TMAC Resources Inc.

Management's Discussion and Analysis
December 31, 2018
(Expressed in Canadian dollars, except where otherwise indicated)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Periods Ended December 31, 2018

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*This management's discussion and analysis of the financial condition and results of operations ("**MD&A**") of TMAC Resources Inc. ("**TMAC**" or the "**Company**") was prepared to enable a reader to assess material changes in the financial condition and results of operations of TMAC as at December 31, 2018 and for the three and twelve month periods ended December 31, 2018 and December 31, 2017. This MD&A is prepared as at February 21, 2019 and should be read in conjunction with TMAC's audited financial statements and notes thereto for the years ended December 31, 2018 and December 31, 2017 (the "**Financial Statements**"), which are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), available on www.sedar.com. This MD&A contains forward-looking statements that are based on management's current expectations, are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to TMAC's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in forward-looking statements (please see "Cautionary Note Regarding Forward-Looking Information" below). The Company's common shares trade on the Toronto Stock Exchange (the "**TSX**") under the stock trading symbol **TMR**. Additional information relevant to the Company's activities, including TMAC's annual information form (the "**AIF**"), can be found at the Company's website www.tmacresources.com and on SEDAR at www.sedar.com.*

COMPANY OVERVIEW

TMAC was incorporated on October 30, 2012, in the Province of Ontario, Canada, and is involved in the exploration, evaluation, development and mining of the Hope Bay mineral property in the Kitikmeot Region of Nunavut, Canada ("**Hope Bay**"). Hope Bay is located approximately 685 kilometres ("**km**") northeast of Yellowknife, Northwest Territories, approximately 125 km southwest of Cambridge Bay and east of Bathurst Inlet in the Kitikmeot region of western Nunavut, Canada. Hope Bay is approximately 160 km above the Arctic Circle, comprises an area of 1,101 km^2 and forms one large contiguous block of land that is approximately 80 km by 20 km in extent. The Company's registered head office is 95 Wellington Street West, Suite 1010, Toronto, Ontario, Canada M5J 2N7.

TMAC has a 100% interest in Hope Bay, subject to a Kitikmeot Inuit Association (the "**KIA**") 1% net smelter return royalty on mineral production from the Hope Bay claims payable to the KIA and a 1% net smelter return royalty on mineral production from the Hope Bay claims and an area of interest around Hope Bay which was originally owned by Newmont Mining Corporation and/or its affiliates ("**Newmont**"), and sold to Maverix Metals Inc. on June 29, 2018.

Hope Bay currently comprises three gold deposit trends: "**Doris**", "**Madrid**" and "**Boston**". TMAC completed a Preliminary Feasibility Study (the "**2015 PFS**"), with an effective date of March 31, 2015 on Doris, Madrid and Boston. Doris satisfied the criteria for commercial production on May 15, 2017, with an effective date of June 1, 2017. As such, comparative figures for certain measures or data are not always available or meaningful, and results for the three months ended are compared with either the three months ended December 31, 2017 or the period from June 1, 2017 to December 31, 2017, the period of commercial production. Madrid and Boston are both still in the Exploration and Evaluation ("**E&E**") stage.

The ramp up of the mine to ensure sufficient quantity and grade of ore is available for processing, the ramp up of the processing plant (the "**Plant**") to its designed throughput of 2,000 tpd and achieving recoveries nearing 90% in the medium-term are essential to ensure that the Company can generate sufficient cash to continue to fund its operations, fund its working capital requirements related to the sealift, fund its capital expenditures required for sustained operations and growth, fund exploration for increasing value to shareholders and fund debt repayments as described in the *Liquidity and Capital Resources* section.

TMAC is subject to risks and challenges similar to other mining companies as described under the headings "*Risks and Uncertainties*" and "*Cautionary Note Regarding Forward-Looking Information*".

FOURTH QUARTER AND FULL YEAR 2018 HIGHLIGHTS

Operating results:

- **Mine production** of 212,400 tonnes of ore at a grade of 7.4 grams per tonne ("**g/t**"), contained 50,600 ounces of gold during the three months ended December 31, 2018; these tonnes were mined from the underground mine, sill development and surface mining of the crown pillar at a mining rate of 2,310 tonnes per day. The mine production for 2018 from all sources totalled 475,800 tonnes of ore at a grade of 8.1 g/t, containing 123,700 ounces of gold.
- **Underground mining produced** 110,200 tonnes of ore at a grade of 8.9 g/t, containing 31,700 ounces of gold during the three months ended December 31, 2018, bringing the total for the year to 354,000 tonnes of ore at a grade of 9.0 g/t, containing 102,800 ounces of gold. The underground mining rate increased to 1,200 tonnes per day ("**tpd**") in the three months ended December 31, 2018, from the 1,000 tpd achieved in the previous quarter.
- **Sill development**, which is separate from the underground mining above, produces material that is below the mining cut-off grade of 4.0 g/t ("**Incremental Ore**"). Sill development produced 12,000 tonnes of Incremental Ore at a grade 4.9 g/t and containing 1,900 ounces of gold. The grade during the quarter was above the cut-off grade based on assay results received after stockpiling. The total sill development for the year produced 31,600 tonnes of Incremental Ore at a grade of 3.8 g/t, containing 3,900 ounces of gold. The production rate of Incremental Ore produced from sill development was 130 tpd in the fourth quarter, resulting in a total underground production rate of 1,300 tpd.
- **Production from surface mining the crown pillar at Doris** ("**Doris Crown Pillar Mining**") produced 90,200 tonnes of ore at a grade of 5.9 g/t, containing 17,000 ounces of gold during the three months ended December 31, 2018. The production rate from surface mining was 980 tpd in the fourth quarter.
- **January 2019 mining** produced 39,770 tonnes of ore at a grade of 10.5 g/t containing 13,370 ounces, that includes 37,970 tonnes of ore at a grade of 10.8 g/t containing 13,180 ounces and 1,810 tonnes of Incremental Ore at a grade of 3.2 g/t containing 190 ounces, for a total underground production rate of 1,290 tpd.
- **Processed** 164,900 tonnes of ore with a grade of 7.8 g/t at an average rate of 1,800 tpd and achieved an average recovery of 82% during the three months ended December 31, 2018, bringing the total for the year to 464,200 tonnes of ore processed, or approximately 1,280 tpd, at a grade of 9.4 g/t and an average recovery of 79%. In January 2019, 45,400 tonnes of ore with a grade of 9.9 g/t were processed at an average rate of approximately 1,480 tpd and an average recovery of 82%. The Plant had six down days in January, one of which was a scheduled maintenance day; the other five days were due to unplanned maintenance, primarily related to the detox filter press, but also compounded by a short period of extreme cold weather that was more severe than typical. The highest recovery achieved on a single day in December was 87% and the highest single day recovery during January was also 87%.
- **Gold production** was a record 34,080 ounces during the three months ended December 31, 2018, bringing the total production for the year to 110,970 ounces. A total of 32,750 ounces were poured during the three months ended December 31, 2018, bringing the total ounces poured for the year to 111,050 ounces. In January 2019, production was 11,850 ounces with 12,520 ounces being poured.
- **Ore stockpiles** at December 31, 2018 were estimated to contain 120,800 tonnes at a grade of 5.4 g/t containing 20,900 ounces. The stockpiles are segregated by grade to allow blending strategies to maximize value and manage risk:
    - The **primary stockpile** contains ore from underground mining that is above the 4.0 g/t mining cut-off grade at Doris and ore from the Doris Crown Pillar Mining, and at December 31, 2018 was estimated to contain 68,600 tonnes of ore at an average grade of 6.7 g/t, or 14,700 ounces of contained gold. Included in that balance is a segregated high-grade stockpile that contained 15,800 tonnes of ore at an estimated grade in excess of 12 g/t.

- The **secondary stockpile** contains Incremental Ore that is below the mining cut-off grade of 4.0 g/t and has been mainly produced from sill development. As at December 31, 2018, the Incremental Ore stockpile contained an estimated 52,200 tonnes at a grade of 3.7 g/t containing 6,200 ounces of gold. At 3.7 g/t, the Incremental Ore has a gross in situ value of more than $200 per tonne and has a significant positive margin against remaining incremental processing costs, therefore, the Incremental Ore will be processed when there is excess Plant capacity or as management determines to include this material in its blending strategies.

Gravity concentrator project update:

- The design, procurement, and installation of the additional gravity concentrators to enhance the Plant's capability to capture gravity recoverable gold and increase overall Plant recovery was completed during December 2018, with commissioning expected to continue through the first quarter of 2019. Installation of the two planned surge bins, between the crushing and grinding circuits, commenced at the beginning of February 2019 and are expected to be completely installed by the first week of March.
- The improvement in recovery achieved in the fourth quarter was not as a result of the new gravity concentrators, as these were only installed during December. Project completion was several weeks behind the schedule set by management, primarily as a result of supplier delays in the fabrication and delivery of structural steel and construction materials to site.
- While the installation phase has been well executed, certain aspects of commissioning of the equipment have been more challenging than expected. Several challenges with piping and pumping of concentrated material are being addressed, including higher than expected wear on newly installed piping and several pumps and pump boxes requiring resizing. Piping wear has been improving and rubberized replacement joints are being installed to further reduce the wear rates. The water balance, which impacts recoveries of the concentrate treatment portion of the Plant (the "**CTP**"), has also been impacted by the commissioning process which can be corrected once the surge bins are installed and the net changes in water balance are clearly demonstrated. The incremental increase in gravity recoveries experienced during January 2019 have essentially been offset by solution losses in the CTP. These solution losses are expected to decline once the full impact of the gravity concentrators is realized. TMAC is also working on incremental optimization projects to scavenge gold from the solutions being discharged from the resin circuit which would provide insurance against any volatility in CTP performance and incrementally improve recoveries. Plant recoveries have been maintained at recent levels during commissioning, however, it has not yet improved on an overall basis materially towards targets. Daily performance remains consistently in the 80-87% range. It is expected that Plant recoveries will consistently average at least 90% once commissioning is complete on the entire suite of newly installed equipment; that being, at the earliest, sometime in the second quarter.

Financial Results:

- **Cash and cash equivalents** were $52.5 million at December 31, 2018 and are composed of $24.8 million of unrestricted cash and $27.7 million of restricted cash. During the quarter, TMAC completed the 2018 Equity Financing (defined below) for $88.0 million in net proceeds, or $43.0 million after paying $45.0 million (US$34.2 million) of principal payments against the Debt Facility, reducing the outstanding principal balance of the debt to US$125.8 million.
- **Gold sales** of 31,380 ounces during the three months ended December 31, 2018 generated gross revenues of $51.4 million at a cost of sales of $44.3 million, resulting in a profit from mining operations of $7.1 million. A total of 108,820 ounces were sold during the year generating gross revenues of $178.0 million at a cost of sales of $172.2 million, resulting in a profit from mining operations of $5.8 million.
- **Net loss** for the three months ended December 31, 2018 totalled $13.5 million, or $0.12 per share on a basic and fully diluted basis. Net loss for the year totalled $42.1 million, or $0.43 per share on a basic and fully diluted basis.
- **Cash flows from operating activities** before working capital changes for the three months ended December 31, 2018 totalled $11.9 million. Cash flows used in operating activities after working capital changes for the three months ended December 31, 2018 totalled $10.0 million. Cash flows from operating activities totalled $21.6 million for the year ended December 31, 2018.

- **Average realized price for gold sold** was $1,635 (US$1,233) per ounce during the three months ended December 31, 2018 and was $1,635 (US$1,257) per ounce for the year ended December 31, 2018.
- **Cash Costs and All-in Sustaining Costs** ("**AISC**")[(1)] per ounce of gold sold (in accordance with the World Gold Council guidelines, as updated in November 2018 and defined below) were US$752 and US$1,112, respectively, for the three months ended December 31, 2018 and were US$868 and US$1,291, respectively, for the year.
- **Sustaining capex** was $10.3 million for the three months ended December 31, 2018, or US$252 per ounce sold, and $41.8 million for the year ended December 31, 2018, or US$296 per ounce sold.
- **Expansion capital** was $8.9 million for the three months ended December 31, 2018 and $45.1 million for the year ended December 31, 2018.
- **EBITDA and Adjusted EBITDA**[(1)] (defined below) was $5.7 million and $15.7 million, respectively, for the three months ended December 31, 2018 and $22.8 million and $37.7 million, respectively, for the year ended December 31, 2018.

(1) Cash Costs, All-in Sustaining Costs, EBITDA and Adjusted EBITDA are non-IFRS financial measures which exclude non-cash fair value and foreign exchange adjustments from EBITDA. Refer to non-IFRS measures below.

Financial and Corporate Developments:

- On October 3, 2018, TMAC completed an equity financing that consisted of a concurrent public offering and private placement of common shares and flow-through common shares at a blended offering price of $4.40 per share. The aggregate gross proceeds were $90.0 million and the net proceeds were $88.0 million. The use of proceeds was $57 million for debt repayment, $15 million for exploration programs to be carried out in 2019 and $16 million for capital expenditures that were mostly incurred in 2018.
- On October 31, 2018, in addition to the regularly scheduled principal payment of $8.6 million (US$6.5 million), the Company made an additional voluntary prepayment of $36.4 million (US$27.7 million) against the Debt Facility. The additional voluntary prepayment had no fees associated with it and reduced the January 31, 2019 principal payment to $11.6 million (US$8.8 million). The interest savings realized as a result of the voluntary prepayment were approximately $0.8 million.

