**Ivey Publishing Logo
**

9B21M059

SHANDONG GOLD’S PROPOSED ACQUISITION OF TMAC in the High ArCtic

Su Liu, Paul W. Beamish, and Alex Beamish wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com. Our goal is to publish materials of the highest quality; submit any errata to publishcases@ivey.ca. i1v2e5y5pubs

Copyright © 2021, Ivey Business School Foundation Version: 2021-05-31

On May 8, 2020, Chinese state-owned enterprise Shandong Gold Group Co. Ltd. (Shandong Gold) held an online signing ceremony simultaneously in Jinan, China, and in Toronto, Canada for the acquisition of TMAC Resources (TMAC), a listed Canadian gold mining company. According to a series of agreements signed by the two parties, Shandong Gold would acquire 100 per cent equity of TMAC in cash at a price of CA$1.75[[1]](#endnote-1) per share, with a total investment of approximately US$163 million. The acquisition still needed to be approved by the relevant departments of the Chinese and Canadian governments.

TMAC’s core asset was its 100 per cent interest in the Hope Bay gold project located in the northeast of the Canadian territory of Nunavut. The project was located about 160 kilometres north of the Arctic Circle. Since production began in 2017, the project had faced numerous operational problems, which required hundreds of millions of Canadian dollars to resolve, but TMAC had been unable to obtain the required funding.[[2]](#endnote-2) Could Shandong Gold realistically take over the operation of this gold mine in the difficult polar environment? Would Shandong Gold be welcomed into the project by Nunavut’s local Indigenous people, who held the land’s mineral lease? What would be the effect of the Canadian government’s recent move to strengthen its review of foreign acquisitions of Canadian companies?

SHANDONG GOLD’S INTERNATIONALIZATION STRATEGY

Proposed in 2013, the One Belt, One Road initiative became one of China’s three national strategies in 2014 and was fully devised in 2015. The next year, in 2016, the One Belt, One Road initiative entered the full implementation stage.[[3]](#endnote-3) This ambitious economic development project comprised two parts. The first part (the “Belt”) consisted of overland transport links between China and both Central Asia and Europe. The second part (the “Road”) consisted of a series of maritime routes between Chinese seaports and ports in other countries. By the end of October 2019, the Chinese government had signed 197 One Belt, One Road co-operative documents with 137 countries and 30 international organizations, which included issuing a series of related incentive policies and measures.[[4]](#endnote-4) The favourable policies of the One Belt, One Road initiative and the active international mergers and acquisitions market brought huge development opportunities to Chinese precious metal mining and processing enterprises.

Shandong Gold was established in 1996 in Shandong Province. It was a large state-owned enterprise with great financial and technical strengths. Since 2017, it had consistently ranked first among Chinese gold-producing enterprises.[[5]](#endnote-5) Shandong Gold actively implemented the national “Going Out” strategy, conducting resource development and production capacity co-operation overseas. In July 2016, Shandong Gold signed a 50–50 joint venture partnership with Barrick Gold Corporation (Barrick), the world’s largest gold miner, at Veladero, Argentina’s largest gold-producing mine. Shandong Gold quickly rose from 16th to 12th in the ranking of global gold mining companies, based on annual gold production.[[6]](#endnote-6)

In the process of overseas resource investment and development, gold companies often faced high risk in terms of geopolitics, safety, environmental protection, and relationships with Indigenous residents.[[7]](#endnote-7) To understand the overseas resource investment landscape, Shandong Gold had established a special team. The team members studied key mines in production and under construction around the world. They analyzed different countries’ political characteristics, investment environments, resource conditions, environmental protection policies, and other first-hand information. Shandong Gold was then able to make safer plans for future investments.

In addition, since international mining rights trading was mainly conducted through financial intermediary investment banks, Shandong Gold maintained communication and co-operation with dozens of international investment banks every year. This allowed the company to better understand the dynamics of the global mining trading market and to learn about new potential mineral project investments.

CANADIAN MINING

Canada had always been recognized as a leader in global mining[[8]](#endnote-8) and was rich in more than 60 mineral resources, such as potassium, cadmium, gold, diamonds, gems, and uranium. The country ranked in the top five in the world in terms of output of many types of mineral resources (including gold). Canada’s rich mining resources were highly sought after and favoured by investors from many countries. In 2018, Canada attracted 15 per cent of the total investment in the development of global mineral resources. It was the world’s largest non-ferrous metal mineral exploration destination. The mining industry was also a key industry in Canada, with direct and indirect income from this industry accounting for 4.7 per cent of the country’s total gross domestic product.[[9]](#endnote-9)

In addition to the resource endowment advantages of mining, Canada had strong global competitiveness in mineral exploration and development technology, mine management, and mining financing. Canada had an active mining capital market and the world’s largest mining trading platform—the Toronto Stock Exchange (TSX) and TSX Venture Exchange. There were about 1,400 mining companies in the world listed on the main board of the TSX, accounting for about 60 per cent of the total number of mining companies in the world.[[10]](#endnote-10) Many major international gold companies, such as Barrick and Goldcorp Inc., were headquartered in Canada.[[11]](#endnote-11) In addition, Canada held a world-class mining conference every year, attracting the active participation of global mining companies.[[12]](#endnote-12) Canada’s rich natural resources and good investment and financing environment had seen Canada firmly established as a global mining centre.

