represents its net realizable value.

### 9 Trade and other payables

	December 31, 2013 \$000s
Trade payables	659
Accrued liabilities	1,144
	<b>1,803</b>

### 10. Newmont Loan

	Period ended December 31, 2013 \$000s
Proceeds from drawdown on December 19, 2013	15,000
Convertible option classified as equity	(679)
Accrued interest	48
	<b>14,369</b>

Deferred taxes of \$183,000 were recognized on the \$679,000 convertible option value, resulting in a net adjustment of \$496,000 in the Statement of Changes in Shareholders' Equity.

The terms of the Newmont Loan are as follows:

- A non-revolving facility and has a principal amount of up to \$15,000,000;
- Bears interest at 5%, calculated and compounded monthly, and payable at the time of repayment;
- Repayment is due at the earlier of the IPO Financing and December 31, 2014;
- Payment is to be in cash or, at Newmont's option, converted into Common Shares ("**Conversion Shares**") issued from treasury at a deemed conversion price of \$3.00 per share. In the event that Conversion Shares are required to be issued to Newmont and such issuance would result in Newmont beneficially owning more than 49.9% of the aggregate issued and outstanding Voting Shares, the number of Voting Shares issued will instead equal an amount which results in Newmont collectively beneficially owning 49.9% of the aggregate issued and outstanding Voting Shares (on a non-diluted basis) at such time, and the remaining Conversion Shares shall be Non-Voting Shares; and,
- Is secured by a general security agreement in favor of Newmont.

On April 28, 2014 TMAC repaid the Newmont Loan (note 21).

## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

### 11. Other liabilities

Other liabilities relate to the premium attributed to the proceeds received from the issuance of flow-through Common Shares.

	<b>Period ended December 31, 2013 \$000s</b>
Balance at October 30, 2012	-
Premium from flow-through Common Shares issued	511
Reduction for qualifying exploration expenditures incurred	(511)
	<b>-</b>

### 12. Provision for environmental rehabilitation

	<b>Period ended December 31, 2013 \$000s</b>
Balance at October 30, 2012	-
Business combination (note 3)	16,380
Accretion	301
	<b>16,681</b>

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.

Assumptions:

	<b>December 31, 2013 \$000s</b>
Undiscounted and un-inflated amount of estimated cash flows	24,719
Payable in years	35
Inflation rate	1.3%
Discount rate	2.5%

Newmont provided Letters of Credit associated with TMAC's environmental rehabilitation obligations under the permits that are held by Aboriginal Affairs and Northern Development Canada, the Department of Fisheries and Oceans and the KIA (note 18).



## NOTES TO THE FINANCIAL STATEMENTS

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### 13. Income taxes

	December 31, 2013 \$000s
Current income tax expense	-
Deferred income tax expense (recovery)	364
<b>Income tax expense (recovery)</b>	<b>364</b>

Reconciliation between the tax expense and accounting profit for the year:

	Period ended December 31, 2013 \$000s
<b>Earnings (loss) before income taxes</b>	<b>(3,517)</b>
Canadian federal and provincial income tax rates	27%
<b>Income tax expense (recovery) at statutory rates</b>	<b>(949)</b>
Non-deductible expenses (non-taxable income)	3
Nunavut mining royalties	(79)
Flow-through share renunciation (net of \$511 premium)	661
<b>Deferred income tax expense (recovery)</b>	<b>(364)</b>
<b>Effective tax rate</b>	<b>10%</b>

Reconciliation of the deferred tax balance movement:

	Period ended December 31, 2013 \$000s
Balance at October 30, 2012	-
Acquisition of Hope Bay (note 3)	80,600
Private placement – share issue costs (note 14)	(630)
Newmont Loan (note 10)	183
Premium on flow-through shares (note 11)	511
Deferred tax recovery in Statement of Profit or Loss	(364)
<b>Balance at December 31, 2013</b>	<b>80,300</b>

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

	December 31, 2013 \$000s
<b>Deferred income tax liabilities (assets)</b>	
Inventory	1,187
Property, plant and equipment	101,555
Newmont Loan	177
Provision for environmental rehabilitation	(6,546)
Deferred Nunavut royalties	(14,796)
Tax losses	(795)
Share issue costs	(483)
<b>Net deferred income tax liabilities</b>	<b>80,300</b>

## NOTES TO THE FINANCIAL STATEMENTS

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Deferred taxes of \$183,000 were recognized on the \$679,000 convertible option value of the Newmont Loan (note 10), resulting in a net adjustment of \$496,000 in the Statement of Changes in Shareholders' Equity.