Exploration:

- Initial results of the 2018 diamond drilling program on the BTD Extension zone were reported in June and November 2018 and the results from the remaining 28 drillholes from the 2018 program were reported on January 22, 2019. The BTD Extension zone returned high grade intersections throughout the 2018 program and has now been defined over more than 300 metres along strike. An unusually high proportion of diamond drillhole vein intercepts with visible gold detected, were returned in the high-grade intercepts. Infill and expansion drilling on the extension to Doris BTD continued through the fourth quarter of 2018 as development progressed north. Assay results continue to demonstrate the high-grade gold mineralization in Doris BTD, including drillhole TM50172 grading 16.4 g/t Au over 6.5 metres and TM50175 grading 24.2 g/t Au over 10.9 metres. Doris BTD remains open to the north.
- Results of the 2018 drilling program were incorporated into the updated geological model and Mineral Resource estimate (see news release titled "*TMAC Resources Reports 2018 Mineral Reserves & Mineral Resources Estimate, Hope Bay, Nunavut*", dated February 21, 2019).

Environment and Permitting:

- On January 14, 2019, the Minister of Intergovernmental and Northern Affairs and Internal Trade approved the two licences as recommended by the Nunavut Water Board ("**NWB**") on December 7, 2018. This is the final approval for the two Type A Water Licences for the Madrid and Boston projects and concludes the final step in the environmental permitting process that enables mine construction at both projects. TMAC is now in possession of all Federal and Territorial approvals required for continued mining and gold production at Doris and for the development and mining of the Madrid North, Madrid South and Boston deposits. Refer to TMAC's news release issued on January 15, 2019 titled "*TMAC Completes Permitting – Approval of Water Licenses for the Madrid and Boston Projects*".

Summary of operating highlights:

	Units	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Mining:					
Ore [1]	tonnes	200,400	53,500	444,200	150,700
Average grade	g/t	7.6	9.4	8.4	11.5
Contained gold	ounces	48,700	16,200	119,800	55,700
Incremental Ore [2]	tonnes	12,000	3,400	31,600	16,600
Average grade	g/t	4.9	3.7	3.8	3.6
Contained gold	ounces	1,900	400	3,900	1,900
Total ore	tonnes	212,400	56,900	475,800	167,300
Average grade	g/t	7.4	9.1	8.1	10.7
Contained gold	ounces	50,600	16,600	123,700	57,600
Waste [3]	tonnes	298,700	62,700	499,100	246,500
Total tonnes	tonnes	511,100	119,600	974,900	413,800
Development	metres	1,620	984	6,470	5,021
Processing:					
Ore processed	tonnes	164,900	69,600	464,200	208,900
Grade	g/t	7.8	13.7	9.4	12.6
Contained gold	ounces	41,480	30,700	140,520	84,660
Recovery	%	82	69	79	65
Gold produced	ounces	34,080	21,200	110,970	55,150
Gold in process change	ounces	1,330	2,980	(80)	7,640
Gold poured	ounces	32,750	19,320	111,050	49,070
Gold sold	ounces	31,380	17,350	108,820	46,990
Stockpiles:					
Primary stockpile:					
Ore on surface [1][4]	tonnes	68,600	66,600	68,600	66,600
Average grade	g/t	6.7	13.8	6.7	13.8
Contained gold	ounces	14,700	29,400	14,700	29,400
Secondary stockpile:					
Ore on surface [2]	tonnes	52,200	20,600	52,200	20,600
Average grade	g/t	3.7	3.6	3.7	3.6
Contained gold	ounces	6,200	2,400	6,200	2,400

(1) Includes material from mining that is above the mining cut-off grade of 4.0 g/t
(2) Includes material from development that is below the mining cut-off grade of 4.0 g/t
(3) Adjusted comparative periods for the Incremental Ore that was previously classified as waste
(4) Includes reconciliation adjustment based on surveyed results of the stockpile

Summary of financial highlights:

	Units	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
P&L Summary:					
Revenue (ounces)	ounces	31,380	17,350	108,820	34,860
Revenue	$millions	51.4	28.2	178.0	56.4
Cost of sales(1)	$millions	44.3	34.3	172.2	68.8
Profit (loss) from mining operations	$millions	7.1	(6.1)	5.8	(12.4)
General and administrative	$millions	4.4	4.9	17.4	15.5
Financing costs, net	$millions	(5.1)	(4.5)	(20.1)	(15.9)
Foreign exchange gain (loss)	$millions	(8.9)	(1.0)	(15.3)	10.6
Net profit (loss)	$millions	(13.5)	(12.5)	(42.1)	(25.3)
Per share	$/share	(0.12)	(0.14)	(0.43)	(0.30)
EBITDA(2)	$millions	5.7	(6.0)	22.8	(8.2)
Adjusted EBITDA (2)	$millions	15.7	(4.9)	37.7	(18.0)
Unit Costs:					
Cost of sales(1)	$/oz	1,412	1,977	1,582	1,974
Cash Costs(3)	US$/oz	752	1,228	868	1,288
AISC(2,3,4)	US$/oz	1,112	1,683	1,291	1,870
Cash Flow Summary:					
Cash from operating activities	$millions	(10.0)	(12.6)	21.6	(33.9)
Cash used in investing activities	$millions	(23.1)	(13.9)	(84.6)	(70.8)
Cash from financing activities	$millions	43.6	51.3	45.1	84.3
Net increase/(decrease) in cash	$millions	11.2	24.7	(17.2)	(20.5)
Cash at end of period	$millions	24.8	42.0	24.8	42.0
USD Results:					
Average exchange rate	CAD/USD	1.32	1.27	1.30	1.30
Revenue	US$ millions	38.7	22.1	136.8	44.5
Average realized sales price	US$/oz	1,233	1,275	1,257	1,278
Average spot price of gold – London PM Fix	US$/oz	1,226	1,275	1,268	1,274
Cost of sales(3)	US$ millions	33.5	26.8	132.7	53.6
Cost of sales(3)	US$/oz	1,068	1,547	1,219	1,538
CAPEX Summary:					
Sustaining(4)	$millions	10.3	4.5	41.8	16.0
Expansion(4)	$millions	8.9	6.0	45.1	56.9
Exploration and evaluation	$millions	4.1	2.5	14.6	11.7

(1) Includes depreciation
(2) Refer to the definition of EBITDA, adjusted EBITDA, Cash Costs and AISC in the non-IFRS measures below
(3) Translated using exchange rates at the time of incurring the expenditure
(4) AISC is calculated using the updated guidance from the WGC issued in November 2018 and certain of the projects previously classified as sustaining capital have been reclassified as expansion capital.

2019 OUTLOOK

The Company is heading into its first full year of production with both concentrating lines in production. The primary objective remains the achievement of efficient operations, including the completion of the ramp up of the Plant to 2,000 tpd throughput and 90% recoveries and mining the maximum amount of ounces for processing.

Description	Units	2019 Guidance
Production	ounces	160,000 - 180,000
Cash Costs(1)(2)	US$/oz	625 - 700
AISC(1)	US$/oz	900 - 1,000
Sustaining capital:		
- Underground development	$millions	36
- Infrastructure and equipment	$millions	12
- Delineation drilling	$millions	6
Expansion capital	$millions	20
Exploration and evaluation	$millions	25

(1) Refer to the definition of Cash Costs and AISC in the non-IFRS measures below.
(2) Cash costs includes production cost, royalties and selling expenses.

Mining in 2019:

Ore production will come from four underground mining zones at Doris during year and consists of long hole stoping, transverse stoping, drift and fill and sill development. The mining of the Doris BTD extension will include drift and fill, and some of the mining of Doris Connector includes the transverse stoping method, with both methods expected to contribute to lower dilution.

The additional development in 2018 increased the number of mining zones including access to the high-grade ore from the Hinge zone that has been fully developed and is expected to provide higher grade ore in the first six months of 2019 when compared with 2018. The remaining reserve of Doris North will be mined over the first half of the year and will provide high-grade ore from the hinge zone, especially from the East Limb. Doris Connector and Doris BTD will be mined throughout the year and ore production from sill development from Doris Central is scheduled to commence in the latter half of 2019. The development to Doris Central was stopped for an extended period early in 2017 resulting in stope production therefrom only becoming available in 2020, compared to the 2015 PFS plan that included significant production from Doris Central in 2019. A focus 2018 development and the addition of an additional crew in 2019 is access to Doris Central given the benefits of wider mining widths and higher grades than Doris Connector.

TMAC is permitted to perform surface mining to recover the Madrid North crown pillars similar to what was done at Doris in the fourth quarter. Development of the surface infrastructure and pre-stripping is to commence in the second quarter with ore production commencing in the third quarter. The Naartok East crown pillar has a Probable Mineral Reserve of 283,000 tonnes at a grade of 4.8 g/t containing 43,900 ounces of gold from surface to 50 metres deep. The mining of the crown pillar is estimated to produce 175,000 tonnes at a grade of 4.8 g/t during the last five months of 2019, or approximately 1,150 tpd over this period, and the remainder will be mined in the first half of 2020. All the overburden will be mined during 2019.

Plant feed from the Doris mine is expected to be supplemented with stockpile material during the first half of the year and with material from Naartok East crown pillar surface mining in the second half of the year, as required. The primary and secondary stockpiles as at December 31, 2018 are the equivalent of approximately 330 tpd of available feed over the course of the year, or approximately 570 tpd of available feed over the approximately seven months that will elapse prior to ore production from the Naartok East crown pillar reaching the Plant. The established stockpiles and availability of ore from the Naartok East crown pillar provide additional flexibility in feeding the Plant in 2019 as insurance to the ramp up of underground mining at Doris. The development capital to mine the Naartok East crown pillar will be financed through cash flows from Doris and additional restricted cash expected to be released through the Demand Bond (as defined below) structure. Should the cash flows from Doris operations not be sufficient, or if sufficient restricted cash is not released, then the capital and operating cash flows for the Naartok East crown pillar could be financed through other sources of financing.

Development in 2019:

An increase in underground development is planned for 2019 through the addition of another jumbo crew to the two existing crews and an increase in the number of development headings to ensure sufficient ore sources are available during the latter half of 2019 and throughout 2020. Mine development throughout 2019 is primarily focused on Doris BTD and Doris Connector. Doris Central will be accessed in the latter half the second quarter of 2019 and is expected to become a significant ore source in 2020.

TMAC has an opportunity to commence development of an underground portal at Madrid North that would produce ore from sill development approximately one year following the commencement thereof. The estimated cost of approximately $10 million to $15 million is not included in the guidance.

Plant Throughput in 2019:

Management continues to be confident that the two concentrating lines, ("**CL1**" and "**CL2**", respectively), can now process at a combined 2,000 tpd throughput capacity rate given that the Plant operated at more than 2,000 tpd for 37 of 92 days in the fourth quarter of 2018, including 13 days in excess of 2,200 tpd, for an average of 1,800 tpd in the quarter. The highest throughput in a single day for the Plant during the year ended December 31, 2018 was 2,335 tpd and the peak performance of the individual concentrator lines was 1,417 tpd and 1,432 tpd for CL1 and CL2, respectively. Plant throughput is expected to be managed such that maximum recoveries are achieved. Averaging 2,000 tpd on an ongoing basis is expected to be achieved through increased consistency and operating stability, in part through the installation of surge bins currently in progress and the final commissioning of the completed circuit of the gravity concentrators.

Plant Recoveries in 2019:

Overall Plant recovery is a factor of: (i) the recovery achieved through gravity and flotation efforts in the concentrating lines and (ii) the recovery achieved in the CTP. The best recovery achieved from gravity and flotation since the beginning of December on a single day has been 94%. The best recovery achieved in the CTP since the beginning of December on a single day has been 96%. The objective is, with the completion of commissioning of the additional gravity concentrators and the stabilization of the Plant, including following the addition of surge bins, to achieve at least the level of each of these results consistently, which would result in approximately 90% overall recovery (i.e., the product of 94% multiplied by 96%). TMAC expects there is potential to optimize beyond 90% in the future and the Company has identified specific incremental optimization projects to help it achieve this.

Capital Expenditures in 2019:

Sustaining capital includes underground development at Doris, mining and surface equipment purchases, surface and process infrastructure work and delineation drilling to better define the Doris Mineral Reserves and Mineral Resources. Underground sustaining capital at Doris averaged approximately $6.7 million per quarter in 2018, while in 2019 it is budgeted at approximately $9 million per quarter as development metres are targeted to nearly double.

Expansion capital projects include the completion of the ocean discharge line, completion of the installation of the surge bins and commissioning of the gravity concentrators, expanding the camp to support future operations at Madrid, the development work required to commence surface mining of the Naartok East crown pillar, the installation of additional diesel fuel storage capacity at Roberts Bay and other ancillary projects.

Operating Costs in 2019:

Operating costs include a large fixed cost component. An increase in recoveries and Plant throughput and mine production does not result in an equal increase in the gross total cost, instead, the result is a decrease in unit costs. It is essential that the initiatives to improve the Plant's recoveries are successful and that mining operations ramp up successfully to supply sufficient ore to the Plant to improve profitability and positive cash flow generation from the operation of Hope Bay. Grade has a similar impact on profitability and it is expected that unit costs per ounce will decrease and profitability will increase, at least in the medium-term as higher-grade areas are mined.