Canada was a federal country composed of 10 provinces and three territories. The exploration, development, and mining of mineral resources, as well as the construction, management, and reclamation of mines, were mainly under the jurisdiction of each province, with each having its own mining legislation and mineral tenure system.[[13]](#endnote-13) The mining process of mineral resources was relatively similar in each country. Generally, it started with ordinary surveys, followed by detailed surveys, and eventually mining. At different stages of the mining process, issues of prospecting rights and mining rights arose.[[14]](#endnote-14) Canadian mining rights leases were mainly divided into exploration rights (i.e., mineral claims) and mining rights (i.e., mineral leases).[[15]](#endnote-15) Only after holding an exploration permit or a mining lease could a company have the right to conduct exploration or mining activities in the designated area.

In Nunavut and some areas in the Northwest Territories, the surface land rights and underground mineral rights were separate. The Indigenous Inuit people held mineral rights on the surface of the land. Holders of underground mining rights, such as private companies, were required to negotiate with the Indigenous people before they conducted underground mining. They also had to obtain a land entry permit or sign a mining agreement before they could conduct related mining activities.[[16]](#endnote-16)

To acquire an operating Canadian mining business that was priced above a certain financial threshold,[[17]](#endnote-17) the acquisition transaction had to be submitted to the Canadian government for approval. There were two main Canadian government approvals: the *Competition Act* (for antitrust issues) and the *Investment Canada Act*. Investment law mainly examined whether this transaction could bring a net benefit to Canada. In addition, the Canadian government had the right to review any transaction it believed could harm national security.

TMAC

TMAC was a Canadian gold mining company headquartered in Toronto and listed on the TSX. Its core asset was the Hope Bay project (with 100 per cent equity), which held mining rights for three mines in Nunavut with good growth potential. The three mines were named Doris, Madrid, and Boston and were all located along Hope Bay.[[18]](#endnote-18)

The Doris mining area was completed and put into production in 2017, with a total production of approximately 9.5 tonnes of gold.[[19]](#endnote-19) The Madrid and Boston mining areas had not yet entered the mining stage. A large amount of capital would be required for infrastructure construction of these mining areas. On December 31, 2019, TMAC stated that according to the Ontario Securities Commission’s National Instrument 43-101, the Hope Bay project had proven credible reserves of 3.545 million ounces (110.3 tonnes) of gold with an average grade of 6.5 grams per tonne (see Exhibit 1). The project’s reserves were also likely to increase.[[20]](#endnote-20)

The previous owners of TMAC were highly experienced mining companies. They had cumulatively invested more than $1.7 billion to develop and construct the Hope Bay project. However, due to the problems of mineral extraction design, operation, and mining supply capacity, the Hope Bay project had not achieved the TMAC treatment capacity and recovery rate indicators (see Exhibit 2). To solve these problems, TMAC needed strong technical support and a large amount of capital investment (see Exhibit 3).

The biggest hurdle for TMAC was funding. It had been unable to pay off its rollover debts. The stock market downturn caused by the outbreak of the COVID-19 pandemic in 2020 would have made it even more difficult for TMAC to raise funds from the securities market. But before the pandemic, at the end of 2019, TMAC’s declining share price caused the company to seek an external buyer. Jason Neal, the then president of TMAC, initiated a strategic review because he understood that TMAC would not have the resources to continue.[[21]](#endnote-21)

SHANDONG GOLD’S INTEREST IN CANADA

In the early stages of the Hope Bay project, Shandong Gold inspected several Canadian production mines that were up for sale. Because mines invested a considerable amount of capital during the infrastructure construction’s early stages, their asking price was usually very high and Shandong Gold did not consider them ideal investment targets. Shandong Gold learned about the TMAC acquisition opportunity from the investment bank contracted by TMAC’s seller, although Shandong Gold had always considered TMAC a potential investment target. After completing the due diligence process on TMAC, Shandong Gold decided that the potential acquisition was ideal and consistent with its internationalization strategy. The proposed acquisition would become Shandong Gold’s first wholly owned mine outside of China.