Deferred taxes of \$630,000 were recognized on the share issue costs of \$2,331,000 in the Statement of Changes in Shareholders' Equity (note 14(v)).

TMAC had federal and provincial non-capital loss carryforwards totaling approximately \$2.9 million that expire in 2033.

### 14. Share capital and reserves

#### (a) Authorized

TMAC is authorized to issue an unlimited number of Voting Shares and an unlimited number of Non-Voting Shares.

The Non-Voting Shares have equivalent rights to the Voting Shares in all respects except that they do not have the right to vote and they are convertible on a one-for-one basis into Voting Shares at the election of the holder (should the holder and its affiliates hold less than 49.9% of the Voting Shares on a non-diluted basis and then only to the extent that the holder and its affiliates would hold no more than 49.9% of the Voting Shares), and, automatically convert into Voting Shares on March 12, 2015.

#### (b) Issued and outstanding

TMAC had the following issued and outstanding Common Shares at December 31, 2013 (note 21):

	Number of Voting shares #	Number of Non- Voting Shares #	Total Number of Common Shares #	Value of Common Shares \$000s
<b>Common shares at incorporation on October 30, 2012 (i)</b>	<b>100</b>	-	<b>100</b>	-
Private placement (ii)	999,900	-	999,900	-
Share split (iii)	11,600,000	-	11,600,000	-
Acquisition of Hope Bay (iv)	24,000,305	33,399,695	57,400,000	450,000
Initial Equity Financing (v)	11,496,499	-	11,496,499	32,788
<b>Common shares on March 31, June 30, and September 30, 2013</b>	<b>48,096,804</b>	<b>33,399,695</b>	<b>81,496,499</b>	<b>482,788</b>
Initial Equity Financing Rights (v)	-	-	1,022,024	-
<b>Common shares on December 31, 2013</b>	<b>48,096,804</b>	<b>33,399,695</b>	<b>82,518,523</b>	<b>482,788</b>

#### (i) Incorporation

TMAC was incorporated on October 30, 2012 with the issuance of 100 Common Shares with an aggregate value of \$1.00.

#### (ii) Private placement

On January 22, 2013, TMAC issued 999,900 Common Shares to various executive officers and the sole director of the Company and the TMAC Share Purchase Trust at a nominal value.

## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

### **(iii) Share split**

On March 8, 2013, the shareholders approved a resolution whereby the 1,000,000 then issued and outstanding Common Shares were divided on the basis of 1 existing Common Share for 12.6 Common Shares, thereby issuing an additional 11,600,000 Common Shares to the existing shareholders, all of which were officers and/or a director of TMAC.

In addition, on March 8, 2013, the shareholders approved a resolution whereby the authorized share capital was increased by creating an unlimited number of Non-Voting Shares.

### **(iv) Acquisition of Hope Bay**

On March 12, 2013, pursuant to the Transaction Agreement TMAC issued 57,400,000 Common Shares to Newmont for an aggregate Purchase Consideration of \$450,000,000 (note 3).

### **(v) Initial Equity Financing**

Immediately after Closing of the Transaction Agreement (note 3), TMAC completed a private placement of 10,220,240 Common Shares (the “**Non-FT Shares**”) at \$3.00/share, for gross proceeds of \$30,661,000, and 1,276,259 of flow-through Common Shares (the “**FT Shares**”) at \$3.40/share, for gross proceeds of \$4,339,000, for an aggregate amount of \$35,000,000. Costs associated with the completion of the Non-FT Shares issuance totaled \$2,331,000 (\$1,701,000 after deferred income taxes of \$630,000) and were charged to share capital on the Statement of Changes in Shareholders' Equity.

