



Anaconda
Mining

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(Unaudited - expressed in Canadian Dollars)

		Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	Notes	\$	\$	\$	\$
Gold		6,934,599	8,347,651	14,287,887	18,871,290
Silver		5,405	8,437	12,025	19,819
Total revenue		6,940,004	8,356,088	14,299,912	18,891,109
Cost of operations					
Operating expenses	2	6,611,503	5,101,316	14,531,625	11,040,917
Royalty expense	3	161,107	-	348,601	49,196
Depletion and depreciation		1,444,037	825,045	1,997,958	1,737,847
		8,216,647	5,926,361	16,878,184	12,827,960
Mine operating (loss) income		(1,276,643)	2,429,727	(2,578,272)	6,063,149
Expenses and other income					
Corporate administration		841,643	771,640	1,792,731	1,631,819
Gain on partial sale of a subsidiary	10	-	(1,902,894)	-	(1,902,894)
Share of loss from equity accounted investments	10	41,609	114,237	238,127	114,237
Share-based compensation expense	14	275,135	113,908	428,784	218,584
Finance expense		39,708	52,521	83,806	124,561
Write-down of exploration and evaluation assets	8	-	15,310	-	15,310
Other income	4	(69,487)	(226,859)	(200,964)	(280,259)
		1,128,608	(1,062,137)	2,342,484	(78,642)
(Loss) income before income taxes		(2,405,251)	3,491,864	(4,920,756)	6,141,791
Current income tax expense	16	-	235,000	30,345	587,528
Deferred income tax (recovery) expense	16	(203,000)	1,275,000	(252,000)	2,101,000
		(203,000)	1,510,000	(221,655)	2,688,528
Net (loss) income and comprehensive (loss) income for the period		(2,202,251)	1,981,864	(4,699,101)	3,453,263
Net (loss) income per share - basic and fully diluted	15	(0.01)	0.01	(0.03)	0.03
Weighted average number of shares outstanding					
- basic		168,377,868	136,999,026	164,984,476	136,529,805
- fully diluted		168,377,868	137,934,148	164,984,476	137,313,087



Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

As at		June 30, 2021	December 31, 2020
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		14,568,737	14,634,595
Restricted cash	5	208,838	208,838
Trade and other receivables	6	667,585	585,580
Inventory	7	4,482,900	6,830,360
Prepaid expenses and deposits		714,849	705,503
		20,642,909	22,964,876
Non-current assets			
Restricted cash		67,790	79,790
Property, mill and equipment	9	11,439,529	10,398,054
Exploration and evaluation assets	8	52,166,963	44,804,280
Equity accounted investments	10	2,911,844	3,149,971
		87,229,035	81,396,971
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	11	6,097,917	4,796,494
Current portion of loans	12	1,665,873	1,889,080
Current portion of decommissioning liability	13	103,451	101,107
Flow-through premium	14	704,073	186,874
Advances	17	311,681	189,850
Current taxes payable	16	-	1,863,000
		8,882,995	9,026,405
Non-current liabilities			
Loans	12	231,678	753,675
Deferred income tax liability	16	3,141,000	3,393,000
Decommissioning liability	13	3,650,261	3,382,965
		15,905,934	16,556,045
Shareholders' equity			
Share capital, warrants and equity reserves	14	81,563,246	70,386,480
Accumulated deficit		(10,240,145)	(5,545,554)
		71,323,101	64,840,926
		87,229,035	81,396,971

Approved by the Board of Directors on July 28, 2021

"Mary-Lynn Oke"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 21)



The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - expressed in Canadian Dollars)

		Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	Notes	\$	\$	\$	\$
Operating activities					
Net (loss) income		(2,202,251)	1,981,864	(4,699,101)	3,453,263
Adjustments to reconcile net (loss) income to cash flow from operating activities:					
Depletion and depreciation		1,444,037	825,045	1,997,958	1,737,847
Gain on partial sale of a subsidiary	10	-	(1,902,894)	-	(1,902,894)
Write-down of inventory to net realizable value	7	58,000	-	2,529,000	-
Write-down of exploration assets	8	-	15,310	-	15,310
Share of loss from equity accounted investments	10	41,609	114,237	238,127	114,237
Share-based compensation expense	14	275,135	113,908	428,784	218,584
Current income tax expense	16	-	235,000	30,345	587,528
Deferred income tax (recovery) expense	16	(203,000)	1,275,000	(252,000)	2,101,000
Deferred premium on flow-through shares	14	(91,652)	(97,004)	(233,714)	(264,680)
Interest accretion of decommissioning liability	13	4,223	1,005	6,573	4,071
Change in fair value of marketable securities		-	(115,340)	-	(46,181)
Change in working capital	18	(1,144,061)	(1,002,267)	(1,327,893)	(194,096)
Cash flow (used in) provided from operating activities		(1,817,960)	1,443,864	(1,281,921)	5,823,989
Investing activities					
Additions of property, mill and equipment	9	(1,519,300)	(530,983)	(2,305,469)	(1,190,325)
Additions of exploration and evaluation assets	8	(4,141,340)	(1,391,057)	(6,967,882)	(2,487,687)
Proceeds from sale of marketable securities		-	113,570	-	183,531
Decrease in restricted cash		-	(8,000)	12,000	(8,000)
Cash flow used in investing activities		(5,660,640)	(1,816,470)	(9,261,351)	(3,502,481)
Financing activities					
Proceeds from financing agreement	14	8,500,030	-	8,500,030	-
Issuance costs	14	(709,312)	-	(709,312)	-
Proceeds from exercise of warrants	14	6,000	-	2,822,737	-
Proceeds from exercise of stock options	14	210,061	87,500	843,450	87,500
Repayment of loans	12	(505,845)	(610,415)	(979,491)	(1,225,909)
Cash flow provided from (used in) financing activities		7,500,934	(522,915)	10,477,414	(1,138,409)
Net (decrease) increase in cash		22,334	(895,521)	(65,858)	1,183,099
Cash at beginning of period		14,546,403	6,430,208	14,634,595	4,351,588
Cash at end of period		14,568,737	5,534,687	14,568,737	5,534,687

Supplemental cash flow information (Note 18)



The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - expressed in Canadian Dollars, except share information)

	Notes	Share capital		Equity	Warrants	Accumulated	Total
		Number of shares	Issued capital	reserves		deficit	
			\$	\$	\$	\$	\$
Balance at December 31, 2019		135,216,962	57,810,013	2,270,867	2,661,575	(14,408,880)	48,333,575
Share-based compensation from issuance of share units	14	-	-	189,559	-	-	189,559
Redemption of share units	14	560,750	162,534	(162,534)	-	-	-
Share-based compensation from issuance of options	14	-	-	29,275	-	-	29,275
Exercise of stock options	14	437,500	146,040	(58,540)	-	-	87,500
Expiry of stock options transferred to deficit	14	-	-	(121,823)	-	121,823	-
Expiry of warrants transferred to deficit	14	-	-	-	(509,032)	509,032	-
Issuance of shares for property acquisition	8	52,724	12,000	-	-	-	12,000
Net income for the period		-	-	-	-	3,453,263	3,453,263
Balance at June 30, 2020		136,267,936	58,130,587	2,146,804	2,152,543	(10,324,762)	52,105,172
Balance at December 31, 2020		153,953,798	67,008,392	1,793,871	1,584,217	(5,545,554)	64,840,926
Common shares issued for cash	14	10,241,000	8,500,030	-	-	-	8,500,030
Share issuance expense, net of tax	14	-	(709,312)	-	-	-	(709,312)
Flow-through share premium	14	-	(750,913)	-	-	-	(750,913)
Share-based compensation from issuance of share units	14	-	-	277,818	-	-	277,818
Redemption of share units	14	176,481	37,395	(37,395)	-	-	-
Share-based compensation from issuance of options	14	-	-	152,466	-	-	152,466
Exercise of stock options	14	3,317,083	1,546,028	(702,578)	-	-	843,450
Expiry of stock options transferred to deficit	14	-	-	(4,510)	-	4,510	-
Exercise of warrants	14	6,328,165	3,212,340	-	(389,603)	-	2,822,737
Issuance of shares for property acquisition	8	64,917	45,000	-	-	-	45,000
Net loss for the period		-	-	-	-	(4,699,101)	(4,699,101)
Balance at June 30, 2021		174,081,444	78,888,960	1,479,672	1,194,614	(10,240,145)	71,323,101