Shandong Gold’s investment in the TMAC project would actually mean purchasing a producing mine plus investment in subsequent expansion, to achieve gradual investment in various future phases. After the proposed acquisition, the mine would have to meet a target output level within two or three years, which would allow the project to maintain operations in the Doris mine. Both of the other two mining areas had proven resources underground and mining rights. Still in early stages, TMAC had already invested $650 million in the two mines but had not yet entered the mining stage. Therefore, Shandong Gold planned to continue investments in the two mines to extract gold. After refining the feasibility study reports of the two mines, Shandong Gold planned to invest in construction during the second or third year for their completion and to begin production within three years. Therefore, Shandong Gold would be expected to make a very large investment in the near future.

TRANSACTION MODE

Agreement of Arrangement

On May 8, 2020, Shandong Gold and TMAC signed an agreement of arrangement stating that Shandong Gold would acquire the TMAC current subsidiary in Canada at $1.75 per share through a proposed new Shandong Gold subsidiary in Hong Kong. The total number of issued shares, which was currently 119,456,881, would be diluted after the sale. The acquisition agreement was issued with a consideration of approximately $209 million (see Exhibit 4 for TMAC’s capital structure).

The purchase price was a 52 per cent premium to the volume-weighted average price for the first 20 days of May 6, 2020, and a 21 per cent premium to the closing price on May 6, 2020. After the transaction was completed, Shandong Gold’s subsidiary in Hong Kong would hold 100 per cent equity of TMAC through direct and indirect means.

The acquisition required approval from at least 66.6 per cent of TMAC shareholders in a special meeting to be conducted within 60 days after signing the agreement. As well, the transaction had to be approved by relevant Canadian regulatory agencies, courts, and stock exchanges, in addition to meeting standard conditions for this type of transaction. The deal would be completed within six months after signing the agreement.

Transition Financing

At the same time, Shandong Gold’s subsidiary in Hong Kong had to sign a non-public placement subscription agreement with TMAC expressing intent to subscribe for newly issued TMAC common shares at $1.75 per share for a total price of US$15 million. These newly issued shares would consist of 9 per cent of Shandong Gold’s total TMAC shares.[[22]](#endnote-22) The revenue from these new shares would provide TMAC with immediate financing. The acquisition of TMAC was officially signed, but approval from the governments of China and Canada was still required. Without financing, during the six months before formal delivery of the proposed acquisition the Hope Bay project would not have sufficient capital to maintain operations before formal delivery of the proposed acquisition. Therefore, Shandong Gold carefully considered lending the required funding to TMAC on its own.

Before this transaction, TMAC had borrowed significant amounts of funding from the Toronto alternative asset management firm Sprott Inc., which had mortgaged TMAC’s current property.[[23]](#endnote-23) With Shandong Gold providing a loan to TMAC, nothing from TMAC would need to be mortgaged. However, this could become a serious problem if the project failed to receive final approval and the transaction could not be completed. TMAC would have already received the loan from Shandong Gold. If TMAC could not repay the loan, Shandong Gold would have to go to Canada to apply for enforcement. The time and cost of such an issue would be difficult to control, so the risk of lending was very high.

Shandong Gold finally opted for equity financing. TMAC would issue some new shares and Shandong Gold would subscribe for these new shares. In this way, TMAC could also receive funds, but Shandong Gold would become its shareholder. The advantage of becoming a shareholder was that if the transaction failed to receive final approval, Shandong Gold still held the shares. If another investor were to then buy TMAC, Shandong Gold could sell this part of the stock. Therefore, equity financing was more secure for Shandong Gold. When the agreement of arrangement was signed, the funds were provided to TMAC simultaneously by Shandong Gold. In the future, after collecting all other outstanding stock, Shandong Gold would be able to use the new stock it purchased to delist TMAC from the TSX.

Lock-in Agreement

This project also included bidders from countries other than China. The Chinese buyers were proposing an all-cash acquisition, but other buyers were more inclined to swap stock. Although TMAC’s major shareholders would likely agree to a share swap, the TMAC company itself preferred cash, which could be directly applied to resolve the dilemma of capital shortages. In particular, this transaction would take place during the COVID-19 pandemic, when mining stocks on the Toronto stock market were underperforming, which made cash transactions preferable for shareholders during the first quarter of 2020.

