

TMAC Reports Q2 2020 Financial Results and Provides Update on Plan of Arrangement with Shandong Gold Mining

13.08.2020 | [Business Wire](#)

[TMAC Resources Inc.](#) (TSX: TMR) (“TMAC” or the “Company”) reports its financial results for the second quarter of 2020. All amounts are in Canadian dollars, unless otherwise indicated.

Q2 2020 Highlights:

- Implemented plan to operate at reduced levels while also managing the risks related to the COVID-19 pandemic.
- Reduced cost structure in line with the reduced operating levels.
- Generated positive cash flow from operations of \$25.4 million before working capital.
- Earnings per share of \$0.13 per on a basic and fully diluted basis.
- Cash cost of US\$865 per ounce and the all-in sustaining cost was US\$990 per ounce.
- Completed \$21 million private placement with Shandong.
- Ended the quarter with an unrestricted cash balance of \$45.6 million and \$168.6 million of current debt.

Jason Neal, President and Chief Executive Officer of TMAC, stated, “We expect that the operations will be able to continue at reduced levels and generate sufficient cash flow to cover expenditures for at least the remainder of the year. However, as part of the reduced operating plan, TMAC will only operate the processing plant approximately half the time, processing newly mined tonnes and remaining stockpiles on a campaign basis for three weeks at a time. We are forecasting production of approximately 34,000 to 39,000 ounces during the second half of 2020 and 95,000 to 100,000 ounces during full year 2020. As a result of the reduced operating plan, we have unfortunately had to reduce our workforce to align expenditures with production, and development expenditures remain substantially deferred. I am very proud of the hard work and dedication of the TMAC employees during the COVID-19 pandemic, and I am happy to report that we currently have no confirmed cases of COVID-19 at the Hope Bay site or any of the Company’s offices. We continue to monitor and evaluate the progression of the COVID-19 pandemic and its potential effects on our operations, liquidity and workforce at Hope Bay.”

Jason Neal concluded, “We continue to work with Shandong Gold Mining towards closing of the sale transaction. The sale transaction will position Hope Bay for the next phase of operational improvement and capital investment required to generate a robust and long-life operation. The transaction is subject to the receipt of approval under the Investment Canada Act, which is ongoing. As a result of Bill C-20, which came into effect July 27, 2020, and the related Ministerial Order issued on July 31, 2020, the Minister of Innovation, Science and Industry has extended the timeline to determine whether to initiate a national security review in respect of the transaction until October 19, 2020. The Company now expects closing of the transaction to occur in the fourth quarter of 2020, but it may extend to the first quarter of 2021. The extension to timelines from the recently enacted legislation means that the Government of Canada may not have completed its regulatory review process and provide Investment Canada Act approval by February 8, 2021, which is the extended outside date in the arrangement agreement at nine months post-announcement.”

SECOND QUARTER 2020 FINANCIAL HIGHLIGHTS

- Gold production and sales

28,970 c

- Gross revenues

\$66.4 m

● Average realized gold price	\$2,384 p
● Cash Costs ⁽¹⁾	US\$865
● Cost of sales ⁽²⁾	US\$1,14
● All-in Sustaining Costs (“AISC”) ⁽¹⁾	US\$990
● Adjusted EBITDA ⁽¹⁾	\$28.4 m
● Profit (Loss)	\$16.1 m
● Profit (Loss) per share	\$0.13 pe
● Cash flow from operations	\$25.4 m \$7.8 mill
● Sustaining capex ⁽¹⁾	\$1.1 mill
● Expansion capex ⁽¹⁾	nil
● Cash on hand	\$73.6 m \$45.6 m \$28.0 m
● Principal repayments	nil
● Current debt	\$168.6 m

(1) Refer to the “Non- IFRS Measures” section in the associated MD&A for a description and calculation of these measures.

(2) Includes depreciation.

SECOND QUARTER 2020 PRODUCTION HIGHLIGHTS

- Production of 28,970 ounces of gold and a total of 32,830 ounces of gold were poured in the second quarter of 2020.
- Mine production was 630 tonnes per day (“tpd”) at an average grade of 11.6 grams per tonne (“g/t”).
- The processing plant achieved throughput of 1,330 tpd at an average feed grade of 8.8 g/t and an average recovery of 84%.