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2021 and 2020
(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Anaconda Mining Inc. (individually, or collectively with its subsidiaries, as applicable, “Anaconda” or the “Company”) is a gold mining, development, and exploration company, with operations focused in Atlantic Canada. The Company operates mining and milling operations in the prolific Baie Verte Mining District of Newfoundland, which includes the fully-permitted Pine Cove Mill, tailings facility and deep-water port, as well as ~15,000 hectares of highly prospective mineral lands including those adjacent to the past-producing, high-grade Nugget Pond Mine at its Tilt Cove Gold Project. Anaconda is also developing the Goldboro Gold Project in Nova Scotia, a large high-grade resource, and the subject of an on-going feasibility study.

Anaconda is incorporated in Canada under the laws of Ontario. The Company’s common shares are listed on the Toronto Stock Exchange under the ticker symbol “ANX”. The Company’s head office and registered office is located at 20 Adelaide St. East, Suite 915, Toronto, ON M5C 2T6.

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Since the condensed interim consolidated financial statements do not include all disclosure required by IFRS for annual financial statements, they should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2020.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value.

These condensed interim consolidated financial statements were approved by the Company’s Board of Directors on July 28, 2021.

These condensed interim consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), Colorado Minerals Inc. (Canada), Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly “La Veta”), and the Company’s equity accounted investments in Novamera Inc. (“Novamera”) and Magna Terra Minerals Inc. (“Magna Terra”). All inter-company transactions and balances are eliminated on consolidation.

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended December 31, 2020.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The significant accounting judgments, estimates, and assumptions in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in note 3 of the Company’s audited consolidated financial statements as at and for the year ended December 31, 2020, except for the following:

COVID-19 Pandemic

The 2019 novel coronavirus (“COVID-19”) was characterized as a global pandemic by the World Health Organization on March 11, 2020. Point Rousse continues to operate and to the Company’s knowledge, no employees, contractors, or consultants directly involved with Anaconda, whether at corporate or at site, have been diagnosed with COVID-19. Strict health and safety protocols, including social distancing, remain in place and are continually reviewed based on recommendations from medical authorities. The Company has prepared contingency plans in the event that certain scenarios should occur, such as a temporary shutdown, and has proactively maintained financial flexibility during this period of unprecedented uncertainty.

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company’s condensed interim consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern, life of mine estimates, and the carrying values of the Company’s property, mill, and

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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equipment assets and exploration and evaluation assets. Based on management's judgment, as at the date of these condensed interim consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgements in the future.

2. OPERATING EXPENSES

		Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	Notes	\$	\$	\$	\$
Mining costs		2,224,773	2,589,012	5,311,361	5,061,557
Processing costs (including refining and transport)		2,961,750	2,466,037	5,987,210	4,931,873
Mine support costs		519,949	444,536	972,578	808,432
Inventory adjustment		847,031	(398,269)	(268,524)	239,055
Write-down of inventory to net realizable value	7	58,000	-	2,529,000	-
		6,611,503	5,101,316	14,531,625	11,040,917

Mining, processing and mine support costs noted above are prior to the allocation of costs to inventory. The inventory adjustment reflects an allocation of mining, processing and mine support costs to the ore stockpiles, gold-in-circuit and finished goods inventory.

3. ROYALTY EXPENSE

During the three and six months ended June 30, 2021, a royalty expense of \$161,107 and \$348,601, reflecting the net smelter return of 3% payable to a third party on gold sold from the Argyle Property was recorded on the condensed interim consolidated statement of comprehensive (loss) income (three and six months ended June 30, 2020 – \$nil and \$49,196, reflecting the net smelter return of 3% payable to a third party on gold sold from the Stog'er Tight Property).