To increase certainty of the transaction, Shandong Gold’s subsidiary in Hong Kong also signed a lock-in agreement with TMAC’s largest shareholder, Resource Capital; its second-largest shareholder, Newmont Corporation; and TMAC’s directors and executives. The agreement stipulated that before the voting and termination of the agreement, the major shareholders and executives irrevocably promised to vote for the transaction and vote against other acquisition proposals. They agreed not to exercise any right to object to the transaction. The transaction had been unanimously approved by TMAC’s board of directors.[[24]](#endnote-24)

THE Inuit People of Hope Bay

The Inuit people of Hope Bay were an important stakeholder in this transaction. They owned the land and mineral rights of the mining area. According to Canadian law, the development of resources located within the scope of Indigenous residences required the permission of the Inuit people, and a consensus with them had to be reached. Previously, TMAC had signed a land and mineral exploration agreement with Inuit land and mineral rights holders. That agreement was set to expire on December 31, 2035.[[25]](#endnote-25)

The Canadian government would also first seek the opinions of the Inuit people before approving the agreement; so, it was very important for the operation of the mine to properly handle the relationship with them. Conducting exploration and mining in Indigenous settlements required considerable cost and energy to communicate with the local communities.

The Inuit people called the area Hope Bay because they were very optimistic about its future. It was also known that an investor with technical and financial strength was needed to extract the mining resources there. TMAC had started production in 2017, but after over two years of operation, the annual output had not reached the expected value. As Neal said, “We have been making operational performance improvements since construction was completed, although we have not reached our targets.” Now that TMAC had difficulty with financing,[[26]](#endnote-26) it was not possible to develop this area, nor to fulfill the hopes and requirements of the Indigenous people.

Shandong Gold also signed a commitment agreement with the local Indigenous people before entering into the agreement. The mining and sales of mines involved in this project would provide the Indigenous people with a net benefit. TMAC would also provide a certain percentage of the profits to the Indigenous people in the form of an equity fund directly linked to the future income of TMAC in this project. The more minerals that were excavated and sold, the more compensation that local Indigenous people would receive, as a certain percentage.

TMAC also promised to help improve employment availability for the local Inuit people, who still lacked economic opportunity. Shandong Gold offered workplace training and would help them build their communities, and invest in their education systems. However, this would only be possible after TMAC had the necessary funds.

After negotiating with the Inuit people, Hujie Duan, Shandong Gold’s acquisition project leader, felt that Shandong Gold may be welcome to invest there. Shandong Gold had strong financial resources. It was also a global leader in the technology of underground mine development. Some ports around Hope Bay had been built by Chinese companies. Shandong Gold saw the opportunity to develop and increase good relations with the locals. Some people had communicated to Hujie Duan that they hoped that powerful companies could invest in the construction of the Hope Bay area as soon as possible.

INVESTMENT RISKS

Uncertainty Approval Risk

The acquisition of TMAC would need approval from relevant departments of both Chinese and Canadian governments. China’s resource-based state-owned enterprises had increased the intensity and scale of overseas investment, which had aroused widespread criticism in international public opinion. Many foreign governments expressed concerns about the true intentions of the Chinese state-owned enterprises that were seeking overseas investments and often identified the purchaser simply as the Chinese government.

Equating the investment of Chinese state-owned enterprises with an investment by the Chinese government tended to increase risk and difficulty of investing in overseas non-ferrous metal projects. Shandong Gold’s acquisition of TMAC came at a time when the Canadian government was stepping up its review of foreign government-invested companies taking over Canadian companies, which could also increase the uncertainty of approval for the transaction.[[27]](#endnote-27)

Shandong Gold was optimistic that the project would meet the requirements of Canadian investment law. The investment environment of Canadian mining was relatively transparent and stable when compared to some other global mining environments. The governments of China and Canada had signed foreign investment promotion and protection agreements (FIPAs), which were designed to encourage mutual investment between the two countries. In the China–Canada FIPA, both countries promised each other most-favoured-nation treatment, which could ensure that investors from both countries would not be discriminated, in comparison to other countries.

In the future, Shandong Gold planned to make a substantial additional investment in Canada to help its Canada-based mine. This would create employment opportunities and stimulate local economic development. However, the FIPA did not affect the Canadian government’s power to evaluate or reject Chinese investment, from the perspective of national interests.[[28]](#endnote-28)

Project Operation Risk

A major risk in the search for and development of mineral resources lay in the difference between actual and estimated reserves. This difference led to various problems, such as mines never opening, unexploited minerals, or difficulties in transportation after mining. Even after completing the exploration of mineral resources and determining the reserves, investors still needed to provide mining, refining, and environmental protection technologies, and to begin to build the infrastructure. All of these tasks required a high level of technology and talent, which could lead to high risk if it fell below the needs of overseas mineral investment.

Before signing the agreement to acquire TMAC, Shandong Gold had communicated with current TMAC executives and received their support and recognition. TMAC executives, who had developed a great fondness for the Hope Bay area and the mine, were very optimistic about the acquisition. They hoped to see a major investment in the area in the near future. They also expressed their willingness to stay with the new company after the final approval of the TMAC acquisition. These executives were veteran mine managers. They were exactly the talent that Shandong Gold needed. Retaining them was conducive to ensuring business continuity.