The subscription agreement for the FT Shares requires TMAC to incur \$4,339,000 of qualifying CEE and renounce the CEE to the FT Shares shareholders with an effective date of December 31, 2013 (note 21). The \$0.40/share premium of the FT Shares over the Non-FT Shares resulted in an other liability in the amount of \$511,000 which amount reduced share capital (note 11).

The subscription agreement for the Non-FT Shares states that each Non-FT Share had attached to it one right (a “**Right**”) that entitled the shareholder to receive one-tenth of a Common Share of TMAC for no additional consideration in the event that a “Liquidity Event” (as hereinafter defined) did not occur on or before October 31, 2013. The Rights were issued as separate certificates and were not tradable separately from the Non-FT Shares. “**Liquidity Event**” essentially means either: (i) the Common Shares being listed on the TSX or TSX Venture Exchange or such other major stock exchange; or (ii) all of the issued and outstanding Common Shares having been sold, transferred or exchanged, pursuant to a take-over bid, amalgamation, plan of arrangement or other business combination, for cash or securities that are not subject to any restricted period or hold period under applicable Securities Laws in Canada; or (iii) any combination of the events or circumstances described in clauses (i) and (ii) such that all of the Common Shares shall be subject to one or more of clause (i) or (ii). Accordingly, should TMAC not complete a Liquidity Event prior to the close of business on October 31, 2013, the Right would automatically be exercised granting 10% more Common Shares to all Non-FT Shareholders. TMAC did not complete a Liquidity Event by October 31, 2013 and, accordingly, the Rights were exercised and 1,022,024 Common Shares were issued.

## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

### (c) 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 option purchase plan*

On January 22, 2013, the shareholders of TMAC adopted the SOP under which the Board is authorized to grant share purchase options of Common Shares (“**Options**”) to directors, officers, employees and consultants. Pursuant to the SOP, TMAC may not have more than 10% of the issued and outstanding Common Shares reserved for incentive Share Plans at any time. The significant terms of the SOP are as follows:

- The exercise price per Common Share shall be determined by the Board at the time the Option is granted, but, in any event, if the Common Shares are listed on a stock exchange at the time of grant, the exercise price shall not be less than the closing price of the Common Shares on the stock exchange on the trading day immediately preceding the day of the grant of the Option;
- The Board may at any time authorize the granting of Options subject to the provisions of the SOP. The date of each grant of Options shall be determined by the Board when the grant is authorized: and,
- The Board may grant Options with a specified vesting period; however, all Options must be exercisable during a period not extending beyond five years from the date of the Option grant. Notwithstanding the foregoing, in the event that an Option will expire within, or within two days of, a trading blackout period imposed by the Company, the expiry date of the Option will be automatically extended to the 10<sup>th</sup> business day following the end of the blackout period.

As at December 31, 2013, no Options had been granted by the Board. Subsequently, 4,367,000 options were granted on April 28, 2014 (note 21(d)).

#### (ii) *Restricted share plan*

On January 22, 2013, the shareholders of TMAC adopted the RSP under which the Board (or a committee designated by the Board) is authorized to grant restricted shares rights (the “**Restricted Share Rights**”) to directors, officers, employees and consultants. The RSP provides for the acquisition of Common Shares by participants for the purpose of advancing the interests of the Company through the motivation, attraction and retention of employees, officers, directors and consultants of the Company. Pursuant to the RSP, TMAC may not have more than 10% of the issued and outstanding Common Shares reserved for incentive Share Plans at any time. The significant terms of the RSP are as follows:

- The Board may grant Restricted Share Rights to acquire from the Company any number of fully paid and non-assessable Common Shares as a discretionary payment for past services to the Corporation or as an incentive for future services, subject to the provisions of the RSP;
- Each Restricted Share Right entitles the holder to receive one Common Share, without payment of additional consideration, at the end of the restricted period or, if applicable, at a later deferred payment date. The Board will determine the restricted period applicable to each Restricted Share Right grant;
- Restricted Share Rights may be subject to performance conditions to be achieved by the Company or by the holder within a restricted period for the holder thereof to receive the underlying Common Shares; and,
- A Restricted Share Rights holder may elect to defer the receipt of all or any part of the underlying Common Shares until a selected deferred payment date.