4. OTHER INCOME

		Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	Notes	\$	\$	\$	\$
Deferred premium on flow-through shares	14	(91,652)	(97,004)	(233,714)	(264,680)
Research and development		30,074	(5,042)	49,230	47,678
Interest income		(7,717)	(5,507)	(17,870)	(15,227)
Foreign exchange (gain) loss		(192)	(3,966)	1,390	(1,849)
Change in fair value of marketable securities		-	(115,340)	-	(46,181)
		(69,487)	(226,859)	(200,964)	(280,259)

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

5. RESTRICTED CASH

In July 2019, the Company began shipping bulk sample material from Goldboro to the Point Rouse Complex in Newfoundland, to be processed at the Pine Cove Mill. Anaconda had engaged with NIL Group Limited ("NIL") to ship the bulk sample. On July 23, 2019, the Company announced that NIL filed a Statement of Claim (the "Claim"), alleging that the Company is responsible for certain additional costs in relation to the shipment. As a result, NIL issued and served an arrest warrant with respect to approximately 1,000 tonnes ("Arrested Ore") which were yet to be discharged from the barge at the time of filing of the Claim, from a total initial delivery of 3,900 tonnes. The Company considers the Claim to be without merit and on August 16, 2019, the Company filed its Statement of Defense and Counterclaim against NIL and its principals, alleging, among other things, contractual breach, negligent and/or fraudulent misrepresentation, and fraudulent deceit. In October 2019, the Company obtained a court order in order to process the Arrested Ore on condition that the proportional gross proceeds would be deposited into an escrow account. As at June 30, 2021, \$208,838 was recorded as restricted cash on the condensed interim consolidated statement of financial position representing the proportional gross proceeds related to the Arrested Ore, which is being held in an escrow account pending further court proceedings. As at June 30, 2021, the Company had been named as a third-party defendant in a separate claim filed by a supplier which was engaged by NIL. The Company had no contractual relationship with the plaintiff and consequently the Company considers the claim to be without merit and has filed a Statement of Defense against the claim.

6. TRADE AND OTHER RECEIVABLES

	June 30, 2021	December 31, 2020
	\$	\$
HST receivable	478,556	448,082
Other receivables and accrued interest	7,800	55,886
Due from related parties	181,229	81,612
	667,585	585,580

As at June 30, 2021, included in trade and other receivables is \$181,229 (December 31, 2020 - \$81,612) of amounts charged under the service level agreement with Magna Terra (note 20).

7. INVENTORY

	June 30, 2021	December 31, 2020
	\$	\$
Gold dore	622,000	681,000
Gold-in-circuit	1,627,000	1,648,000
Ore in stockpiles	578,000	3,024,000
Supplies and consumables	1,655,900	1,477,360
	4,482,900	6,830,360

As at June 30, 2021, inventory balances included a \$227,000 (December 31, 2020 - \$nil) write-down to the net realizable value of gold-in-circuit and ore in stockpiles.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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8. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2020 \$	Payments under option agreements* \$	Expenditures/ acquisition* \$	Transfers \$	Write-offs \$	Balance as at June 30, 2021 \$
Goldboro Project, Nova Scotia	36,948,906	45,000	4,847,470	-	-	41,841,376
Point Rouse Project, Newfoundland	4,935,236	-	1,336,609	-	-	6,271,845
Tilt Cove Project, Newfoundland	2,920,138	60,000	1,073,604	-	-	4,053,742
	44,804,280	105,000	7,257,683	-	-	52,166,963

* As at June 30, 2021, \$1,683,521 of expenditures/payments were in trade payables and accrued liabilities.