Shandong Gold was setting up an international management team that would eventually take over TMAC. The company planned to appoint as general manager an employee who had worked as a mine manager in many countries. This person would be a Canadian employee who had demonstrated excellent co-operation skills with Shandong Gold for many years. The general manager would be accompanied by several Chinese executives to form the new company’s management team.

TMAC’s Hope Bay project was located in the cold polar region of the Arctic Circle, but because it was an underground mine, the cold temperatures had relatively low effect. The farther down the mine extended, the warmer the temperatures. After the ore was mined, it had to be ground up before the gold could be extracted. This process, which was known as beneficiation, generally took place in a heated frame structure. Therefore, the Arctic Circle’s cold weather had very little impact on the mine’s operations.[[29]](#endnote-29)

A more challenging issue in polar regions, however, was transportation, which became considerably more difficult with ice and snow. Another challenge was an issue related to the discarded materials from screening, which was referred to as tailings. During the ore extraction process, after screening out the high gold content, the tailings (which looked like wet cement) would be discharged from the pipeline into a tailings pond. If the pipeline was exposed to the outside cold, the excess material could freeze after being discharged, which would create difficulties.

Cultural Differences Risk

Shandong Gold had only ever managed Chinese mines, which were very cost-efficient to manage. In contrast, foreign mines carried high management costs. For example, director insurance provided great benefits but at a much higher cost than in China. Also, Chinese employees could be asked to work extremely long hours, but non-Chinese employees often expected to have weekends and vacation time off work, when they would not be available via telephone or email.[[30]](#endnote-30) Clearly, Shandong Gold would have to apply a very different management style to employee relations and working methods, compared to what it was used to in China’s mine operations, after final approvals of the proposed TMAC acquisition.

Market and Foreign Exchange Risk

The price of gold was affected by the international economic situation, and there was great uncertainty in the prediction of long-term trends and short-term fluctuations in the market price of gold products. Between 2016 and 2019, gold prices hovered around $1,250 per ounce ($44 per gram) but seemed to be on an upward trend starting in January 2019, reaching a peak of over $2,000 per ounce ($70 per gram) in August 2020, before dropping again late in the year.

If the price did not move in the expected direction, it could have strong adverse effects on the profitability of the Hope Bay projects, which would in turn affect the value of the TMAC acquisition. In addition, most of TMAC’s revenue was denominated in US dollars, but because the project was located in Canada, most operating costs and expenses would be incurred in Canadian dollars, which created a certain amount of foreign exchange risk.

Shandong Gold had to consider all of these issues and make a decision. Was its proposed acquisition of TMAC a wise choice? If it was, were final government approvals likely to come through?

EXHIBIT 1: HOPE BAY PROVEN AND PROBABLE MINERAL RESERVES

| **Category and Deposit** | **Tonnes  (in Thousand)** | **Grade  (in Grams per Tonne of Gold)** | **Containing Gold**  **(in Thousand Ounces)** |
| --- | --- | --- | --- |
| **Proven:** |  |  |  |
| Stockpiles | 99 | 4.1 | 13 |
| Total Proven | 99 | 4.1 | 13 |
| **Probable:** |  |  |  |
| Doris | 1,194 | 8.4 | 321 |
| Madrid North UG | 7,525 | 6.1 | 1,466 |
| Madrid North Crown Pillar | 212 | 5.7 | 39 |
| Suluk | 3,703 | 5.8 | 695 |
| Madrid South | 842 | 9.1 | 245 |
| Boston | 3,306 | 7.2 | 766 |
| Total Probable | 16,782 | 6.5 | 3,532 |

Source: Agnico Eagle, *Proposed Acquisition of TMAC Resources Inc.*, January 5, 2021, accessed April 20, 2021, https://s21.q4cdn.com/374334112/files/doc\_presentations/2021/Proposed-Acquisition-of-TMAC-Resources-Inc-FInal.pdf.