Cash Costs of US$752 per ounce sold and AISC of US$1,112 per ounce sold in the fourth quarter are expected to decrease with continued improvement in recoveries, combined with improved throughput.

Exploration in 2019:

A 60,000-metre drill program is planned for the Hope Bay belt in 2019. TMAC has set targets to grow reserves and resources at Doris, especially at Doris BTD near-term, supported by continued development of the Doris BTD exploration ramp to the north, which will provide access to a further 100 metres of strike length in 2019. Drilling at Madrid North is targeted to advance these deposits towards development and production drilling, which includes a winter program at Suluk and a near-surface drilling program at Naartok East. TMAC will be re-initiating its Boston exploration program this summer and will follow with a defined winter program. TMAC also plans to conduct a regional exploration program that is focused on established targets which are in the proximity of existing and planned infrastructure. The Madrid and Boston exploration programs are part of the 2018 Equity Financing use of proceeds.

FINANCIAL AND CORPORATE DEVELOPMENTS

2018 Equity Financing

On October 3, 2018, the Company completed an offering of common shares and flow-through common shares with a syndicate of underwriters led by BMO Capital Markets and CIBC Capital Markets (the "**2018 Public Offering**"). The 2018 Public Offering consisted of 2,024,000 common shares at a price of $4.25 per common share for gross proceeds of $8.6 million, 1,565,200 charitable flow-through common shares at a price of $5.75 per charitable flow-through common share for gross proceeds of $9.0 million, and 1,225,000 traditional flow-through common shares at a price of $4.90 per traditional flow-through common share for gross proceeds of $6.0 million, for aggregate gross proceeds from the 2018 Public Offering of $23.6 million.

Concurrent with the 2018 Public Offering, the Company completed a private placement with certain limited partners of Resource Capital Fund VI L.P. and its affiliated investment funds (the "**RCF LPs**"), Newmont and funds and accounts under management by investment subsidiaries of BlackRock, Inc., at a price of $4.25 (i.e., the price per common share under the 2018 Public Offering), pursuant to which they acquired, in aggregate, $66.4 million of common shares, which consisted of 6,696,800 common shares for gross proceeds of $28.5 million, 5,860,833 common shares for gross proceeds of $24.9 million, and 3,065,617 common shares for gross proceeds of $13.0 million, respectively. On closing, RCF VI VAD LLC ("**RCF**"), a wholly-owned subsidiary of Resource Capital Fund VI L.P., entered into a voting agreement with respect to the common shares purchased by the RCF LPs that provides voting control over such shares to RCF. Newmont maintained its ownership percentage of 28.7% while RCF's voting control percentage increased to 30.8%

The use of proceeds was $57 million for debt repayment, $15 million for exploration to be carried out in 2019 and $16 million for capital expenditures that were mostly incurred in 2018.

Costs associated with the completion of the 2018 Equity Financing totalled $2.0 million ($1.5 million after offsetting deferred income taxes of $0.5 million) and were charged to share capital on the Statement of Changes in Shareholders' Equity.

Demand Bonds

TMAC, in cooperation with CIBC and several insurance companies that are leaders in the issuance of surety bonds for environmental reclamation liabilities, designed and developed, over a period of several months, a new insurance product referred to as "**Demand Bonds**", to liberate cash from TMAC's restricted cash balance.

The current security holders, including the KIA, continue to hold the same letters of credit as they do today, but, in place of cash collateral, the issuing bank will hold the Demand Bonds that are provided by the same insurance companies which provide surety bonds.

On August 9, 2018, TMAC completed the underwriting process that resulted in the issuance of $37 million of Demand Bonds for all of the letters of credit issued for environmental rehabilitation obligations. TMAC posted $22 million as collateral with the surety underwriters resulting and the release of $15 million of the restricted cash balance. There is an opportunity to release an estimated $10 million of additional funds in the medium-term and, ultimately, all of it will be released in the long-term as TMAC demonstrates improved operational performance and an improved financial position. There is also an opportunity to issue Demand Bonds for the $5 million of letters of credit issued for payment security, which represents the balance of the $42 million of restricted cash that existed prior to the underwriting process.

Diesel Purchase Agreement

The annual resupply of diesel fuel, consumables and spare parts inventory through the sealift requires a significant working capital investment as TMAC has to pay for more than 70% of its annual diesel fuel consumption upfront. On May 10, 2018, TMAC entered into a diesel fuel purchase and storage agreement with a subsidiary of Macquarie Bank Ltd ("**Macquarie**") whereby Macquarie purchased and delivered diesel fuel to Hope Bay and stored the fuel in TMAC's tanks at Roberts Bay (the "**Diesel Purchase Agreement**").

TMAC will purchase and pay for the diesel fuel as it is consumed. The price of the diesel fuel is fixed in Canadian dollars at the time of delivery to site at the same terms as TMAC's existing fuel supply and delivery agreement, plus a premium.

Macquarie purchased and delivered 17.8 million litres of diesel fuel that was delivered to Hope Bay in September as part of the 2018 sealift. The diesel that is stored in Roberts Bay is now available to purchase as needed.

The Diesel Purchase Agreement reduced the upfront cash outlay of the 2018 sealift by $21 million. As operating activities increase and the development of Madrid and Boston commences in the future, the amount of funds to be invested in working capital is expected to increase considerably. The Diesel Purchase Agreement provides a mechanism that will enable TMAC to better manage the levels of working capital and reduce the seasonal volatility of its operating cash outflows.

OPERATIONS

Mining

		Three months ended		Year ended	
	Units	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Mining:					
Ore – underground	tonnes	110,200	53,500	354,000	150,700
Average grade	g/t	8.9	9.4	9.0	11.5
Contained gold	ounces	31,700	16,200	102,800	55,700
Ore – crown pillar	tonnes	90,200	-	90,200	-
Average grade	g/t	5.9	-	5.9	-
Contained gold	ounces	17,000	-	17,000	-
Ore – subtotal	tonnes	200,400	53,500	444,200	150,700
Average grade	g/t	7.6	9.4	8.4	11.5
Contained gold	ounces	48,700	16,200	119,800	55,700
Incremental Ore	tonnes	12,000	3,400	31,600	16,600
Average grade	g/t	4.9	3.7	3.8	3.6
Contained gold	ounces	1,900	400	3,900	1,900
Total ore	tonnes	212,400	56,900	475,800	167,300
Average grade	g/t	7.4	9.1	8.1	10.7
Contained gold	ounces	50,600	16,600	123,700	57,600
Development	metres	1,620	984	6,470	5,021

The mine production plan for 2018 was sequenced so that mining higher grade ore from Doris Hinge, Doris BTD and the Doris crown pillar only started in the fourth quarter of 2018. Delays resulted in less high-grade Doris Hinge ore being mined during the fourth quarter and the remainder will be mined out during the first half of 2019.

Dilution at the Doris Hinge remained consistent with design expectations in the fourth quarter and was comparable to results seen thus far. The widest section of the Hinge zone was mined and substantially backfilled by year end, and dilution is expected to improve as the hinge mining front continues on strike, with the designed sill height reducing in line with the ore body structure.

Dilution in the long hole stopes at Doris BTD continues to be higher than experienced at Doris North. The area being mined had been developed during 2017 using 30-metre stope heights rather than the conventional 20-metre stope heights. The height of the stopes and the amount of sloughing in the orebody at Doris BTD, despite using an uphole and downhole strategy to minimize drillhole deviation, is resulting in a significant amount of wall over-break and resultant dilution. The same design changes in the sill height as at Doris North have been implemented but with less successful results to date.

All ore development in the Doris Connector and Doris Central zones are designed at a nominal 20 metre interval to minimize dilution of future stoping in these areas, which has been demonstrated to contribute to reduced dilution.

The block model reconciliation for ore produced from sill development at Doris Connector to date is more variable than seen at Doris North. Certain sill development produced less ore and more Incremental Ore than planned; however, it has been fully offset by areas where higher grades were achieved. The Doris Connector zone received a substantial amount of the delineation drilling in 2018 as the average drill spacing was wider than either Doris North, Doris North BTD or Doris Central zones. Definition drilling in Doris Connector will continue through 2019. Mine development achieved 1,620 metres during the three months ended December 31, 2018, averaging 18 metres per day.

Stockpiles are segregated by grade to allow blending strategies to maximize value and manage risk. Stockpiles are composed of a primary stockpile that contains ore above the 4.0 g/t mining cut-off grade at Doris and a secondary stockpile that contains Incremental Ore produced from mine and stope development that is below the mining cut-off grade of 4.0 g/t.

At December 31, 2018, the primary stockpile contained an estimated 68,600 tonnes of ore at an average grade of 6.7 g/t, or 14,700 ounces of contained gold. Included in that balance is a segregated high-grade stockpile that contained 1,000 tonnes of ore at an estimated grade in excess of 15.7 g/t.

At December 31, 2018, the secondary stockpile contained an estimated 52,200 tonnes at a grade of 3.7 g/t containing 6,200 ounces of gold. The cost of producing the Incremental Ore is included in production costs of the primary ore resulting in the Incremental Ore stockpile being carried at zero cost. At 3.7 g/t, this ore has a gross in situ value of more than $200 per tonne and has a significant positive margin against remaining incremental processing costs. This Incremental Ore will, therefore, be fed through the Plant when there is excess Plant capacity or as management determines to include it in its blending strategies.

The stockpiles will also help provide the required feed to the Plant as mining operations ramps up.

Processing

		Three months ended		Year ended	
	Units	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Ore processed	tonnes	164,900	69,600	464,200	208,900
Grade	g/t	7.8	13.7	9.4	12.6
Contained gold	ounces	41,480	30,700	140,520	84,660
Recovery	%	82	69	79	65
Gold produced	ounces	34,080	21,200	110,970	55,150
Gold in process change	ounces	1,330	2,980	(80)	7,640
Gold poured	ounces	32,750	19,320	111,050	49,070
Gold sold	ounces	31,380	17,350	108,820	46,990

During the three months ended December 31, 2018, the Plant processed 164,900 tonnes of ore at an average grade of 7.8 g/t, with an average recovery of 82%, producing 34,080 ounces of gold.

During the year ended December 31, 2018, the Plant processed 464,200 tonnes of ore at an average grade of 9.4 g/t, with an average recovery of 79%, producing 110,970 ounces of gold.

To address the significantly lower gravity recoverable gold recovery experienced in 2017, TMAC ordered Falcon SB400 concentration units to be placed into the recirculating load of the primary grinding circuit, for each of CL1 and CL2, to remove fine free gold as it is liberated. The installation and commissioning of the first Falcon SB400 unit on CL1 was completed on April 27, 2018. The installation of the Falcon SB400 units resulted in improved recoveries in CL1 to 82% and 85% in May and June, respectively, and an SB400 was included in the installation of CL2. Recoveries from August to December was lower due to the ramp up of the CL2.

Increasing the gravity effort within CL1 allowed for the flotation circuit to operate at feed grades closer to the original design criteria and reduced the ultrafine gravity recovery gold that was previously reporting to the continuous intense leach reactor, thus allowing for optimized leaching and resin operation on solutions with lower gold and cyanide concentrations, resulting in improved CTP recoveries. Lower cyanide concentrations in the circuit also resulted in reduced fouling of the resin.

With the improvement in the amount of gravity recoverable gold recovered by the installation of the Falcon SB400 units, the Company accelerated the existing plans to increase the overall gravity recovered gold through purchase and installation of additional, larger, gravity concentration units within the primary grinding circuit and a new concentration unit within the regrinding circuit in order to remove free gold as it is liberated. The additional gravity concentrators will result in more of the gravity recoverable gold to be sent directly to the batch intensive leach reactor, removing gold-loading from both flotation and the continuous intensive leach reactor. It is believed that a high velocity continuous concentrator will scavenge ultrafine gold from the flotation circuit helping to minimize gold losses.

Two Knelson XD20 concentrators were installed and came online as part of the CTP regrind circuit in October, however the recirculating load has not yet been configured. This installation included the reconfiguration of the inline pressure jigs and spinners to the concentrator side of the Plant in recirculation with the screening circuit, with those changes completed by the end of October. Two Falcon SB1350s were installed during December as an upgrade to the successful Falcon SB400 units, which enables the gravity treatment of the entire flow within the primary grinding circuit rather than solely the recirculating load captured by the Falcon SB400s. Two Falcon C2000s that were installed by the end of December, are designed to scavenge gravity recoverable gold and sulfides from the cyclone overflow feeding the flotation cells and further reduce losses to tailings. Since the commencement of operation of the additional new concentrators, the inline pressure jigs and spinners have remained offline to reduce complexity of water balancing in the concentrator area during commissioning.

The improvement in recovery achieved in the fourth quarter was not as a result of the new gravity concentrators, as these were only installed during December. Project completion was several weeks behind the schedule set by management, primarily as a result of supplier delays in the fabrication and delivery of structural steel and materials to site.