As at December 31, 2013, no Restricted Share Rights had been granted by the Board.



## NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian dollars, except as otherwise noted)

### (d) 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.

### (e) Nature and purpose of reserves

The reserve for the equity component of the Newmont Loan is comprised of the amount allocated to equity for the Newmont Loan that is convertible into Common Shares at the option of Newmont (note 10).

## 15. Finance income and expense

	Period ended December 31, 2013 \$000s
<b>Finance income</b>	
Interest income	(170)
<b>Finance expense</b>	
Accretion of environmental rehabilitation costs (note 11)	301
Newmont Loan	48
Letters of credit (note 18(iv))	32
	381
<b>Net finance costs</b>	<b>211</b>

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

## 16. Management of Capital

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

The Company defines capital as total equity plus long-term debt. Total equity is comprised of share capital, reserves and accumulated deficit. As at December 31, 2013, TMAC did not have any outstanding long-term debt or borrowings, other than the short-term Newmont Loan, accounts payable and accrued liabilities with terms of less than 90 days to maturity. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As TMAC does not currently have cash flow from operating activities, to maintain or adjust the capital structure, the Company may issue new shares, raise debt or sell assets to raise capital.

In order to maximize ongoing exploration and evaluation activities, the Company does not pay dividends. TMAC's cash management policy permits investment of its surplus cash resources in demand deposit accounts with large Canadian chartered banks, in highly-liquid short-term guaranteed investment certificates with large Canadian Chartered banks or in highly-liquid short-term Government of Canada issued treasury bills with maturities of 90 days or less from the original date of investment.

## NOTES TO THE FINANCIAL STATEMENTS

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### 17. 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.

At December 31, 2013, 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
Amounts receivable	Loans and receivables	Amortized cost
Accounts payables and accrued liabilities	Other liabilities	Amortized cost
Newmont Loan	Other liabilities	Amortized cost

The carrying values of cash and cash equivalents, 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 fair value of the Newmont Loan is \$15,027,000 at December 31, 2013 and is classified as Level 2 in accordance with the fair value hierarchy.

#### (b) Commodity price risk

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

#### (c) Liquidity Risk

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

The ultimate responsibility for liquidity risk rests with the Board, which has approved an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity requirements. The Company's cash requirements and balances are projected based on estimated future requirements. TMAC plans to meet these requirements through a mix of available funds, equity financing, sale of mining assets and project debt financing. Continuing operations are dependent on the Company's ability in the near term to access sufficient capital to complete TMAC's exploration and evaluation activities, identify commercial gold reserves and to ultimately have profitable operations. All accounts payable and accrued liabilities at December 31, 2013 have contractual maturities of less than 90 days and are subject to normal trade terms. At period end, TMAC had sufficient funds to settle these liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

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### (d) Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the period end date. TMAC's financial assets are cash and amounts receivables. Management considers the credit risk on cash to be limited because the counterparty is an established well-known major Canadian chartered bank. During the period ended December 31, 2013, there were minimal amounts receivable, no allowance for bad debts were required on the amounts receivable and no amounts were past due as the receivable was primarily comprised of recoverable value added sales taxes. The Company did not have any customers or trade receivables at December 31, 2013. The maximum exposure to credit risk at December 31, 2013 is represented by the carrying amount of the cash and cash equivalents and amounts receivable on the Statement of Financial Position.