EXHIBIT 2: TMAC RESOURCEs KEY OPERATING METRICS

|  | | **Q4 2017** | **Q1 2018** | **Q2 2018** | **Q3 2018** | **Q4 2018** | **Q1 2019** | **Q2 2019** | **Q3 2019** | **Q4 2019** | **Q1 2020** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Plant | Recovery  (%) | 69 | 71 | 82 | 80 | 82 | 84 | 80 | 82 | 82 | 84 |
| Throughput  (tpd) | 760 | 930 | 970 | 1,390 | 1,800 | 1,610 | 1,740 | 1,710 | 1,440 | 1,110 |
| Grade  (g/t) | 13.7 | 10.9 | 10.0 | 10.1 | 7.8 | 10.3 | 9.5 | 8.8 | 7.1 | 11.9 |
| Mine | Production  (tpd) | 620 | 990 | 790 | 1,130 | 2,310 | 1,600 | 1,160 | 1,450 | 1,560 | 1,760 |
| Grade  (g/t) | 9.1 | 8.1 | 9.6 | 8.4 | 7.4 | 10.2 | 11.4 | 9.2 | 7.0 | 10.2 |
| Development  (m) | 990 | 1,370 | 1,670 | 1,810 | 1,620 | 1,660 | 1,840 | 2,140 | 2,080 | 2,130 |
| Gold Production (oz) | | 21,200 | 20,650 | 23,140 | 33,100 | 34,080 | 40,050 | 38,520 | 36,290 | 24,650 | 32,290 |
| Gold Sold (oz) | | 17,350 | 19,540 | 25,760 | 32,140 | 31,380 | 39,200 | 37,730 | 37,580 | 24,650 | 27,710 |

Note: Q = quarter; tpd = tonnes per day; g/t = grams per tonne; m = metre; oz = ounce; one ounce = 28.4 grams

Source: TMAC Resources, *Investor Presentation* (January 2020), accessed April 20, 2021, https://s1.q4cdn.com/893791552/files/doc\_presentations/2020/01/2020-01-TMAC-Investor-Presentation.pdf; “TMAC Announces Q1 2020 Operating Results,” *Financial Post*, May 12, 2020, accessed April 20, 2021, https://financialpost.com/pmn/press-releases-pmn/business-wire-news-releases-pmn/tmac-announces-q1-2020-operating-results.

EXHIBIT 3: TMAC RESOURCES KEY FINANCIAL METRICS

|  | **2018** | **2019** | **Q1 2020** |
| --- | --- | --- | --- |
| Gold produced (in ounces) | 110,970 | 139,510 | 32,290 |
| Gold sold (in ounces) | 108,820 | 139,160 | 27,710 |
| Revenue (in CA$ million) | 178.0 | 254.8 | 59.4 |
| Realized gold price  (in CA$ per ounce or US$ per ounce) | 1,635/1,257 | 1,831/1,381 | 2,143/1,587 |
| Cash costs (in US$ per ounce)\* | 868 | 788 | 906 |
| All-in sustaining costs (in US$ per ounce)\*\* | 1,291 | 1,186 | 1,317 |
| Sustaining capital (in US$ per ounce) | 296 | 301 | 296 |
| Cash flow from operating activity before  working cap changes (in CA$ million) | 24.2 | 79.0 | 18.7 |
| Cash flow from operating activity (in CA$ million) | 21.6 | 64.9 | 16.7 |
| Adjusted EBITDA (in CA$ million)\* | 37.7 | 92.1 | 21.6 |
| Capital expenditures (in CA$ million) | 86.9 | 97.3 | 17.6 |
| Ending unrestricted cash balance/ Restricted cash balance (in CA$ million) | 24.8/27.7 | 20.7/29.4 | 18.2/28.0 |
| Principal debt (in US$ million) | 125.8 | 117.0 | 117.0 |

Note: \*For more information, see non-IFRS measures section of the Management Discussion and Analysis (see source); \*\*computation of all-in sustaining costs in accordance with the World Gold Council guidelines (see source); 1 ounce = 28.4 grams; EBITDA = earnings before interest, taxes, depreciation, and amortization

Source: TMAC Resources, *Investor Presentation* (June 2020), accessed April 20, 2021, https://s1.q4cdn.com/893791552/files/doc\_presentations/2020/06/2020-06-TMAC-Investor-Presentation.pdf.

EXHIBIT 4: TMAC RESOURCEs HISTORY AND CAPITAL STRUCTURE

| 2015–2016 | Exploration and development |
| --- | --- |
| Feb. 2017 | First gold poured |
| July 2017 | Plant issues announced |
| Nov–Dec. 2017 | CEO retires/president retires |
| Feb. 2018 | Jason Neal becomes CEO |
| Aug. 2019 | Maverix Royalty Amendment |
| Dec. 2019 | Terry MacGibbon’s retirement |
| Jan. 2020 | Strategic process launched |
| May 2020 | SD Gold transaction |

| **Type** | **Quantity**  **(on June 11, 2020)** | **Shareholder (on November 5, 2020)** | **Share Ownership** | **Percentage Ownership** |
| --- | --- | --- | --- | --- |
| Common Shares | 130,223,709 | Resource Capital Funds | 35.9 million | 27.6% |
| Options | 2,781,065 | Newmont Corporation | 32.2 million | 24.8% |
| Restricted Share Rights | 1,236,029 | Shandong Gold Group Co. Ltd. | 12.0 million | 9.2% |
| Warrants | 2,333,834 | Directors and Officers\* | 1.1 million | 0.8% |
| Fully Diluted Shares | 136,574,637 | KIA (Inuit Landowner) | 1.0 million | 0.8% |

Note: \*Common shares only, excludes rights and options.