While the installation phase has been well executed, certain aspects of commissioning of the gravity concentrators and related equipment have been more challenging than expected. Several challenges with piping and pumping of concentrate material are being addressed, including the Plant experiencing higher than expected wear on newly installed piping and several pumps and pump boxes requiring resizing. Piping wear has been improving and rubberized replacement joints are being installed to further reduce the wear rates. The water balance in the Plant impacts recoveries of the CTP, and with the installation of the gravity concentrators impacted the water balance that will only be completely addressed once the surge bins are installed. While all of the six gravity concentrators were installed, the Knelson XD20s have been receiving a single-pass of material and will only be re-configured to the designed recirculating load in February 2019. The configuration of the XD20s into the recirculating load is considered a key factor for full impact of these units for successful diversion of the gravity recoverable gold in the regrind mills to the Batch Intensive Leach Reactor and higher recovery overall. The two IPJs and spinners, which have been removed from the circuit, are being assessed as to whether they need to come back online in conjunction with the other gravity concentrators. Thus far, an incremental increase in gravity recoveries, which was experienced during January 2019, has been essentially offset by solution losses in the CTP. These solution losses are expected to decrease once the full impact of the gravity concentrators are realized. TMAC is also working on incremental optimization projects to scavenge gold from the solutions leaving the resin circuit which would provide further insurance against any volatility in CTP performance and incrementally improve recoveries.

In conjunction with the identification of a greater gravity concentration effort, engineering studies commenced in April 2018 to address the required ancillary equipment (i.e., screening and pumping, the overall water balance, and offering an opportunity to introduce surge capacity between the crushing and grinding circuits, which is currently one source of Plant instability). The lack of surge capacity was highlighted in July, when the greater instability of the Plant's throughput, which occurred as a result of downtime necessitating the need for multiple restarts due to the integration of CL2, had an adverse impact on recoveries in the month. The flotation circuit was impacted by multiple restarts and the lack of surge bins separating the crushing circuit from the jig circuit only magnified the problem. The first of the two planned surge bins between the crushing and grinding circuits was installed during the beginning of February.

TMAC ended 2017 with a Plant that had significant unaddressed design issues. During 2017, the Plant only achieved recoveries of approximately 65% against the design of 94% and had not reliably met design throughput of 1,000 tpd per concentrator line. Through targeted investment and the efforts of TMAC's operating team, the Plant now clearly demonstrates throughput capacity of 2,000 tpd and recovery in the low to mid-80s, with a target of 90% recovery following the completion of the commissioning of the gravity enhancement project. TMAC has identified several additional projects which will target continuous improvement in overall Plant recovery and expects to implement these projects over the course of 2019, as well as develop economic justification for projects not currently contemplated in the 2019 Budget.

The gold in process inventory, including doré, was estimated to contain 10,100 ounces at December 31, 2018 compared with 7,640 ounces at December 31, 2017. The gold in process consists of 7,050 ounces in the circuit and an estimated 3,050 ounces in partially processed clean-up material. An increase in the gold in circuit inventory during the year was a result of the ramp up of CL2.

Capital Projects

Sustaining capital

Sustaining capital for 2018 included underground development at Doris, the construction and acquisition of additional surface infrastructure and equipment, and to continue the ramp up of the Plant to its design capacity.

	Three months ended December 31, 2018 $millions	**Year ended December 31, 2018 $millions**	**Year ended December 31, 2017 $millions**
Underground mine development	8.7	26.7	5.9
Site infrastructure projects	1.6	15.1	9.3
Exploration at Doris	-	-	0.8
Total	**10.3**	**41.8**	**16.0**
Total in US$	**7.9**	**32.2**	**12.3**
Gold sold (ounces)	31,380	108,820	34,860
Sustaining capital expenditure per ounce sold – US$[(1)]	252	296	353

(1) Certain capital expenditures reported as sustaining capex in prior periods are included as expansion capital based on the updated guidance from the WGC. See non-IFRS measures below

Expansion capital

Expansion capital during 2018 included the installation and commissioning of CL2 to increase the processing capacity of the Plant to 2,000 tpd, the construction of the south dam in the tailings impoundment area that materially increases the life of mine by allowing for the deposition of additional tailings into the tailing impound area, commencement of construction of a marine outfall pipeline that allows for water management in the expanded tailings area and the purchase and installation of additional gravity concentrators to increase the Plant recoveries above what is achievable under the prior design. Additional equipment was also purchased for the Madrid bulk sampling program.

The construction of the south dam in the tailings impoundment area, construction of a marine outfall pipeline that allows for water management in the expanded tailings area and the purchase and installation of additional gravity concentrators to increase the Plant recoveries were previously reported as sustaining capital expenditures. See non-IFRS measures below.

The installation and commissioning of CL2 to increase the processing capacity of the Plant to 2,000 tpd totalled $6.3 million.

The construction of the south dam was completed during the third quarter and was more expensive than planned due to a more complicated design that required significantly more technical precision, physical labour and time to install the liners in an extreme cold weather environment. The construction of the marine outfall pipeline was accelerated resulting in $3.9 million of additional expenditures incurred during the second half of 2018 above and beyond the budgeted cost for the year. The total cost for the two projects was $18.3 million in 2018.

The capital expenditure for the acquisition, fabrication and installation of the additional gravity concentrators and surge bins up to December 31, 2018 was $11.4 million and included the engineering, fabrication and installation of the infrastructure necessary to support the additional concentration units and the surge bins, with approximately $2.0 million of this amount being the acquisition of the additional gravity concentrators and their critical spares, as well as approximately $1.4 million for the allocation of camp costs to the project. Management expects to incur an additional $3.0 million during 2019 to complete the installation of the surge bins by the end of February. The project expenditure is $5.3 million over budget primarily due to delays in manufacturing and installation requiring more contractor time at site. A total of $1.0 million of the overrun is an allocation of camp costs due to the project taking longer than anticipated.

An additional $5.9 million was spent to purchase equipment that was planned for a Madrid underground bulk sampling program. The bulk sampling program is dependent on funding. Some of this equipment is currently used to supplement mining at Doris.

Cash Costs and All-In Sustaining Costs

It is essential that the initiatives to improve the Plant's throughput and recoveries are successful and that mining operations ramp up successfully to supply sufficient ore to the Plant to improve profitability and generate positive cash flow from the operations at Hope Bay. Operating cash costs have a large fixed cost component and an increase in recoveries and Plant throughput and mine production does not result in an equal increase in the total gross cost, instead, the result is a decrease in unit costs. Grade has a similar impact on profitability, and it is expected that unit costs per ounce will decrease and profitability will increase, at least in the medium-term as higher-grade areas are mined.

US$ per ounce sold	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
Cash Cost	752	825	928	1,049	1,228	1,424	1,054
AISC (1)	1,112	1,217	1,363	1,607	1,683	2,188	1,801

(1) AISC is calculated using the updated guidance from the WGC issued in November 2018 and certain of the projects previously classified as sustaining capital have been reclassified as expansion capital.

Cash Costs in the fourth quarter of 2018 were US$752 per ounce sold which were 9% lower than the previous quarter due to higher recoveries and throughput, and as unit costs declined as economies of scale were achieved. Gold sales decreased by 2% in the quarter while gross Cash Costs, excluding the previous quarter's net realizable value adjustment, decreased by 5% in the same period.

Cash Costs for the year ended December 31, 2018 of US$868 per ounce sold were 33% lower than the previous year as gold sales increased year-over-year due to increased recoveries and throughput, and unit costs decreased as economies of scale were achieved. The amount of ounces produced and sold increased by 212% in the year while Cash Costs, excluding net realizable value adjustments, decreased by 26% in the same period.

AISC in the fourth quarter was US$1,112 per ounce sold, which was 9% lower than the previous quarter. The sustaining capital expenditures incurred in the fourth quarter of 2018 were $10.3 million and were higher than expected due to a decision to increase underground development that resulted in an additional $2.0 million of expenditures

AISC for the year ended December 31, 2018 was US$1,291 per ounce sold, which was 31% lower than the previous year.

EXPLORATION

Overview

The 2018 exploration activities comprise surface and underground diamond drilling that targeted both short-term production areas through longer-term definition and expansion of resources at Doris and Madrid North. The previously planned Boston drilling program was deferred to the second half of 2019. Underground drilling at Doris through 2018, was focused on the definition of Doris BTD Extension and Doris Connector to support detailed development and stope design. Surface diamond drilling at Madrid North targeted the near surface, high-grade core of both the Naartok West and Naartok East zones. The regional exploration drilling program was significantly reduced from the original budget, as expenditures and budgeted metres was reallocated to the Madrid North program.

The Mineral Resource estimates were updated and the Mineral Resource and Mineral Reserve statement, effective December 31, 2018, was updated (see news release titled "*TMAC Resources Reports 2018 Mineral Reserves & Mineral Resources Estimate, Hope Bay, Nunavut*", dated February 21, 2019).

Results of the surface and underground diamond drill programs for the year ended December 31, 2018 compared with the plan for the 2018 year:

	Three months ended December 31, 2018	**Year ended December 31, 2018**	**2018 Full Year Plan**
Surface diamond drilling (# metres)			
- Naartok	-	9,452	9,452
- Boston	-	-	-
- Regional exploration	-	758	758
Subtotal	-	10,210	10,210
Underground diamond drilling (# metres)			
- Doris BTD	4,427	13,327	12,100
- Doris Connector	769	10,918	13,350
Subtotal	5,196	24,245	25,450
Total	5,196	34,455	35,660

Doris

The 2018 underground diamond drilling program had two objectives: (i) definition and expansion drilling on the high-grade zones in Doris BTD and (ii) infill drilling within Doris Connector to support detailed mine planning.

A total of 5,196 metres of diamond drilling was completed during the fourth quarter, and included 4,227 metres on Doris BTD and 769 metres on Doris Connector. Drilling on the Doris BTD zone was focused on upgrading and expanding the Doris BTD Inferred Resources to facilitate mine design and expected production in 2019. A news release was issued on November 8, 2018 summarizing the results of the BTD Extension drilling to date and, subsequent to year-end, a news release was issued on January 22, 2019 summarizing the remaining 2018 drilling results. The current Doris BTD Inferred Resource is 200,000 tonnes grading at 14.7 g/t. Results from the 2018 Doris BTD drilling were incorporated into the updated Mineral Resource and Mineral Reserve statement.

A total of 24,245 metres of underground drilling was completed in 2018, including 10,918 metres in Doris Connector and 13,327 metres within Doris BTD. Exploration drilling on the Doris BTD resumed in mid-January 2019, and will continue to follow closely behind development of the Doris BTD exploration ramp.

Madrid

No site-based exploration activity was conducted at Madrid in the fourth quarter. For 2018, a total of 6,500 metres of surface diamond drilling was originally planned to refine the geological understanding of the Madrid North Naartok East and Naartok West zones to support an advanced exploration and bulk sampling program. During the year ended December 31, 2018, a total of 9,452 metres of diamond drilling was completed at Madrid. The additional metres were drilled as a result of positive results in the early stages of the program. The 2018 program comprised 75 drillholes at Madrid North with 44 of those completed on Naartok West and 31 completed on Naartok East. The objective of the program was to obtain additional data to further the evaluation of the project given the advanced stage of permitting and the strategic imperative to increase potential ore feed sources as early as 2019. Exploration results continued to demonstrate strong grade and continuity, with Naartok East results in particular delivering stronger grade and greater strike extension than expected and predicted by the previous model. A news release summarizing the remaining drilling results achieved since the June 14, 2018 update was released on November 8, 2018.

Boston

No site-based exploration activity occurred at Boston in the fourth quarter. The 2018 Boston program was deferred to 2019 and is scheduled to commence in late summer and transition into a winter ice drilling program near the end of 2019. Initial drilling is targeted to confirm and define the high-grade plunges within the current mineral resource, and continue through the winter drilling season, with significant drilling below the Indicated mineral resource. The 2019 Boston program will also begin to test the highest priority, near-deposit regional targets.

Regional Exploration

The regional exploration program is designed to focus on highly prospective targets that are in proximity to established or planned infrastructure and where successful exploration will influence TMAC's decisions with respect to belt-wide mine development. In defining targets TMAC benefits from a significant database of historic work completed by BHP, Miramar, Newmont and TMAC, including geological mapping, sampling and airborne geophysical surveys. TMAC develops and maintains a project pipeline of quality exploration targets at various stages of evaluation. Field activities for 2018 included gold in glacial till sampling and diamond drilling. Current priority target areas are near existing infrastructure in the Doris-Madrid corridor where several gold in till anomalies were identified in both the 2016 and 2017 programs.

No regional exploration was completed during the fourth quarter. A total of 4,000 metres of regional exploration diamond drilling was planned for 2018; however, funds for approximately 3,250 metres of the drilling were reallocated to complete the Madrid North program. During the year ended December 31, 2018, a limited regional drilling program was completed, consisting of 758 metres of diamond drilling. Two drillholes were completed to evaluate the stratigraphy within a wide valley north of the Madrid deposit.

Building on the 2016 and 2017 programs, the 2018 glacial till sampling program, consisted of approximately 800 samples, within the northern portion of the belt. Analytical results from the 2018 sampling program continued to be received through the end of the year. Geological compilation, target generation and prioritization continued in preparation for the 2019 regional exploration program.

Elu

The Elu claim block was acquired as part of the purchase of Hope Bay from Newmont in 2013. The Elu Link, staked in 2016 by TMAC, joined the Elu belt with the Hope Bay belt. The Elu greenstone belt is similar in age to the Hope Bay belt and has the potential to host both gold and base metal deposits.

During the year ended December 31, 2018, a limited gold in glacial till sampling program was completed within the northern portion of the Elu property.

An airborne Mag-EM geophysical survey, covering the Elu Link area, was completed. A total of 2,617 line kilometres were flown on 150-metre line spacing. These geophysical datasets will support more detailed geological interpretation of the Elu greenstone belt and assist in defining future exploration targets.