### (e) Foreign Currency Risk

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

At December 31, 2013, the carrying amounts of TMAC's foreign currency-denominated net financial assets are approximately as follows:

	<b>Net financial Assets/ (liabilities) \$000s</b>	<b>Effect of a 10% change in exchange rates on loss \$000s</b>
Australian dollar	(30)	(3)
South African Rand	298	30
US dollar	(144)	(14)

### (f) Interest rate risk

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

As at December 31, 2013, TMAC's interest bearing assets are cash and cash equivalents and are invested in demand deposit accounts with a large Canadian chartered bank.

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### 18. Related party transactions

#### (a) Transactions with Newmont

Newmont is a related party as a result of its ownership interest in TMAC's Common Shares. The transactions with Newmont are as follows;

	Transitional services (i) \$000s	Payments on behalf of TMAC \$000s	Total \$000s
<b>Balance at October 30, 2012</b>	-	-	-
Transactions	1,201	505	1,706
Payments	(1,201)	(505)	(1,706)
<b>Balance at December 31, 2013</b>	-	-	-

#### (i) Transition services

Newmont and TMAC entered into a Transition Services Agreement whereby TMAC can request assistance from Newmont at TMAC's expense for certain services for a specified period of time ending on September 30, 2013. Newmont made available certain Newmont employees for secondment to TMAC until September 30, 2013, after which date they were either hired by TMAC or returned to Newmont. These employees had specific skill sets that TMAC did not have at the time and were important for running the Hope Bay site. The seconded employees were under the direction of TMAC. The secondees were charged out by Newmont to TMAC at full cost reimbursement plus an administrative charge.

#### (ii) The Investor Rights Agreement

The Investor Rights Agreement provides Newmont and TMAC certain rights with respect to the Board and the Common Shares as follows:

- From the date of Closing until the earlier of (i) 18 months from the closing of the IPO Financing; and (ii) the date on which the Newmont ownership percentage becomes less than 20%, Newmont shall not, without the prior written consent of TMAC or except in certain limited circumstances, acquire or agree to acquire or make any proposal to acquire any securities or any material assets of TMAC;
- Newmont will not sell any of its Common Shares of TMAC for a period of 18 months following the IPO Financing. Sales after that date may only be made in certain specified manners;
- Provided that Newmont owns greater than or equal to 20% of TMAC's fully diluted Common Shares, Newmont has the right to participate in any equity financing offering that TMAC engages in that will allow Newmont to maintain its then current percentage ownership interest. This participation right does not apply to the IPO Financing, among other things;
- For a period of 18 months after the IPO Financing, if Newmont wishes to sell or otherwise dispose of a number of Common Shares held by Newmont which represents greater than or equal to 5% of the then outstanding Common Shares in any 6 month period;
- Subject to certain restrictions, Newmont will also have the right to piggy-back on any Common Share issuance that TMAC wishes to do by way of a prospectus and, provided that Newmont owns more than 20% of the fully diluted Common Shares, to require TMAC to file a prospectus;
- The Board shall have no more than 10 members;
- The Board shall initially have two nominees of Newmont. Provided that Newmont has an ownership percentage greater than or equal to 20% Newmont may nominate two directors: Should Newmont's ownership percentage be greater than or equal to 10% but less than 20%, Newmont may nominate one Board member; and,



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- For a period of two years after the closing of the IPO Financing, Newmont will not vote their respective Common Shares at meetings of TMAC shareholders against management's recommendations, except in the case of fundamental changes, acquisitions, financings and change of control transactions, in which case Newmont will be entitled to vote their respective Common Shares at their discretion (note 21).

### **(iii) Newmont Loan**

The Newmont Loan of \$15,000,000 was fully drawn down on December 19, 2013 (notes 10 and 21).