Source: “TMAC Resources Inc., *Management’s Discussion and Analysis* (March 31, 2020), accessed April 20, 2021, https://s1.q4cdn.com/893791552/files/doc\_financials/2020/q1/TMAC-MDA-Q1-2020\_Filing-copy.pdf; TMAC Resources, *Investor Presentation* (November 2020), accessed April 20, 2021, https://s1.q4cdn.com/893791552/files/doc\_downloads/2020/11/2020-11-TMAC-Investor-Presentation.pdf; TMAC Resources, *Investor Presentation* (November 2020), accessed April 20, 2021, https://s1.q4cdn.com/893791552/files/doc\_downloads/2020/11/2020-11-TMAC-Investor-Presentation.pdf.

Endnotes

1. All currency amounts are in CA$ unless otherwise specified. [↑](#endnote-ref-1)
2. “TMAC Resources Launches Strategic Review,” MINING.com, January 20, 2020, accessed April 20, 2021, https://www.mining.com/tmac-resources-launches-strategic-review. [↑](#endnote-ref-2)
3. Zhu Zhenxin, “[Heavyweight] ‘One Belt, One Road’ Progress Is Sorted Out [in Chinese],” Macro Livelihood, February 17, 2017, accessed May 8, 2020, www.sinotf.com/GB/News/1003/2017-02-17/xMMDAwMDIyMDgxMQ.html. [↑](#endnote-ref-3)
4. “China Has Signed 197 ‘Belt and Road’ Cooperation Documents with 137 Countries and 30 International Organizations [in Chinese],” Xinhua, November 15, 2019, www.gov.cn/xinwen/2019-11/15/content\_5452490.htm. [↑](#endnote-ref-4)
5. “Company Profile [in Chinese],” Shandong Gold Group Co. Ltd., www.accessed May 8, 2020, www.sd-gold.com/intro/1.html. [↑](#endnote-ref-5)
6. “Li Guohong, Chairman of Shandong Gold: Bravely Break into the World’s Top Ten to Maintain the Pace of Internationalization [in Chinese],” Sina Securities Times, August 15, 2019, accessed May 8, 2020, http://finance.sina.com.cn/roll/2019-08-15/doc-ihytcitm9253019.shtml. [↑](#endnote-ref-6)
7. “‘One Belt One Road’ and Gold Enterprises ‘Go Global [in Chinese],’” Shandong Committee of the Chinese People’s Political Consultative Conference, December 18, 2017, www.sdzx.gov.cn/articles/ch00027/201712/f0e6cec7-93c1-459a-a6b4-f7898e3b8836.shtml. [↑](#endnote-ref-7)
8. “Canada a Global Leader in Mining Exploration, Innovation and Diversity: PwC Report,” PricewaterhouseCoopers, accessed May 8, 2020, www.pwc.com/ca/en/media/release/canada-a-global-leader-mining-exploration-innovation-diversity-pwc-report.html. [↑](#endnote-ref-8)
9. “Minerals and the Economy,” Government of Canada, accessed May 8, 2020, www.nrcan.gc.ca/our-natural-resources/minerals-mining/minerals-and-economy/20529. [↑](#endnote-ref-9)
10. “Li Guohong, Chairman of Shandong Gold: Bravely Break into the World’s Top Ten to Maintain the Pace of Internationalization,” op. cit. [↑](#endnote-ref-10)
11. Barrick, accessed May 8, 2020, www.barrick.com/English/home/default.aspx. [↑](#endnote-ref-11)
12. “Register Now,” Prospectors & Developers Association of Canada, accessed May 8, 2020, www.pdac.ca/convention. [↑](#endnote-ref-12)
13. “Canada: Mining Laws and Regulations 2021,” International Comparative Legal Guides, accessed May 8, 2020, https://iclg.com/practice-areas/mining-laws-and-regulations/canada. [↑](#endnote-ref-13)
14. The right of prospecting refers to the right to prospect for mineral resources within the area specified in the prospecting license obtained according to law. Mining rights refer to the right to mine mineral resources and obtain the mineral products mined within the scope and period stipulated in the legally obtained mining license. “Right of Prospecting,” International Comparative Legal Guides, accessed March 30, 2021, https://iclg.com/practice-areas/mining-laws-and-regulations/canada. [↑](#endnote-ref-14)