Please refer to TMAC’s news release that summarized the second quarter 2020 operating results, issued on July 17, 2020 titled “TMAC Announces Q2 2020 Operating Results”.

ONE MONTH ENDED JULY 31, 2020 OPERATING RESULTS

- Production: 7,440 ounces of gold produced, and 9,020 ounces were poured.
- Sales: 14,910 ounces of gold sold.

- Mining: 18,700 tonnes of ore at a grade of 10.6 g/t, containing 6,400 ounces of gold were mined from the Doris underground mine.
- Processing: 30,700 tonnes of ore with an average grade of 8.7 g/t and an average recovery of 87%. Campaign processing commenced and no processing occurred during the last 10 days of July.

COVID-19 RESPONSE, REDUCED OPERATING PLAN AND OUTLOOK

TMAC has implemented several initiatives to manage through the COVID-19 pandemic and protect its employees and contractors, their families and local communities from the virus. At the present time, there are no confirmed cases of COVID-19 at the Hope Bay site or any of the Company's offices. TMAC initiated the implementation of an Infectious Disease Control Plan at Hope Bay on March 12, 2020 that has been adapted as required based on additional information from within Canada and abroad. On July 19, 2020, TMAC started COVID-19 testing of all personnel travelling from the muster point in Edmonton to Hope Bay. The procedures are designed such that the test results would be available prior to departure for site. A person with a positive test result will not be permitted to travel to Hope Bay, thereby minimizing the risk of transmission to the workforce.

TMAC has been successful in implementing its plan to operate at reduced levels during the second quarter of 2020, and the Company has successfully reduced its cost structure in line with the reduced operating levels to generate positive cash flows during the second quarter of 2020. The Company is confident it will be able to continue successfully operating at reduced levels during the remainder of 2020 and through 2021. The reduced operating plan contemplates mining approximately 100,000 tonnes during the second half of 2020. The mined tonnes, combined with the remaining stockpiles, will be processed on a campaign basis, where the processing plant will be operated for approximately three weeks at a time, with a similar length of time in between campaigns. It is expected that approximately 34,000 to 39,000 ounces will be produced during the second half of the year and 95,000 to 100,000 ounces will be produced for the full year 2020. Limited delineation diamond drilling will be performed to support mining activities as part of the reduced operating plan. The workforce at Hope Bay is now approximately 140 people on site, in a camp that accommodates 345 people, to align expenditures with production. The workforce levels are expected to fluctuate between 120 and 140 employees, on average, per month based on activities. Sustaining capital is expected to remain substantially lower than historical levels as development focuses on near-term production. TMAC has not experienced a significant impact on its supply chain or its ability to ship and sell gold production. A smaller than usual sealift is underway in 2020 to resupply diesel and consumables to maintain production and recommence development at Doris Central and Madrid in 2021. The company expects to be able to make all deferred principal and interest payments under the debt facility should the Shandong Gold Mining transaction not close by February 8, 2021, the outside date of the arrangement agreement.

Management continues to monitor and evaluate the progression of the COVID-19 pandemic and its potential effects on its operations, liquidity and workforce at Hope Bay. The Company has been in regular contact with the Government of Nunavut's Departments of Health, Justice and Economic Development and Transportation to align the steps taken to manage the situation. TMAC may execute a transition into temporary care and maintenance if the current reduced operating levels cannot be maintained due to COVID-19 related factors.

UPDATE ON MINING

The second quarter of 2020 was the first full quarter of reduced operations at Hope Bay. In the second quarter, TMAC mined 57,000 tonnes of ore at a grade of 11.6 g/t, containing 21,300 ounces of gold. Mine production came primarily from the Doris underground mine in the BTD Extension and Connector zones. Madrid underground mine development and crown pillar mining was suspended in late March 2020 as part of the Company's COVID-19 response, and it not expected to recommence in 2020.

Underground mine development at Doris averaged 6.6 metres per day during the second quarter of 2020, compared with 20.2 metres per day during the same period of 2019. A total of 600 metres were developed during the second quarter of 2020. The primary ore stockpile at quarter-end was estimated to contain 45,100 tonnes at an average grade of 5.8 g/t, containing 8,400 ounces of gold and the secondary stockpile was estimated to contain 49,700 tonnes at a grade of 3.5 g/t, containing 5,600 ounces of gold.