### **(iv) Letters of Credit**

As described in note 3, TMAC agreed to indemnify Newmont for any funds expended in connection with draws made on the Letters of Credit associated with TMAC's environmental rehabilitation obligations under the permits that are held by Aboriginal Affairs and Northern Development Canada, the Department of Fisheries and Oceans and the KIA. TMAC also agreed to permit Newmont to enter on and access Hope Bay and to possess and use any of the Hope Bay assets for the purpose of conducting any work required to ensure compliance with the environmental rehabilitation obligations under the permits to the extent that TMAC does not conduct such work in a manner acceptable to Newmont, acting reasonably, as in the opinion of Newmont is necessary or desirable to satisfy the obligations that are secured by the Letters of Credit. TMAC will reimburse Newmont for its direct costs incurred in performing this work. TMAC shall arrange for replacement bonds and/or letters of credit on or before the earlier of 30 days following the closing of the IPO Financing and June 30, 2014. Until such time as TMAC has arranged for the replacement bonds or letters of credit, Newmont shall use commercially reasonable efforts to maintain (and shall cause any applicable affiliate of Newmont to maintain) the applicable financial assurance and other financial sureties by continuing to meet its obligations under the Letters of Credit and obtaining any renewals or additions that may be necessary. The Letters of Credit are secured by a second general security agreement in favor of Newmont.

As at December 31, 2013, the amount of the Letters of Credit issued by Newmont with respect to the Hope Bay Gold Project environmental rehabilitation obligations totaled approximately \$18 million.

In addition to the approximately \$18 million of Letters of Credit that Newmont has issued on behalf of Hope Bay for environmental rehabilitation liabilities, Newmont had provided a corporate guarantee to the KIA of up to \$8.0 million of additional environmental rehabilitation assurance to, essentially, provide twice the amount of assurance as required by the Federal regulators on certain aspects of the Hope Bay site environmental rehabilitation (the "**Overbonding Amount**"). On September 13, 2013, TMAC and the KIA renewed the Commercial Lease on Hope Bay for a period of five years. In conjunction with the renewal of the Commercial Lease, TMAC provided the KIA with a corporate guarantee in the amount of \$8.0 million with respect to the Overbonding Amount secured by a general security agreement (the "**KIA GSA**"). The KIA GSA is in second position to the Newmont general security agreements.

### **(v) Newmont NSR**

As part of the Transaction Agreement, on March 12, 2013, TMAC assumed the Newmont NSR which provides for a 1% net smelter royalty on all saleable metals produced by TMAC from Hope Bay and an area of interest surrounding the Hope Bay property.

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### (b) Transactions with a director

The initial shareholder, director and president of the Company advanced \$150,000 to TMAC in the period prior to the Initial Equity Financing to fund TMAC's activities to that date. The advance did not bear interest and was repaid shortly after completion of the Initial Equity Financing.

### (c) Compensation of key management personnel

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

	Period ended December 31, 2013 \$000s
Management compensation	1,388
Directors fees	-
	<b>1,388</b>

## 19. Segmented information

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

## 20. Commitments and contingencies

TMAC subleases office space in Toronto on a month to month basis at an approximate cost of \$7,000 per month.

TMAC has estimated the required annual landholding payments and environmental compliance work for Hope Bay to be approximately \$1.7 million and \$3.0 million, respectively. All of these payments are not contractual commitments but are required to maintain the Company's permits and land tenure agreements in good standing. Certain parts of Doris are permitted as an operating mine site and environmental and monitoring costs are required to maintain these permits. The landholding agreements with the KIA and NTI are being renegotiated and the estimate for these costs could change as negotiations progress. Some of the payments in the current agreements are dependent upon certain future milestones of which the timing is uncertain.

The Company has equipment stored in various locations including the partially completed processing plant stored in South Africa. The equipment is stored on a month to month basis for an approximate cost of \$50,000 per month.

As part of the purchase of Hope Bay on March 12, 2013, TMAC acquired a partially completed processing plant with most of the components thereof located in storage areas in Durban, South Africa. Pursuant to the rules of the South African Revenue Service ("**SARS**"), TMAC does not qualify as an "enterprise" in South Africa and, therefore, does not qualify as a "registrant" for purposes of South Africa's 14% value added tax ("**VAT**"). Exports out of South Africa, however, are normally VAT exempt provided that the goods are exported within two months of a purchase and sale. As TMAC was not in a position to export the processing plant from South Africa within the two month period following March 12, 2013 permitted by SARS, TMAC applied for a ruling from SARS, to extend the period of time to export the processing plant. SARS provided a favorable ruling extending the date that TMAC can export the processing plant on a VAT exempt basis to May 31, 2014. Should the processing plant not be exported within the specified time period, the goods would lose their VAT exempt status and would,

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therefore, become subject to VAT at an estimated amount of \$600,000. As TMAC does not expect to be able to export the processing plant by May 31, 2014, and that TMAC may use South African manufacturers to complete many of the processing plant components, TMAC intends to request SARS to extend their ruling to mid-2015. As the likelihood of obtaining a favorable ruling is currently unknown no amounts have been recorded in the financial statements for this contingent liability.