15. A mining lease is a way to obtain mining rights. The Canadian model is to sign a development agreement (mining lease) between the approved gold mining company and the government. The content of the agreement is mainly concerned with how long the government allows mining rights holders to mine in this place, the area in square kilometres, the depth, the royalty fee paid to the government, and so on. Generally, the mining period is related to the mineral reserves and resources. “Canada: Mining Laws and Regulations 2021,” op. cit. [↑](#endnote-ref-15)
16. “Canada: Mining Laws and Regulations 2021,” op. cit. [↑](#endnote-ref-16)
17. According to Canada’s mining laws and regulations, the review threshold was $428 million (in 2020) in asset value for direct investments by WTO investors that were state-owned enterprises; Adam Kalbfleisch, Kyle Donnelly and Alysha Pannu, “Competition Act and Investment Canada Act Review Thresholds Lowered for 2021,” BennettJones, accessed March 30, 2021, www.bennettjones.com/Blogs-Section/Competition-Act-and-Investment-Canada-Act-Review-Thresholds-Lowered-for-2021. [↑](#endnote-ref-17)
18. Jane George, “Western Nunavut Gold Mine Project Gets Review Board’s Final Approval,” Nunatsiaq News, November 13, 2018, accessed March 30, 2021, https://nunatsiaq.com/stories/article/65674western\_nunavut\_gold\_mine\_project\_gets\_review\_boards\_final\_nod. [↑](#endnote-ref-18)
19. “About Us,” TMAC Resources, accessed May 8, 2020, www.tmacresources.com/Home/default.aspx. [↑](#endnote-ref-19)
20. TMAC Resources, *NI 43-101 Technical Report on the Hope Bay Property, Nunavut, Canada* (2020), accessed May 8, 2020, https://s1.q4cdn.com/893791552/files/doc\_downloads/2020/04/TMAC-NI-43-101-Final-Report.pdf. [↑](#endnote-ref-20)
21. “TMAC Resources Launches Strategic Review,” MINING.com, op. cit. [↑](#endnote-ref-21)
22. Shandong Gold Mining Co., Ltd., *Shandong Gold Mining Co., Ltd. 2020 Third Quarterly Report*, 2020, accessed May 6, 2021, http://en.sdhjgf.com.cn/upload/file/2020/12/22/6a04e5c9591d485f8626a8f3f4e2d47d.pdf. [↑](#endnote-ref-22)
23. Jason Neal, “TMAC Resources Revises Credit Facility with Sprott Private Resource Lending,” Junior Mining Network, accessed March 30, 2021, www.juniorminingnetwork.com/junior-miner-news/press-releases/1727-tsx/tmr/34341-tmac-resources-revises-credit-facility-with-sprott-private-resource-lending.html. [↑](#endnote-ref-23)
24. “TMAC Provides Transaction Update and Notice to Shareholders,” *businesswire*, January 8, 2021, accessed April 20, 2021, https://www.businesswire.com/news/home/20210108005107/en/TMAC-Provides-Transaction-Update-and-Notice-to-Shareholders. [↑](#endnote-ref-24)
25. TMAC Resources, *TMAC Resources, KIA and NTI Sign Landmark Land Tenure Agreements for the Hope Bay Belt, Nunavut*, accessed April 20, 2021, http://s1.q4cdn.com/893791552/files/doc\_news/2015/TMAC-Resources-KIA-and-NTI-Sign-Landmark-Land-Tenure-Agreements-for-the-Hope-Bay-Belt-Nunavut.pdf [↑](#endnote-ref-25)
26. “TMAC Resources Launches Strategic Review,” MINING.com, op. cit. [↑](#endnote-ref-26)
27. Marieke Walsh, Sean Silcoff, and Michelle Carbert, “Canada Tightens Foreign Investment Scrutiny, Citing Economic Impact of COVID-19,” *The Globe and Mail*, April 19, 2020, accessed February 10, 2021, www.theglobeandmail.com/canada/article-canada-tightens-foreign-investment-scrutiny-citing-economic-impact-of. [↑](#endnote-ref-27)
28. “Canada: Mining Laws and Regulations 2021,” op. cit. [↑](#endnote-ref-28)
29. “Appendix B” in U.S. Congress, Office of Technology Assessment, *Polar Prospects: A Minerals Treaty for Antarctica,* OTA-O-428 (Washington, DC: U.S. Government Printing Office, September 1989), accessed April 20, 2021,https://www.princeton.edu/~ota/disk1/1989/8926/892609.pdf. [↑](#endnote-ref-29)
30. “Cultural Differences: Chinese vs Western Work Culture,” *Diary of a Mad Chaos*, November 15, 2017, accessed April 20, 2021,https://www.eleninovski.com/2017/11/cultural-differences-chinese-vs-western-work-culture/. [↑](#endnote-ref-30)