PERMITTING AND ACCESS

Access to surface and subsurface mineral rights

In 2015, TMAC entered into a Mineral Exploration Agreement ("**MEA**") granting the Company access to the Inuit-owned subsurface mineral rights administered by Nunavut Tunngavik Inc. ("**NTI**"). TMAC also entered into a Framework Agreement (the "**Framework Agreement**") and an Inuit Impact Benefits Agreement administered by the KIA for surface access rights on Inuit-owned lands at Hope Bay. Each of the MEA and Framework Agreement are for 20-year periods ending March 30, 2035.

TMAC has all the required leases and claims for Federal-owned subsurface mineral rights.

On January 14, 2019, the Minister of Intergovernmental and Northern Affairs and Internal Trade approved the two licences as recommended by the NWB on December 7, 2018. This is the final approval for the two Type A Water Licences for the Madrid and Boston Projects and concludes the final step in the environmental permitting process that enables mine construction at both projects.

The new permits not only fully cover the development scenario described in the 2015 PFS, but also provide additional flexibility, including additional water use and processing and other infrastructure at Madrid and Boston, alternative wind power generation and additional tailings capacity. The permitting also includes surface crown pillar recovery similar in approach to what was executed at Doris. TMAC is now in possession of all Federal and Territorial approvals required for continued mining and gold production at Doris and for the development and mining of the Madrid North, Madrid South and Boston deposits.

As part of the mining activities approved for the Madrid North, Madrid South and Boston sites, TMAC has permits in place to use and expand specific infrastructure at Doris and Roberts Bay in addition to the construction and operation of new infrastructure at Madrid North, Madrid South, and Boston. TMAC is approved for commercial mining and processing at the Doris and Madrid sites with storage of tailings in the existing tailings impound area of up to 18 million tonnes. In addition, TMAC is approved for commercial mining and processing at the Boston site with storage of up to 5.1 million tonnes of tailings.

Other leases and permits include a mineral production lease issued by NTI, a commercial lease issued by the KIA and authorizations from the Department of Fisheries and Oceans (the "**DFO**") for the life of mine.

Going forward, TMAC will secure other leases and permits as necessary for project development including mineral production leases issued by NTI, commercial lease and/or advanced exploration leases issued by the KIA, and authorizations from the DFO.

Environmental Rehabilitation and Production Lease Security

As part of TMAC's environmental rehabilitation responsibilities for Hope Bay, the Company has issued, through financial institutions letters of credit to Crown Indigenous Relations and Northern Affairs Canada ("**CIRNAC**"), DFO and KIA as security for Hope Bay's environmental rehabilitation liabilities.

Under the Framework Agreement, the KIA is entitled to hold security for the rehabilitation of the land affected by the operations. CIRNAC is entitled to hold security for the rehabilitation of water affected by the operations. The total security to be held by each of the KIA and CIRNAC at the end of the mine life is $61.6 million and $37.9 million, respectively. This includes $62.0 million for Doris and Madrid sites and $37.5 million for Boston. TMAC has applied for and received approval for staged bonding, that allows for TMAC to only post the security once certain activities commence.

In accordance with the production lease with NTI, TMAC provides additional letters of credit as payment security for an amount equal to one year of forecast payments of NTI's net profits interest royalty.

In addition to the letters of credit that TMAC maintains for environmental rehabilitation liabilities, pursuant to the Framework Agreement, TMAC is required to provide the KIA with additional environmental rehabilitation assurance that, essentially, provides twice the amount of assurance required by the Federal regulators ("**Overbonding**") on certain aspects of Hope Bay's environmental rehabilitation, currently totalling $11.0 million (the "**Overbonding Amount**"). The Overbonding Amount is secured by a general security agreement with the KIA (the "**KIA GSA**") which is subordinated to the Debt Facility. Also, as part of the Framework Agreement, TMAC agreed to provide the KIA with letters of credit equal to 5% of the Overbonding Amount in each calendar year to systematically replace the KIA GSA.

TMAC was required to provide a letter of credit in favour of the KIA for the full Overbonding Amount one year after commercial production was achieved at Doris, however, TMAC entered into an agreement with the KIA to defer this until June 2019.

Under the newly issued water licences, TMAC was able to address Overbonding by working with the NWB to reallocate existing security from CIRNAC to KIA for existing Doris infrastructure and by ensuring the structure and overall amounts of security set by the NWB for Doris, Madrid North, Madrid South, and Boston sites was agreed to by the KIA and CIRNAC. Current indications from CIRNAC and the KIA are that the Overbonding issue will be resolved once the existing security is updated in 2019 based on the newly issued water licenses.

During the year ended December 31, 2018, additional letters of credit were issued for $0.5 million pursuant to the Overbonding Amount and for $0.7 million as security for the payments under the Framework Agreement with the KIA. Letters of credit issued for the Overbonding Amount will be cancelled once the security for the new water licenses are updated. Upon request from TMAC, NTI has agreed to a reduction of certain letters of credit related to payment security to the value of $2.7 million until Q2 of 2019. Additional letters were also issued to CIRNAC in the amount of $0.5 million for financial security of the marine outfall pipeline in Roberts Bay.

FINANCIAL AND CORPORATE

Results of Operations

Results of operations for the three and twelve months ended December 31, 2018 compared with the three and twelve months ended December 31, 2017:

$ Millions	Three months ended			Twelve months ended		
	Dec 31, 2018	Dec 31, 2017	Change	Dec 31, 2018	Dec 31, 2017	Change
Revenues						
Metal sales	51.4	28.2	23.1	178.0	56.4	121.6
Cost of sales						
Production costs	30.0	26.6	3.4	118.6	56.4	62.2
Royalties & selling expenses	1.2	0.6	0.6	4.0	1.4	2.6
Depreciation	13.1	7.1	6.0	49.6	11.0	38.6
	44.3	**34.3**	**10.0**	**172.2**	**68.8**	**103.4**
Profit (loss) from mine operations	**7.1**	**(6.1)**	**13.2**	**5.8**	**(12.4)**	**18.2**
General and administration						
Salaries and wages	2.2	3.5	(1.3)	7.8	9.2	(1.4)
Share-based payments	1.7	0.7	1.0	6.7	3.2	3.5
Other corporate	0.5	0.7	(0.2)	2.9	3.1	(0.2)
Profit (loss) before the following	**2.7**	**(11.9)**	**14.6**	**(11.6)**	**(28.8)**	**17.2**
Net finance income (expense)	(5.1)	(4.5)	(0.6)	(20.1)	(15.9)	(4.2)
Foreign exchange gain (loss)	(8.9)	(1.0)	(7.9)	(15.3)	10.6	(25.9)
Fair value adjustments	(1.1)	(0.1)	(1.0)	0.4	(0.8)	1.2
Other	(0,1)	(0.1)	-	(0.3)	(0.2)	(0.1)
Profit (loss) before income taxes	**(12.5)**	**(17.6)**	**5.1**	**(46.9)**	**(35.1)**	**(11.8)**
Current income tax expense	(0.9)	(0.2)	(0.7)	(3.2)	(1.3)	(1.9)
Deferred income tax (expense) recovery	(0.1)	5.3	(5.4)	8.0	11.1	(3.1)
Profit (loss) and comprehensive profit (loss) for the period	**(13.5)**	**(12.5)**	**(1.0)**	**(42.1)**	**(25.3)**	**(16.8)**

Results for the three months ended December 31, 2018 and 2017

Profit (loss) and comprehensive profit (loss) for the three months ended December 31, 2018 was a loss of $13.5 million, compared with a loss and comprehensive loss of $12.5 million for the three months ended December 31, 2017. The reasons for the variances between the components above are described below:

Metal sales for the three months ended December 31, 2018 totalled $51.4 million (US$38.7 million). During the three months ended December 31, 2018, 31,380 ounces of gold were sold at an average price of $1,635 (US$1,233) per ounce, compared with $28.2 million (US$22.1 million) from the sale of 17,350 ounces of gold at an average price of $1,622 (US$1,275) per ounce for the three months ended December 31, 2017.

Cost of sales for the three months ended December 31, 2018 totalled $44.3 million compared with $34.3 million during the three months ended December 31, 2017. Production costs representing direct and indirect costs of mining, processing, and on-site general and administration totalled $30.0 million for the three months ended December 31, 2018, compared with $26.6 million for the three months ended December 31, 2017. Cost of sales increased due to increased production and sales, with cost of sales increasing by $10.0 million, or 29%, while revenues increased by 82%. Depreciation of property, plant and equipment used in the production process was $13.1 million for the three months ended December 31, 2018, compared with $7.1 million during the three months ended December 31, 2017.

Salaries and wages for the three months ended December 31, 2018 totalled $2.2 million, compared with $3.5 million for the comparable period in 2017. The expense was higher in the fourth quarter of 2017 compared with the fourth quarter of 2018 primarily due to the recognition of a retirement payment at the end of 2017.

Share-based payments relate to the expense for share purchase options ("**Options**"), restricted share rights and director share units which, for the three months ended December 31, 2018, totalled $1.7 million, compared with $0.7 million for the comparable period in 2017. The increase in 2018 is a result of 2018 grants to certain executives and directors, as well as a change made effective on February 22, 2018 whereby all director share-based compensation vests in the period granted.

The remaining general and administrative expenses represent regulatory compliance costs to operate the Company and maintain the Toronto office. These expenses for the three months ended December 31, 2018 totalled $0.5 million, compared with $0.7 million for the comparable period in 2017.

Finance income for the three months ended December 31, 2018 totalled $0.2 million, the same as the comparable period in 2017. Finance income was earned on the cash balances on hand during the respective periods.

Finance expense for the three months ended December 31, 2018 totalled $5.3 million, compared with $4.7 million for the comparable period in 2017. Finance expense was higher during the fourth quarter of 2018 due to increased interest rates on the principal balance of the Debt Facility offset by the reduction to the principal balance during the quarter. Finance expense includes the Debt Facility interest expense, accretion of the provision for environmental rehabilitation and interest charges on the letters of credit.

Foreign exchange for the three months ended December 31, 2018 totalled a loss of $8.9 million, compared with a loss of $1.0 million for the comparable period in 2017. The weakening Canadian dollar increased the amount of the Canadian dollar equivalent US dollar borrowings under the Debt Facility and resulted in a foreign exchange loss on the revaluation thereof, and had an opposite, albeit smaller, foreign exchange gain on TMAC's US dollar cash balances. The opposite is true when the Canadian dollar strengthens. A weakening Canadian dollar increases the future Canadian dollar equivalent revenue that TMAC generates through US-dollar denominated gold sales, which will offset the loss realized on the revaluation of the US-dollar denominated Debt Facility accounted for in the Statement of Profit or Loss.

Fair value adjustments result from the period-to-period change in the fair value of the Gold Call Options issued under the original Credit Agreement. The fair value is primarily affected by changes in the price of gold in Canadian-dollar terms; however, other inputs into the Black-Scholes calculations, including interest rates, volatility and time to maturity, also impact the fair value. The price of gold decreased during the three months ended December 31, 2018 resulting in an increase in the Gold Call Options liability and the associated fair value loss. The price of gold also increased during the comparable period in 2017 causing the same effect on the Gold Call Options liability and the associated fair value adjustment.

Current income tax expense for the three months ended December 31, 2018 of $0.9 million, compared with $0.2 million for the comparable period in 2017, relates to the 12% NTI net profits interest royalty. For the extraction of minerals on Inuit-owned subsurface rights, the MEA requires a 12% net profits interest royalty to be paid to NTI on any production therefrom, with the calculation of the amount being subject to a limit in the allowable deductions of between 70% and 85% of revenues depending upon the source of the ore. The NTI net profits interest royalty is analogous to the Crown's net profits interest royalty tax on Federal subsurface mineral rights; however, the Federal net profits interest royalty does not have a cap on allowable deductions. The NTI and Federal net profits interest royalties are mutually exclusive as they cover different portions of the Hope Bay property.

Deferred income tax expense for the three months ended December 31, 2018 of $0.1 million mainly relates to the loss for tax purposes incurred during the period being more than offset by the impact of the 2018 Equity Financing, including the share issuance costs and premium liability associated with the flow-through common shares issued during the period. The deferred income tax recovery for the three months ended December 31, 2017 of $5.3 million also mainly relates to a recovery of the loss incurred during that period.

Results for the years ended December 31, 2018 and 2017

Profit (loss) and comprehensive profit (loss) for the year ended December 31, 2018 was a loss of $42.1 million, compared with a loss and comprehensive loss of $25.3 million for the year ended December 31, 2017. The reasons for the fluctuations in the year are described below:

Metal sales for the year ended December 31, 2018 totalled $178.0 million (US$136.8 million). During the year ended December 31, 2018, 108,820 ounces of gold were sold at an average price of $1,635 (US$1,257) per ounce, compared with $56.4 million (US$44.5 million) from the sale of 34,860 ounces of gold at an average price of $1,618 (US$1,278) per ounce (representing metal sales since the achievement of commercial production effective June 1, 2017). For accounting purposes, metal sales completed during the five months ended May 31, 2017, of 12,130 ounces at an average price of $1,687 (US$1,249) per ounce totalling $20.5 million (US$15.2 million), were recorded in development expenditures.