### 21. Subsequent events

#### (a) CEE Renunciation

In January 2014, TMAC filed with the Canada Revenue Agency, the forms renouncing, with an effective date of December 31, 2013, the \$4,339,000 of CEE to the FT Share investors (note 11).

#### (b) Second Equity Financing

On April 28, 2014, the Company completed a Second Equity Financing of 43,943,700 Common Shares (the “**Second Non-FT Shares**”) at \$1.75/share, for gross proceeds of \$76,901,000, and 434,000 of flow-through Common Shares (the “**Second FT Shares**”) at \$2.00/share, for gross proceeds of \$868,000, for an aggregate amount of \$77,769,000. Costs associated with the completion of the Second Non-FT Shares issuance will be charged to share capital on the Statement of Changes in Shareholders’ Equity.

Resource Capital Fund VI L.P. (“**RCF**”), a private equity investment firm, acquired 37,200,000 of the Second Non-FT Shares for a total of \$65,100,000 which, after closing of this financing results in RCF owning approximately 29.3%, and Newmont owning 45.2% of the issued and outstanding Common Shares, respectively. In accordance with the RCF subscription agreement, RCF was granted certain investor rights, including:

- Provided that RCF owns greater than or equal to 10% of TMAC’s issued and outstanding Common Shares, RCF has the right to participate in any equity financing offering that TMAC engages in up to such number of Common Shares that will allow RCF to maintain a percentage ownership interest in the outstanding Common Shares that is the same as the RCF ownership percentage immediately prior to completion of the offering;
- The Board shall have no more than 10 members;
- Provided that RCF owns greater than or equal to 10% of TMAC’s issued and outstanding Common Shares, RCF has the right to nominate one Board member. Should RCF own greater than or equal to 30% of TMAC’s issued and outstanding Common Shares, RCF has the right to nominate one additional independent Board member, and;
- Voting its Common Shares in favour of the SOP and RSP at TMAC’s 2014 and 2015 annual general meetings of shareholders.

In addition, the Investor Rights Agreement with Newmont was amended to permit Newmont to vote their Common Shares at their discretion under all circumstances other than for share-based payment compensation at TMAC’s 2014 and 2015 respective annual general meetings of shareholders (note 18).

The subscription agreement for the Second FT Shares requires TMAC to incur \$868,000 of qualifying CEE and renounce the CEE to the Second FT Shares shareholders with an effective date of December 31, 2014. The \$0.25/share premium of the Second FT Shares over the Second Non-FT Shares results in an other liability in the amount of \$109,000 which amount will be charged to share capital.

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(Expressed in Canadian dollars, except as otherwise noted)

### **(c) Prepayment of Newmont Loan**

In conjunction with the Second Equity Financing, TMAC issued Newmont a notice of prepayment of the Newmont Loan advising that TMAC will repay the entire outstanding amount of the Newmont Loan plus interest on April 28, 2014. Newmont declined to convert the Newmont Loan to Common Shares and TMAC paid Newmont \$15,265,000, whereupon the Newmont Loan was cancelled and the Company will take measures to discharge the Newmont general security agreement with respect to the Newmont Loan.

### **(d) Share based payments**

On April 28, 2014, TMAC granted 4,467,000 Options with a grant price of \$1.75 per option to the directors, executives and employees of the Company. The options vest in 3 equal tranches, the first vesting immediately and the remaining two vesting on each the following two anniversaries of the grant. The options expire on April 27, 2019.