TMAC has re-evaluated several mine sequencing opportunities to potentially mitigate the production delay in

Doris Central as a result of the water issues disclosed on March 6, 2020. Several of those mine sequences have been incorporated into the operating plan for the remainder of 2020 and 2021. The 2020 operating plan does not include any ore mining in the Doris Central zone and allows for additional time to investigate and model the ground water of this area. Grouting experts prepared a grouting program that has been successful to date and has continued throughout the temporary reduction of operations during COVID-19. Additional water management measures are also under study to support a potential restart of mining activities in Doris Central in 2021.

UPDATE ON PROCESSING

In the second quarter of 2020, the Company produced 28,970 ounces of gold and poured 32,830 ounces of gold. The average recovery rate achieved in the second quarter was 84%. Feed grade averaged 8.8 g/t at 1,330 tpd. Recoveries in June and July were 87%. Record plant utilization of 82% and the resultant steadier state operation of the concentrator lines led to lower flotation tailings losses, while the concentrate treatment recovery remained steady. Shipments of the loaded resin for offsite treatment continued during the quarter.

The gold in process inventory, including doré, was estimated to contain 12,280 ounces on June 30, 2020. The gold in process consists of an estimated 7,190 ounces in the circuit, 2,940 ounces in partially processed material and 2,150 ounces in loaded resins, some of which resides offsite for treatment.

During the month of July, the Company processed 30,700 tonnes of ore with an average grade of 8.7 g/t. The combined flotation and gravity recovery of the concentrator lines was 95% and the concentrate treatment process recovery was 92%, resulting in an overall recovery of 87%. Campaign processing commenced and no processing occurred during the last 10 days of July. Under the reduced operating plan, there will not be a full month with full plant operation for the remainder of 2020.

UPDATE ON EXPLORATION

On March 30, 2020, drilling activities were suspended in response to the COVID-19 pandemic. Underground production drilling associated with the reduced operating plan resumed at the end of June 2020 and will focus on the Doris Central, Doris Connector and Doris BTD Extension zones. No surface exploration drilling was completed during the second quarter and none is planned for the remainder of 2020. All surface exploration programs have been deferred to 2021. As a result of the restrictions related to the COVID-19 pandemic, Nunavut Tunngavik Inc. has waived the annual exploration expenditure commitments for 2020 under the Mineral Exploration Agreement.

UPDATE ON TRANSACTION WITH SHANDONG GOLD MINING CO., LTD.

On May 8, 2020, TMAC announced the completion of the strategic review process initiated in January 2020, when the Company entered into a definitive agreement (the "Arrangement Agreement") with Shandong Gold Mining Co. Ltd. and a wholly-owned subsidiary, which was subsequently assigned to another indirect wholly-owned subsidiary, Streamers Gold Mining Corporation Limited (together "Shandong"), pursuant to which Shandong agreed to purchase all of the outstanding shares of TMAC at a price of \$1.75 per share in cash (the "Transaction"). For more information, please refer to the May 8, 2020 news release titled "TMAC to be Acquired by SD GOLD".

As previously disclosed, the Transaction was approved by TMAC's shareholders at a special meeting held on June 26, 2020, with 97% of the shareholders represented at such meeting voting in favour, after which TMAC received a final order from the Ontario Superior Court of Justice approving the plan of arrangement to implement the Transaction under the Business Corporations Act (Ontario). Shandong has received all Chinese regulatory approvals in connection with the Transaction. The Commissioner of Competition in Canada has also issued a "no action" letter and terminated the waiting period early, which satisfies the Competition Act approval requirement.

In addition to the regulatory approvals already received, closing of the Transaction is also subject to the receipt of approval under the Investment Canada Act, as well as the satisfaction or waiver of certain other closing conditions, including a condition that senior officers of Shandong have the ability to complete a site visit.

Pursuant to Bill C-20, which came into effect July 27, 2020, and the related Ministerial Order issued on July 31, 2020, the Minister of Innovation, Science and Industry now has 90 days, rather than 45 days, before having to determine whether to refer the Transaction, which TMAC announced on May 8, 2020, to a formal national security review or not. The revised timetable is a broad change rather than specific to this Transaction. TMAC has thus been advised that the deadline to make an order for a national security review of the Transaction under Section 25.3(1) of the Investment Canada Act is now October 19, 2020. No determination has been made, as of today, with respect to a national security review.