Cost of sales for the year ended December 31, 2018 totalled $172.2 million, compared with $68.8 million during the year ended December 31, 2017 (representing cost of sales since the achievement of commercial production effective June 1, 2017). Production costs representing direct and indirect costs of mining, processing, and on-site general and administration totalled $118.6 million for the year ended December 31, 2018, compared with $56.4 million for the year ended December 31, 2017. Cost of sales increased due to increased production and sales, with cost of sales increasing by $103.4 million, or 150%, while revenues increased by 216%. Depreciation of property, plant and equipment used in the production process was $49.6 million for the year ended December 31, 2018, compared with $11.0 million during the year ended December 31, 2017. A net realizable value adjustment of $2.4 million was recognized against the ore in stockpiles inventory during the year ended December 31, 2018, compared with a $4.8 million net realizable value adjustment of the gold in process inventory for the year ended December 31, 2017. The write-downs are included in cost of sales for the years ended December 31, 2018 and December 31, 2017, respectively.

Salaries and wages for the year ended December 31, 2018 totalled $7.8 million, compared with $9.2 million in 2017. The expense would have been higher in 2018 due to the increase in the number of, and compensation for, corporate personnel to support the development and ramp up of Hope Bay had there not been the recognition of a retirement payment at the end of 2017.

Share-based payments relate to the expense for Options, restricted share rights and director share units which, for the year ended December 31, 2018, totalled $6.7 million, compared with $3.2 million in 2017. The increase in 2018 is a result of 2018 grants to certain executives and directors, as well as a change made effective on February 22, 2018 whereby all director share-based compensation vests in the period granted.

The remaining general and administrative expenses represent regulatory compliance costs to operate the Company and maintain the Toronto office. These expenses for the year ended December 31, 2018 totalled $2.9 million, compared with $3.1 million in 2017. The $0.1 million decrease was mainly due to lower recruiting expenses. General and administrative expenses are not expected to be materially different in 2019.

Finance income for the year ended December 31, 2018 totalled $0.8 million, the same as the comparable period in 2017. Finance income was earned on the cash balances on hand during the respective periods.

Finance expense for the year ended December 31, 2018 totalled $20.9 million, compared with $16.7 million for the year ended December 31, 2017. Finance expense includes the Debt Facility interest expense, accretion of the provision for environmental rehabilitation and interest charges on the letters of credit. For the year ended December 31, 2017, finance expense also includes $5.5 million of transaction costs incurred on the original July 23, 2015 Credit Agreement that have been expensed as a result of entering into the Amended and Restated Credit Agreement. During the years ended December 31, 2018 and December 31, 2017, $nil and $7.7 million, respectively, were capitalized as borrowing costs to Property, Plant and Equipment. The capitalization of borrowing costs ceased on June 1, 2017, the effective date of achieving commercial production.

Foreign exchange for the year ended December 31, 2018 totalled a loss of $15.3 million, compared with a gain of $10.6 million for the comparable period in 2017. The weakening Canadian dollar increased the amount of the Canadian-dollar equivalent US-dollar borrowings under the Debt Facility and resulted in a foreign exchange loss on the revaluation thereof, and had an opposite, albeit smaller, foreign exchange gain on TMAC's US-dollar cash balances. The opposite is true when the Canadian dollar strengthens. A weakening Canadian dollar increases the future Canadian-dollar equivalent revenue that TMAC generates through US-dollar denominated gold sales, which will offset the gain realized on the revaluation of the US-dollar denominated Debt Facility accounted for in the Statement of Profit or Loss.

Fair value adjustments result from the period-to-period change in the fair value of the Gold Call Options issued under the original Credit Agreement. The fair value is primarily affected by changes in the price of gold in Canadian dollar terms; however, other inputs into the Black-Scholes calculations, including interest rates, volatility and time to maturity, also impact the fair value. The price of gold decreased during the year ended December 31, 2018 resulting in a decrease in the Gold Call Options liability and the associated fair value gain. The price of gold increased during the comparable period in 2017 causing the opposite effect on the Gold Call Options liability and the associated fair value adjustment.

Current income tax expense for the year ended December 31, 2018 of $3.2 million, compared with $1.3 million for the comparable period in 2017, relates to the 12% NTI net profits interest royalty. For the extraction of minerals on Inuit-owned subsurface rights, the MEA requires a 12% net profits interest royalty to be paid to NTI on any production therefrom, with the calculation of the amount being subject to a limit in the allowable deductions of between 70% and 85% of revenues depending upon the source of the ore. The NTI net profits interest royalty is analogous to the Crown's net profits interest royalty tax on Federal subsurface mineral rights; however, the Federal net profits interest royalty does not have a cap on allowable deductions. The NTI and Federal net profits interest royalties are mutually exclusive as they cover different portions of the Hope Bay property.

Deferred income tax recovery for the year ended December 31, 2018 of $8.0 million mainly relates to the loss for tax purposes incurred during the period, partially offset by the impact of the 2018 Equity Financing, including the share issuance costs and premium liability associated with the flow-through common shares issued during the period. The deferred income tax recovery for the year ended December 31, 2017 of $11.1 million also mainly related to a recovery of the loss incurred during that period.

Summary of Quarterly Results

Summary of certain of the Company's quarterly financial information for the eight quarters ended December 31, 2018:

$millions (except for per share data)	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017
Profit (loss) for the period	(13.5)	(3.3)	(10.3)	(15.0)	(12.5)	(10.9)	0.5	(2.4)
Profit (loss) per share	$(0.12)	$(0.04)	$(0.11)	$(0.16)	$(0.14)	$(0.13)	$0.01	($0.03)
Cash and cash equivalents	24.8	13.6	24.2	35.7	42.0	17.3	6.9	28.9
Total assets	1,199.4	1,169.7	1,158.6	1,159.8	1,163.3	1,138.2	1,101.9	1,087.1
Deficit	102.6	89.1	85.8	75.5	60.5	48.0	37.1	37.6

Through December 31, 2018, seasonality or commodity market fluctuations have limited direct impact on the Company's results of operations.

TMAC's profit (loss) in each period primarily reflects the level of production revenue and expenses, general and administrative expenses, unrealized foreign exchange adjustments and write-downs. The loss for the three months ended December 31, 2018 includes $5.1 million of net finance expenses, a foreign exchange loss of $8.9 million related to the Debt Facility and US-dollar denominated cash balances and a fair value loss of $1.1 million from the revaluation of the Gold Call Options. Cash balances fluctuated as a result of the various financings, combined with revenues and expenditures in the periods.

Financial Position

Cash and cash equivalents

Cash and cash equivalents totalled $24.8 million as at December 31, 2018, compared with $42.0 million as at December 31, 2017 and does not include restricted cash (see below). TMAC's Debt Facility requires that a $10.0 million minimum cash balance be maintained. The cash and cash equivalents balance decreased as cash used in investing activities of $84.6 million exceeded cash flows generated from operating and financing of activities of $21.6 million and $45.1 million, respectively. On October 3, 2018, TMAC completed the 2018 Equity Financing for aggregate gross proceeds of $90.0 million and net proceeds of $88.0 million.

Amounts receivable

Amounts receivable totalled $3.5 million as at December 31, 2018, compared with $1.8 million as at December 31, 2017. The balance at December 31, 2018 consists of $3.3 million of sales tax and diesel tax receivables and $0.2 million of interest and other receivables. The December 31, 2017 balance included $0.6 million of sales tax and diesel tax receivables and $1.2 million of interest and other receivables.

Inventories

Inventories comprise ore in stockpiles, gold in process and consumables, materials and supplies. Most of the consumables, materials and supplies are brought in for the year during the annual sealift in August and September.

Finished metal

Finished metal contains approximately 200 ounces of gold and represents residual amounts of unsold refined gold. The carrying value includes the weighted average cost per ounce of gold produced that was transferred from gold in process inventory and the cost of refining and transportation up to the point of selling the refined gold.

Gold in process

Gold in process fluctuates from period to period and, at December 31, 2018, consisted of an estimated 10,100 ounces of recoverable gold and represents doré, gold bearing ore that has been crushed and has begun the gold extraction process within the Plant and partially processed clean-up material. The carrying value includes costs transferred from the ore in stockpiles inventory balance at the weighted average carrying cost per tonne, processing costs and the applicable share of on-site general and administrative costs incurred up to the point of shipping the doré from site.

Ore in stockpiles

The primary stockpile consists of 68,600 tonnes of ore containing 14,700 ounces of gold at a grade of 6.7 g/t. The carrying value consists of on-site mining costs, underground long hole development costs, the applicable share of on-site general and administrative costs, permitting and compliance costs and land management costs, up to the point of stockpiling the ore.

The Incremental Ore stockpile contained an estimated 52,200 tonnes at a grade of 3.7 g/t containing 6,200 ounces of gold. The carrying value of the secondary stockpile is zero and the cost of mining Incremental Ore is included in production costs.

Consumables, materials and supplies

The $79.4 million balance at December 31, 2018 includes diesel and jet fuel, spare parts and other materials and supplies, compared with $66.3 million at December 31, 2017. The balance increased as additional spare parts and other materials and supplies are carried at site to support higher levels of production.

Spare parts and other materials and supplies consist of warehouse inventory and spare parts required for mining, development, exploration and processing activities. The majority of TMAC's consumables, materials and supplies are brought in during the annual sealift as it is the most cost-efficient transportation method for most goods to site.

Prepaid expenses

Prepaid expenses of $4.2 million as at December 31, 2018, compared with $1.3 million as at December 31, 2017, relate to prepaid insurance, inventory items and deposits for goods or services to be received over the next twelve months.

Property, plant and equipment

Effective June 1, 2017, Doris transitioned from the development stage to the production stage. All projects, other than Doris, are currently in the E&E stage.

Details of production assets:

	Balance Dec 31, 2017 $millions	**Additions $millions**	**Balance Dec 31, 2018 $millions**
Property	47.8	8.5	56.3
Plant and equipment	463.8	55.5	519.3
Development	120.8	25.8	146.6
	632.4	**89.8**	**722.2**

Property expenditures include land claim payments to the Federal government, a portion of the annual payment to the KIA for surface access rights, and a non-cash adjustment to the provision for environmental rehabilitation.

Plant and equipment expenditures during the year mainly consisted of the costs for installing CL2, construction of the south dam in the tailings impoundment area, Plant improvements and surface infrastructure.

Development expenditures during the year related to underground development activities at Doris, primarily at the BTD and Doris Connector.

Details of E&E expenditures:

	Balance Dec 31, 2017 $millions	**Additions $millions**	**Balance Dec 31, 2018 $millions**
Property	193.7	1.4	195.1
Plant and equipment	10.7	6.0	16.7
Camp and logistics	27.9	2.0	29.9
Drilling and assaying	30.8	4.3	35.1
Environment	16.1	2.6	18.7
Evaluation	1.9	-	1.9
Geology	6.9	-	6.9
Share-based payments	0.8	-	0.8
Total	**288.8**	**16.3**	**305.1**

*Property e*xpenditures included in E&E include land claim payments to the Federal government and a portion of the annual payment to the KIA for surface access rights. Property cost represents the portion related to Madrid and Boston. The balance also includes environmental liability adjustments representing the change in the provision for environmental liabilities due to changes in assumptions used to calculate the provision. The changes mainly relate to the discount and inflation rates used in the calculation of the liability.

Plant and equipment relates to equipment purchased for Madrid for the planned bulk sample program in 2019 but is currently in use to supplement mining at Doris.

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

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

Environment costs, primarily consisting of consulting and legal fees, were incurred to support permitting activities for Madrid and Boston

Goodwill

Goodwill of $80.6 million relates to the acquisition of Hope Bay in 2013 and was the result of the requirement under business combinations accounting to recognize a deferred income tax liability for the difference between the fair value of the identifiable assets and liabilities and their tax base at the date of acquisition.

Restricted cash

The balance of restricted cash as at December 31, 2018 of $27.7 million comprises $22.0 million of collateral posted with the Demand Bonds underwriters and $5.7 million of investments in guaranteed investment certificates as collateral for letters of credit.

During the year ended December 31, 2018, TMAC issued initial Demand Bonds for $37 million that resulted in the release of $37 million of the restricted cash balance posted for letters of credit. TMAC has posted $22 million of the released amount of cash as collateral with the surety underwriters for the Demand Bonds, resulting in the net amount $15 million of the cash previously posted as security for letters of credit being released. There is opportunity for the Company to release additional funds as TMAC's operations and profitability improve.

An additional letter of credit for $0.5 million, secured by a Demand Bond, was issued as environmental rehabilitation security for the marine outfall pipeline. Collateral of $0.3 million was posted against the Demand Bond.

During the second quarter of 2018, upon a request from TMAC, NTI agreed to a reduction of certain letters of credit related to payment security held by NTI thereby releasing $2.7 million from restricted cash.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased to $37.8 million at December 31, 2018 from $25.8 million at December 31, 2017 due to sealift purchases, extended payment terms arranged with certain suppliers and expansion and sustaining capital projects that commenced during the year ended December 31, 2018.

Debt Facility

On July 26, 2017, significant terms of the July 23, 2015 Credit Agreement were revised resulting in TMAC entering into an Amended and Restated Credit Agreement with the Sprott Lenders. The Amended and Restated Credit Agreement has an interest rate of 6.5% plus the greater of (i) US-dollar three-month LIBOR, and (ii) 1.0% per annum, payable quarterly. It also has an aggregate principal amount of US$160 million, quarterly principal repayments commencing October 2018 and a maturity date of July 31, 2022.