Both TMAC and Shandong believe the Transaction has a strong overall net benefit to Canada and does not pose a security risk. Shandong has uniquely committed its technical and financial strength to the development of Hope Bay. Given the extended timelines under the Investment Canada Act and the on-going border restrictions and travel constraints due to the COVID-19 pandemic, the Company believes it is now unlikely that the remaining closing conditions can be completed in the third quarter of 2020. The Company instead expects closing of the Transaction will now occur in the fourth quarter of 2020 but may extend to the first quarter of 2021. The extension to timelines from the recently issued Ministerial Order means that the Government of Canada may not complete the regulatory review process and provide Investment Canada Act approval by February 8, 2021, which is the extended outside date in the Arrangement Agreement at nine months post-announcement.

Both TMAC and Shandong are committed to working towards the satisfaction of all closing conditions.

SUMMARY OF FINANCIAL RESULTS

		Three months ended		Six months ended	
		June	June	June	June
Units		30, 2020	30, 2019	30, 2020	30, 2019
P&L Summary:					
Revenue	ounces	27,870	37,730	55,580	76,930
Revenue	\$millions	66.4	66.1	125.8	134.0
Cost of sales ⁽¹⁾	\$millions	43.9	55.9	87.7	106.0
Profit (loss) from mining operations	\$millions	22.5	10.2	38.1	28.0
General and administration	\$millions	3.6	4.8	7.8	9.8
Net finance expense	\$millions	6.4	4.9	17.4	9.4
Foreign exchange gain (loss)	\$millions	7.7	3.3	(8.2)	6.5
Profit (loss)	\$millions	16.1	1.2	(1.9)	8.4
Per share	\$/share	0.13	0.01	(0.02)	0.07
EBITDA ⁽²⁾	\$millions	34.6	26.2	38.8	58.1
Adjusted EBITDA ⁽²⁾	\$millions	28.4	24.3	50.0	52.9
Unit Costs:					
Cost of sales ⁽¹⁾	\$/oz	1,575	1,482	1,578	1,378
Cost of sales ⁽³⁾	US\$/oz	1,141	1,105	1,157	1,032
Cash Costs ⁽³⁾					

US\$/oz

Sustaining capex	US\$/oz	25	254	160	244
Other sustaining costs	US\$/oz	100	98	108	99
AISC ⁽²⁾⁽³⁾	US\$/oz	990	1,081	1,153	1,036

Cash Flow Summary:

Cash from operating activities before working capital changes	\$millions	25.4	19.9	44.1	46.8
Cash from operating activities	\$millions	7.8	21.5	24.5	56.9
Cash used in investing activities	\$millions	(2.7)	(32.6)	(23.1)	(56.1)
Cash from financing activities	\$millions	22.5	0.6	23.3	(10.0)
Net increase/(decrease) in cash	\$millions	27.4	(11.0)	24.9	(10.2)
Cash at end of period	\$millions	45.6	14.6	45.6	14.6

USD Results:

Average exchange rate	CAD/USD	1.39	1.34	1.37	1.33
Revenue	US\$millions	48.1	49.4	92.1	100.5
Average realized sales price	US\$/oz	1,726	1,310	1,657	1,306
Average spot price of gold – London PM Fix	US\$/oz	1,711	1,309	1,647	1,307

CAPEX Summary:

Sustaining	\$millions	1.1	12.8	12.0	25.1
Expansion	\$millions	-	11.4	6.7	17.2
Exploration and evaluation	\$millions	0.6	4.4	3.6	9

(1) Includes depreciation.

(2) This is a non-IFRS financial performance measure. Refer to the definitions of EBITDA, Adjusted EBITDA, Cash Costs, AISC, sustaining capex and expansion capex in the “Non-IFRS Measures” section of the Q2 2020 MD&A.

(3) Translated using exchange rates at the time of incurring the expenditure.