On October 31, 2018, in addition to the regularly scheduled $8.6 million (US$6.5 million) principal payment, the Company made an additional voluntary prepayment of $36.4 million (US$27.7 million) against the Debt Facility. The additional voluntary prepayment had no fees associated with it and reduced the scheduled January 31, 2019 principal payment to $11.6 million (US$8.8 million).

Gold Call Options

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

Other liabilities (current and non-current)

Other liabilities decreased to $5.1 million at December 31, 2018 from $6.0 million at December 31, 2017. The balance of $5.1 million at December 31, 2018 consisted of the unamortized premium attributable to the proceeds from the issuance of flow-through common shares during the 2018 Equity Financing and the remaining liability arising from the requirement in the MEA to accrue a one-time obligation of $8.0 million, payable to NTI in eight equal instalments commencing in the third quarter of 2017, being the quarter immediately after achieving commercial production at the first mine on the Hope Bay property. There are two quarterly payments of $1 million each remaining in 2019. No additional payments are required in respect of any subsequent mine achieving commercial production at Hope Bay.

Provision for environmental rehabilitation

The *provision for environmental rehabilitation* balance as at December 31, 2018 of $41.9 million increased by $8.5 million from the December 31, 2017 balance. The increase is due to additional environmental disturbances incurred with ramping up operations, the completion of various capital projects, as well as from updating calculation assumptions during the year ended December 31, 2018.

Deferred tax liabilities

The *deferred tax liabilities* decreased to $48.6 million at December 31, 2018 from $57.1 million at December 31, 2017 due to the deferred tax recovery recognized on the loss incurred during the year. The deferred tax impact of deductions available under the NTI net profits royalty has not been recognized. The deferred tax on these deductions will be recognized when NTI completes its review of the amounts of acquisition and historical expenditures incurred in the production lease area.

Equity

Share capital increased to $975.5 million at December 31, 2018 from $885.8 million at December 31, 2017 due to the 2018 Equity Financing and the exercise of Options.

Related Party Transactions

Transactions with Newmont

Newmont is a related party as a result of its 28.7% ownership interest in TMAC's common shares at December 31, 2018. During the year ended December 31, 2018, the Company expensed $0.3 million (2017: $0.8 million) and paid Newmont $0.6 million for net smelter royalties (2017: $0.5 million). Newmont's participation in the 2018 Equity Financing maintained their ownership percentage at 28.7%

Newmont sold its 1% net smelter return royalty on mineral production from the Hope Bay claims and an area of interest around Hope Bay to Maverix Metals Inc. on June 29, 2018.

Transactions with RCF

RCF is a related party as a result of it owning or exercising voting control over 30.8% of TMAC's common shares at December 31, 2018. No amounts were owing to RCF at December 31, 2018 or 2017. The 2018 Equity Financing modestly increased the percentage of shares under RCF's voting control up from 30.4%

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities were positive for the year ended December 31, 2018, however TMAC required financing to repay some of its debt and to fund certain capital expenditures. The financing during the course of the year was obtained through the issuance of equity securities in a private placement and concurrent public equity offering as well as via the release of restricted cash through the Demand Bond structure.

TMAC has $24.7 million of unrestricted cash as at December 31, 2018. The ramp up of the mine to ensure sufficient quantity and grade of ore is available for processing and the ramp up of the Plant to its designed throughput of 2,000 tpd and achieving recoveries nearing 90% in the medium-term are essential to ensure that the Company can generate sufficient cash to continue to fund its operations, fund its working capital requirements related to the sealift, fund its capital expenditures required for sustained operations and growth, fund exploration for increasing value to shareholders and fund debt repayments. TMAC's projections also assume the renewal of the diesel purchase agreement with Macquarie.

TMAC has $27.7 million of restricted cash as at December 31, 2018 which is pledged as collateral for letters of credit. During the third quarter, TMAC obtained Demand Bonds for $37 million that resulted in the release of $15 million of the restricted cash balance. TMAC expects that up to $15 million of additional restricted cash could be released in the medium-term, however, the Company's operations and profitability must continue to improve above the levels experienced in 2018 to release additional funds through the use of the Demand Bond structure.

The adequacy of the Company's capital structure is monitored on an ongoing basis and adjusted as necessary according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company continues to manage its operating and financial risks and will take any additional actions as appropriate should the Plant and mine ramp up period be longer than expected. Should Company operations not generate sufficient cash flow, the Company may need to raise additional capital or reschedule its debt payments to fund its growth capital and exploration programs.

Working capital

Cash on hand and working capital, in conjunction with proceeds from gold sales, are expected to be sufficient to complete the ramp up of the Plant, complete all required capital projects and development, meet all rehabilitation and other bonding requirements, cover general and administration costs and continue to conduct planned exploration activities. The Debt Facility requires working capital, as defined, to exceed $20.0 million.

Working capital additions for 2018 include the replenishment of consumables, materials and supplies via the 2018 sealift to support the activities at Hope Bay. The Diesel Purchase Agreement reduced the upfront cash outlay of the 2018 sealift by approximately $21 million. As the operating activities increase, the working capital balance is expected to increase considerably. The Diesel Purchase Agreement provides a means that is expected to enable TMAC to better manage its working capital and reduce the seasonal volatility of its operating cash outflows.

Working capital[(1)]:

	December 31, 2018 $millions	**December 31, 2017 $millions**	**Change $millions**
Current assets:			
Cash and cash equivalents	24.8	42.0	(17.2)
Amounts receivables	3.5	1.8	1.7
Inventories	101.6	94.7	6.9
Prepaid expenses	4.2	1.3	2.9
	134.1	**139.8**	**(5.7)**
Current liabilities:			
Accounts payable and accrued liabilities	37.8	25.8	12.0
Debt Facility	41.2	10.8	30.4
Gold Call Options	3.3	3.7	(0.4)
Other liabilities	5.1	4.0	1.1
	87.4	**44.3**	**43.1**
Working capital	**46.7**	**95.5**	**(48.8)**
Adjustments for Debt Facility covenants:			
Current portion of the Debt Facility	41.2	10.8	30.4
Adjusted working capital for Debt Facility	**87.9**	**106.3**	**(18.4)**

(1) Working capital is not a recognized measure under IFRS (see non-IFRS measures below).

Operating activities

Cash flows generated by operating activities totalled $21.6 million for the year ended December 31, 2018, compared with cash used in operating activities of $33.9 million for the year ended December 31, 2017. Operating cash flows include $178.0 million of proceeds from gold sales, offset by the Cash Cost of sales and adjusted for non-cash working capital items, general and administrative expenditures and cash interest and taxes paid.

Investing activities

Investing activities related to expenditures on Hope Bay offset by the release of restricted cash through the use of Demand Bonds, resulted in cash outflows of $84.6 million for the year ended December 31, 2018, compared with $70.8 million for the year ended December 31, 2017. The activities relate to expenditures associated with ramping up production in the Plant and Doris underground development activities in 2018.

Financing activities

Cash flows from financing activities during the year ended December 31, 2018 totalled $45.1 million, consisting of inflows of $88.0 million from the 2018 Equity Financing and $2.1 million from the exercise of share-based payments and outflows of $45.0 million related to repayment of the Debt Facility, compared with $84.3 million, consisting of inflows of $51.2 million from the 2017 Equity Financing, $30.4 million from the Debt Facility and $2.6 million from the exercise of 350,000 of the 2015 Warrants, during the year ended December 31, 2017.

COMMITMENTS AND CONTINGENCIES

Commitments at December 31, 2018:

	2019 $millions	2020 $millions	2021 $millions	2022 $millions	2023 $millions
Accounts payable and accrued liabilities	37.8	-	-	-	-
Hope Bay commercial production obligation	2.0	-	-	-	-
Payment security (KIA & NTI)	2.5	-	-	-	-
Contractual commitments					
- Diesel purchase	16.4	-	-	-	-
- Consumables, materials and supplies	2.7	-	-	-	-
Debt Facility payments					
- Principal (1)	38.6	34.1	30.0	68.9	-
- Interest and other	14.1	12.9	7.9	4.2	-
Rental and lease payments	0.4	-	-	-	-
	114.5	**47.0**	**37.9**	**73.1**	**-**

(1) On October 31, 2018, in addition to the regularly scheduled $8.6 million (US$6.5 million) principal payment, the Company made an additional voluntary prepayment of $36.4 million (US$27.7 million) against the Debt Facility. The additional voluntary prepayment had no fees associated with it and reduced the January 31, 2019 principal payment to $11.6 million (US$8.8 million).

Rental and lease payments mainly consist of office lease commitments for the Toronto office that expire in 2019. Contractual commitments include commitments for infrastructure improvements.

TMAC estimates the required annual landholding payments for Hope Bay to be approximately $1.7 million, property taxes to be approximately $0.9 million, and environmental compliance work to be approximately $2.5 million. None of these payments are contractual commitments but they are required to maintain the Company's permits and land tenure agreements in good-standing. The landholding agreements with the KIA and NTI each have a 20-year term expiring in 2035.

OUTSTANDING SHARE, OPTIONS, RESTRICTED SHARE RIGHTS AND DIRECTOR SHARE UNITS DATA

Quantity outstanding at February 21, 2019:	
Common shares	112,774,316
Options	4,121,811
Restricted share rights	631,203
Director share units	31,249
Warrants	2,333,834
	119,892,413

OFF-BALANCE SHEET ARRANGEMENTS

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

NON-IFRS MEASURES

The Company uses certain non-IFRS measures in this MD&A such as working capital, Cash Costs per ounce sold (defined below), All-in Sustaining Cost (see below), average realized sales price, and earnings before interest, taxes, depreciation and amortization (see below). In the gold mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers as they have no standardized meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance, profitability and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Working capital

The Company calculates working capital as its current assets, excluding assets held for sale, less its current liabilities. Management uses working capital as an internal measure to better assess performance trends. Management understands that a number of investors and others that follow the Company's business assess performance in this way. In addition, the Amended and Restated Credit Agreement has an event of default linked to a minimum working capital amount as defined therein. For a calculation of the Company's working capital, please refer to the section entitled *Liquidity and Capital Resources – Working capital* in this MD&A.

Cash Costs per ounce sold ("Cash Costs")

Cash Costs is a common financial performance measure in the gold mining industry that does not have a standard meaning under IFRS. TMAC reports total Cash Costs on a per ounce of gold sold basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as costs of sales, certain investors use this information to evaluate the Company's performance and ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs. Total Cash Costs are calculated in accordance with the standard developed by the Gold Institute, a forerunner of the World Gold Council ("**WGC**"). Adoption of the standard is voluntary and other companies may quantify this measure differently as a result of different underlying principles and policies applied.

All-in Sustaining Cost

AISC is a common financial performance measure in the gold mining industry that does not have a standard meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as cost of sales and cash flows from operating activities, certain investors use this information to evaluate the Company's operating performance and its ability to generate free cash flow from current operations. Management uses this metric as an important tool to monitor all-in costs. TMAC reports AISC in accordance with the updated guidance issued by the WGC in November 2018 and the . TMAC also reports sustaining capital expenditure per ounce sold as a component of AISC.

The WGC definition of AISC seeks to extend the definition of total Cash Costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs and sustaining capital expenditures and represents the total costs of producing gold from current operations. AISC excludes income tax payments, interest costs, costs related to business acquisitions and items needed to normalize earnings. Consequently, these measures are not representative of all of the Company's cash expenditures.

In addition, the calculation of AISC does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability. Other companies may quantify these measures differently as a result of different underlying principles and policies applied. Differences may also occur due to different definitions of sustaining versus non-sustaining capital.

Reconciliation of cost of sales to Cash Costs and AISC:

	Three months ended December 31, 2018		**Year ended December 30, 2018**		**Period from June 1, 2017 to December 31, 2017**	
$millions	**$**	**US$**	**$**	**US$**	**$**	**US$**
Gold sold (Ounces)	31,380	31,380	108,820	108,820	34,860	34,860
Production cost per statement of Profit or Loss	30.0	22.7	118.6	91.4	56.4	43.8
Royalties & selling expenses	1.2	0.9	4.0	3.1	1.4	1.1
Cash Costs	**31.2**	**23.6**	**122.6**	**94.5**	**57.8**	**44.9**
Cash Costs per ounce sold	**994**	**752**	**1,127**	**868**	**1,658**	**1,288**
Corporate general and administration costs	4.4	3.3	17.4	13.4	10.1	7.8
Reclamation and remediation costs (1)	0.1	0.1	0.5	0.4	0.3	0.2
Sustaining capital expenditure(2)(3)	10.3	7.9	41.8	32.2	16.0	12.3
AISC	**46.0**	**34.9**	**182.3**	**140.5**	**84.2**	**65.2**
AISC per ounce sold	**1,466**	**1,112**	**1,675**	**1,291**	**2,415**	**1,870**

(1) Includes depreciation and accretion of the rehabilitation assets and liabilities.
(2) Sustaining capital expenditures are defined as those expenditures required to sustain current operations and exclude all expenditures incurred at new operations or major projects at existing operations where these projects will materially benefit the operation.
(3) TMAC reclassified certain expenditures as expansion capital expenditures based on the updated guidance from the WGC that was issued in November 2018. Refer to the table below for further information.