SUMMARY OF OPERATING RESULTS

		Three months ended		Six months ended	
Units		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Mining:					
Doris ore ⁽¹⁾	tonnes	50,900	91,600	147,600	223,300
Average grade	g/t	12.5	12.7	12.6	11.6
Contained gold	ounces	20,400	37,300	59,700	83,200

Madrid ore	tonnes	-	-	55,700	-
Average grade	g/t	-	-	6.8	-
Contained gold	ounces	-	-	12,100	-
Incremental Ore ⁽²⁾	tonnes	6,100	14,200	14,300	26,500
Average grade	g/t	4.6	3.5	4.6	3.3
Contained gold	ounces	900	1,600	2,100	2,800
Total ore	tonnes	57,000	105,800	217,600	249,800
Average grade	g/t	11.6	11.4	10.6	10.7
Contained gold	ounces	21,300	38,900	73,900	86,000
Mining rate	tpd	630	1,160	1,200	1,380
Waste	tonnes	5,300	92,300	146,900	187,200
Total tonnes	tonnes	62,200	198,100	364,400	437,000
Development	metres	600	1,840	2,730	3,500
Processing:					
Processing rate	tpd	1,330	1,740	1,220	1,680
Ore processed	tonnes	121,100	158,300	221,700	303,300
Average grade	g/t	8.8	9.5	10.2	9.9
Contained gold	ounces	34,450	48,520	72,930	96,400
Recovery	%	84	80	84	82
Gold produced	ounces	28,970	38,520	61,260	78,570
Gold in process change	ounces	(3,860)	460	(990)	3,330
Gold poured	ounces	32,830	38,060	62,250	75,240
Gold sold	ounces	27,870	37,730	55,580	76,930
Stockpiles:					
Primary stockpile:					
Ore on surface ⁽¹⁾	tonnes	45,100	12,200	45,100	12,200
Average grade	g/t	5.8	11.2	5.8	11.2
Contained gold	ounces	8,400	4,400	8,400	4,400
Secondary stockpile:					
Ore on surface ⁽²⁾	tonnes	49,700	55,000	49,700	55,000
Average grade	g/t	3.5	3.4	3.5	3.4

Contained gold ounces 5,600 6,100 5,600 6,100

(1) Includes ore from mining that is above the mining cut-off grade of 4.0 g/t.

(2) Includes material from sill development that is below the mining cut-off grade of 4.0 g/t.

This news release should be read in conjunction with the Company's financial statements and management's discussion and analysis for the three and six months ended June 30, 2020, filed on SEDAR at www.sedar.com and on the Company's website at www.tmacresources.com.

ABOUT TMAC RESOURCES INC.

TMAC operates the Hope Bay property located in Nunavut, Canada. The property and operations are remote but not isolated, serviced by both a port and airstrip. Hope Bay is an 80 km by 20 km Archean greenstone belt that has been explored by BHP, Miramar, Newmont and TMAC over a period spanning more than 30 years. In that time, more than \$1.5 billion of expenditures have been spent in exploration and evaluation, surface infrastructure, and mine and process plant development. TMAC began producing gold in early 2017 from Doris, its first mine at Hope Bay, and processed gold at the Doris processing plant which originally had nameplate capacity of 1,000 tpd and expanded to 2,000 tpd midway through 2018. There is potential to grow TMAC's established deposits considerably at depth, and then grow resources further through the prioritized exploration of the more than 90 other identified regional targets. TMAC is now permitted to produce from both Madrid and Boston.

FORWARD-LOOKING INFORMATION

This release contains forward-looking information within the meaning of applicable securities laws that is intended to be covered by the safe harbours created by those laws. Forward-looking information includes statements that use forward-looking terminology such as may, will, expect, anticipate, believe, continue, potential or the negative thereof or other variations or comparable terminology. Forward-looking information in this press release includes, but is not limited to, statements regarding the Company's operations at reduced levels, expected production and sustaining capital, the upcoming sealift, the future impacts of the COVID-19 pandemic, expectations regarding processing and exploration programs, the impact of steps taken to potentially mitigate the production delay and restart of mining at Doris Central, the ability of the Company and Shandong to obtain all required approvals and satisfy all required conditions, and the expected closing date of the Transaction.

Forward-looking information is not a guarantee of future performance and management bases forward-looking statements on a number of estimates and assumptions at the date the statements are made. 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, expressed or implied, to be materially different. See Risk Factors in the Company's Annual Information Form dated May 12, 2020, and the Risk Factors in the Company's management information circular dated May 28, 2020 (for risks related to the completion of the Transaction), both filed on SEDAR at www.sedar.com for a discussion of these risks.

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