Reconciliation of capital expenditures to the Statement of Cash Flows:

	Three months ended December 31, 2018 $millions	Year ended December 31, 2018 $millions	Year ended December 31, 2017 $millions
Pre-production capital incurred to May 31, 2017	-	-	28.9
Sustaining capital expenditures			
Underground mine development	8.7	26.7	5.9
Site infrastructure projects	1.6	15.1	9.3
Delineation drilling	-	-	0.8
	10.3	**41.8**	**16.0**
Expansion capital expenditures			
Underground mine development - BTD	-	-	9.2
2,000 tpd expansion and indirect support costs	-	6.3	6.4
South dam (1)	-	13.9	-
Marine outfall pipeline (1)	1.4	7.6	-
Gravity concentrator project (1)	7.5	11.4	-
Madrid equipment	-	5.9	-
	8.9	**45.1**	**15.6**
Exploration and evaluation expenditures	**4.1**	**14.6**	**11.7**
Additions per Statement of Cash Flows	**23.3**	**101.5**	**72.2**

(1) TMAC reclassified expenditures as expansion capital expenditures based on the updated guidance from the WGC that was issued in November 2018. These expenditures are seen to materially benefit the operation as it either increases the life of mine by more than 10% or increases the net present value of the project by more than 10%.

Reconciliation of cost of sales to Cash Costs and AISC per quarter:

$millions	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
Gold sold (Ounces)	31,380	32,140	25,760	19,540	17,350	13,760	3,750
Production cost per statement of Profit or Loss	30.0	33.5	29.8	25.3	26.6	24.7	5.1
Royalties & selling expenses	1.2	1.1	1.0	0.7	0.6	0.5	0.3
Cash Costs	**31.2**	**34.6**	**30.8**	**26.0**	**27.2**	**25.2**	**5.4**
Cash Costs per ounce - C$	994	1,077	1,196	1,331	1,568	1,831	1,409
Cash Costs per ounce - US$	752	825	928	1,049	1,228	1,424	1,054
Corporate general and administration costs	4.4	4.4	4.4	4.2	5.3	3.8	1.1
Reclamation and remediation costs (1)	0.1	0.0	0.2	0.2	0.1	0.1	0.0
Sustaining capital expenditure(2)(3)	10.3	12.0	10.1	9.4	4.5	8.9	2.6
AISC	**46.0**	**51.0**	**45.5**	**39.8**	**37.1**	**38.0**	**9.1**
AISC per ounce - C$	1,466	1,587	1,766	2,037	2,138	2,764	2,402
AISC per ounce - US$	1,112	1,217	1,363	1,607	1,683	2,188	1,801

(1) Includes depreciation and accretion of the rehabilitation assets and liabilities.
(2) Sustaining capital expenditures are defined as those expenditures required to sustain current operations and exclude all expenditures incurred at new operations or major projects at existing operations where these projects will materially benefit the operation.
(3) TMAC reclassified certain expenditures as expansion capital expenditures based on the updated guidance from the WGC that was issued in November 2018. Refer to the table below for further information.

Reconciliation of capital expenditures to the Statement of Cash Flows:

$millions	Dec 31 2018 $	Sep 30 2018 $	Jun 30 2018 $	Mar 31 2018 $	Dec 31 2017 $	Sep 30 2017 $	Jun 30 2017 $
Pre-production capital incurred to May 31, 2017	-	-	-	-	-	-	7.5
Sustaining capital expenditures							
Underground mine development	8.7	6.2	6.6	5.3	2.6	2.0	1.3
Site infrastructure projects	1.6	5.8	3.5	4.1	1.8	6.8	0.7
Exploration at Doris	-	-	-	-	0.1	0.1	0.6
	10.3	**12.0**	**10.1**	**9.4**	**4.5**	**8.9**	**2.6**
Expansion capital expenditures							
Underground mine development - BTD	-	-	-	-	3.9	3.9	1.4
2,000 tpd expansion and indirect support costs	-	-	3.2	3.1	3.5	1.3	1.6
South dam (1)	-	0.7	8.5	4.6	-	-	-
Marine outfall pipeline (1)	1.4	5.5	0.6	0.2	-	-	-
Gravity concentrator project (1)	7.5	3.8	0.1	-	-	-	-
Madrid equipment	-	5.9	-	-	-	-	-
	8.9	**15.9**	**12.4**	**7.9**	**7.4**	**5.2**	**3.0**
Exploration and evaluation expenditures	**4.1**	**4.4**	**4.6**	**1.5**	**2.5**	**4.6**	**2.1**
Additions per Statement of Cash Flows	**23.3**	**32.3**	**27.1**	**18.8**	**14.4**	**18.7**	**15.2**

(1) TMAC reclassified expenditures as expansion capital expenditures based on the updated guidance from the WGC that was issued in November 2018. These expenditures are seen to materially benefit the operation as it either increases the life of mine by more than 10% or increases the net present value of the project by more than 10%.

Average Realized Sales Price

Average realized sales price per ounce of gold sold is used to better understand and compare the gold price realized by the Company to the market price during the reporting period. Average realized sales price is quantified as revenue per the Statement of Profit or Loss divided by the number of ounces sold during the period. The average realized sales price in US dollars is calculated by dividing the actual revenues generated in US dollars by the ounces sold during the reporting period.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

EBITDA is a non-IFRS financial measure which excludes finance costs, finance income, income tax expense and depreciation from net profit or loss.

Certain investors use EBITDA in addition to conventional measures prepared in accordance with IFRS as an indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations and fund capital expenditures.

Calculation of EBITDA:

	Three months ended		Year ended	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Profit (loss) for the period	(13.5)	(12.5)	(42.1)	(25.3)
Adjustments:				
Net finance (income) expense	5.1	4.5	20.1	15.9
Current income tax expense	0.9	0.2	3.2	1.3
Deferred income tax recovery	0.1	(5.3)	(8.0)	(11.1)
Depreciation	13.1	7.1	49.6	11.0
EBITDA	**5.7**	**(6.0)**	**22.8**	**(8.2)**

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure which excludes non-cash fair value and foreign exchange adjustments from EBITDA.

Certain investors use adjusted EBITDA in addition to conventional measures prepared in accordance with IFRS as an indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations and fund capital expenditures.

Calculation of Adjusted EBITDA:

	Three months ended		Year ended	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
EBITDA	**5.7**	**(6.0)**	**22.8**	**(8.2)**
Foreign exchange (gain) loss	8.9	1.0	15.3	(10.6)
Fair value adjustments	1.1	0.1	(0.4)	0.8
Adjusted EBITDA	**15.7**	**(4.9)**	**37.7**	**(18.0)**

FINANCIAL INSTRUMENTS, CRITICAL ACCOUNTING ESTIMATES AND NEW AND REVISED IFRSs

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

The impact of financial instruments and areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are discussed in more detail in the Company's audited annual financial statements for the years ended December 31, 2018 and 2017, which are available on the Company's website at www.tmacresources.com and SEDAR at www.sedar.com.

In addition to the above, assumptions and estimates were made for the valuation of the Gold Call Options, the 2015 Warrants and the 2017 Warrants using parameters available when the transactions were incurred and in determining the fair value adjustment of the Gold Call Options at the period end date.

The Company adopted IFRS 9, *Financial Instruments* ("**IFRS 9**"), effective January 1, 2018, which replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value. TMAC has applied IFRS 9 on a retrospective basis and was not required to restate prior periods. The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. Therefore, at the date of initial application, the Company did not require any adjustments to its opening retained earnings (deficit) as a result of the adoption of IFRS 9.

The Company has also adopted narrow scope amendments/interpretations to IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, IFRS 2, *Share Based Payments*, and IAS 1, *Presentation of Financial Statements*, which did not have an impact on the audited financial statements.

The Company has reviewed new or revised accounting pronouncements that have been issued but are not yet effective as at December 31, 2018 and determined that the following may have an impact on the Company's future financial statements:

(i) IFRS 16, Leases

IFRS 16, *Leases* ("**IFRS 16**"), is effective for annual periods beginning on or after January 1, 2019 and permits early adoption provided IFRS 15 has been applied or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company collected data from existing agreements that extend beyond January 1, 2019 that would possibly qualify under the standard. Upon completion of the assessment the Company concluded that no material change will be applicable after the application of IFRS 16 to its financial statements. Certain contracts will qualify as short-term leases and variable lease arrangements and therefore will be disclosed in the financial statements for the period ending on or after January 1, 2019.

(ii) IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23, *Uncertainty over Income Tax Treatments* (**"IFRIC 23"**), clarifies the accounting for uncertainties in income taxes. IFRIC 23 is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, *Income Taxes* ("**IAS 12**"). IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company has performed an analysis on its transition to IFRIC 23 and, as the Company does not have any uncertainties over income tax treatment under IAS 12, it does not anticipate any adjustments to its opening retained earnings (deficit) as a result of the adoption of IFRIC 23 on January 1, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of TMAC's internal controls over financial reporting and disclosure controls and procedures as at December 31, 2018. In making this evaluation, management used the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company's President and Chief Executive Officer and Chief Financial Officer concluded that, as at December 31, 2018, the Company's internal controls over financial reporting and disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods. There was no change in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

TMAC is a mineral exploration, evaluation, development and mining entity whose activities include the selection, acquisition, exploration, evaluation, development and mining of mineral properties. The Company's current focus is the mining of Doris and the further development of Hope Bay. TMAC's future performance is largely tied to the mining and ongoing development of its property interests and other prospective business opportunities and the overall financial markets. Financial markets for mineral companies have been and continue to be volatile, reflecting ongoing concerns about the stability of commodity prices. The Company's financial success will be dependent upon the extent to which it can achieve milestones in Plant performance and further developing the deposits at Hope Bay or the economic viability of any new discoveries that it may make. The development of such assets may take years to complete and the resulting revenue, if any, is difficult to determine with any certainty. The sales value of any minerals mined by TMAC is largely dependent upon factors beyond its control, such as the sale or purchase of precious metals by certain banks and financial institutions, interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of major precious metal producing and consuming countries throughout the world.

There are significant uncertainties regarding the prices of precious metals and the availability of additional debt and equity financing for the purposes of exploration and further development. Global commodity markets remain volatile and uncertain, which has contributed to difficulties in raising equity and borrowing funds. As a result, the Company may have difficulties raising additional debt and/or equity financing, if needed, for the purposes of exploring, evaluating and developing mineral properties, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of TMAC to complete the further development of and/or further explore or evaluate its current mineral exploration properties and any other property interests that may be acquired in the future.

RISKS AND UNCERTAINTIES

In addition to the risks noted above, risks related to Financial Instruments as set forth in this MD&A and those risk factors described in the Company's AIF filed on SEDAR, should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business.

NOTE REGARDING SCIENTIFIC AND TECHNICAL INFORMATION

Information of a scientific or technical nature in respect of the Hope Bay project included or incorporated by reference in this document, other than in respect of scientific and technical information as at a date subsequent to the effective date of the PFS, entitled "Technical Report on The Hope Bay project, Nunavut, Canada", is based upon the PFS, prepared by Graham G. Clow, P.Eng., Normand L. Lecuyer, P.Eng., Sean Horan, P.Geo., and Holger Krutzelmann, P.Eng., all of RPA, Derek Chubb, P.Eng., of ERM Consultants Canada Ltd., Maritz Rykaart, Ph.D., P.Eng., of SRK Consulting (Canada) Inc., and Timothy Hughes, FAusIMM, of Gekko Systems Pty Ltd, who are independent "qualified persons" under NI 43-101. To the best of the Company's knowledge, after reasonable inquiry, as of the date hereof, the aforementioned individuals and, as applicable, their firms, do not beneficially own, directly or indirectly, any common shares.

The scientific and technical information included or incorporated by reference in this MD&A, subsequent to the effective date of the PFS, has been reviewed and approved by Gil Lawson, P. Eng., Chief Operating Officer of the Company, and David King, P.Geo., Vice President, Exploration and Geoscience of the Company**,** each of whom is a "qualified person" as defined by NI 43-101.

Mineral reserve estimate for the stockpile

The mineral reserve estimate for the ore stockpiles has an effective date of December 31, 2018 and is based on the estimated recovery rate in the PFS for the portion of Hope Bay that was mined to produce the stockpile.

Exploration

For a complete description of TMAC's sample preparation, analytical methods, data verification and QA/QC procedures that were used in relation to the exploration information disclosed herein, refer to the PFS, as filed on TMAC's profile at www.sedar.com. For further details regarding exploration activities, please refer to the Company's news releases.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws that are intended to be covered by the safe harbours created by those laws. "Forward-looking statements" or "forward-looking information" include statements that use forward-looking terminology such as "guidance", "outlook", "target", "may", "will", "expect", "estimates", "plans", "anticipate", "envision", "believe", "continue", "potential" or the negative thereof or other variations thereof or comparable terminology. Such forward-looking information in this MD&A includes, without limitation, any economic analysis or projection regarding Hope Bay, including capital and operating costs, cash flow amounts and timing, recoveries and estimated production amounts and timing, mineral reserve estimates, the completion of the development of the rest of Hope Bay, the processing rates for the Plant, cash flows being used to develop the rest of Hope Bay and the potential to discover additional mineralization to add to TMAC's mineral resources.

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

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. Such risks include, without limitation: general business, social, economic, political, regulatory and competitive uncertainties; differences in size, grade, continuity, geometry or location of mineralization from that predicted by geological modelling and the subjective and interpretative nature of the geological modelling

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

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