Properties	Balance as at December 31, 2019 \$	Payments under option agreements \$	Expenditures/ acquisition* \$	Transfers \$	Write-offs \$	Balance as at December 31, 2020 \$
Goldboro Project, Nova Scotia	32,238,426	10,000	4,715,790	-	(15,310)	36,948,906
Point Rouse Project, Newfoundland	6,951,675	-	1,462,896	(3,479,335)	-	4,935,236
Tilt Cove Project, Newfoundland	1,296,781	212,425	1,410,932	-	-	2,920,138
Great Northern Project, Newfoundland	2,100,758	-	-	(2,100,758)	-	-
Cape Spencer, New Brunswick	166,701	-	-	(166,701)	-	-
	42,754,341	222,425	7,589,618	(5,746,794)	(15,310)	44,804,280

* As at December 31, 2020, \$1,333,720 of expenditures/payments were in trade payables and accrued liabilities.

As at June 30, 2021, the Company had met all required property option commitments and accordingly the properties were in good standing. Royalty obligations on the Company's various mineral properties are outlined in note 21. As at December 31, 2020, the Company had transferred the Argyle exploration and evaluation assets to property, mill and equipment ("PME") as the Company commenced development of Argyle in the year ended December 31, 2020.

The Goldboro Project – The Goldboro Project is located in Nova Scotia. The Goldboro deposit comprises the Boston Richardson Zone, the East Goldbrook Zone, and the West Goldbrook Zone.

- On February 27, 2019, the Company entered into an option agreement with Crosby Gold Ltd. ("Crosby") to acquire a 100%-undivided interest in the Lower Seal Harbour Property, which is located 5 kilometres southeast of the Company's Goldboro deposit. To earn a 100%-undivided interest, the Company is required to make aggregate payments to Crosby of \$95,000 (of which \$55,000 has been paid) in cash and \$85,000 in common shares of Anaconda (of which \$45,000 in common shares has been issued) over a three-year period. The Company is also required to spend a total of \$150,000 in qualified exploration expenditures on the Lower Seal Harbour Property during the option period.
- On May 17, 2019, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in the Country Harbour Property, which is located 15 kilometres northwest of the Company's Goldboro deposit. During the year ended December 31, 2020, the Company terminated the option agreement and recorded a write-down of \$15,310 on the Country Harbour Property.

Point Rouse Project – The Point Rouse Project, located in Newfoundland, contains five mining leases and seven mineral licenses.

Tilt Cove Project – The Tilt Cove Project is comprised of exploration stage assets including highly prospective geology for gold deposits.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

- During the year ended December 31, 2020, the Company entered into an option agreement with local prospectors to acquire a 100%-undivided interest in a total of 76 claims, collectively the “Nippers Harbour Property”, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of \$135,000 (of which \$10,000 has been paid) in cash and \$85,000 in common shares of Anaconda (of which \$5,000 in common shares have been issued) over a four-year period.
- During the year ended December 31, 2020, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in a total of 10 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospector of \$30,000 (of which \$10,000 has been paid) in cash and \$45,000 in common shares of Anaconda (of which \$10,000 in common shares have been issued) over a two-year period.
- During the year ended December 31, 2019, the Company entered into option agreements with local prospectors to acquire a 100%-undivided interest in a total of 93 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of \$271,000 (of which \$98,500 has been paid) in cash and \$169,500 in common shares of Anaconda (of which \$52,000 in common shares have been issued) over a four-year period.
- During the year ended December 31, 2018, Anaconda entered into option agreements with three local prospectors to acquire a 100%-undivided interest in a total of 48 claims, collectively the “Betts Cove Property”, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest in the Betts Cove Property, the Company is required to make aggregate payments to the prospectors of \$100,000 (all of which has been paid) in cash and \$15,000 in common shares of Anaconda (all of which have been issued) over a two-year period.
- On November 8, 2016, Anaconda entered into an option agreement with Metals Creek Resources Corp. (“MEK”) to acquire a 100%-undivided interest in the Tilt Cove Property located 60 kilometres east of the Company’s Point Rousse Project. To earn a 100%-undivided interest in the Tilt Cove Property, the Company is required to make aggregate payments to MEK of \$200,000 (all of which has been paid) in cash and 175,000 common shares of Anaconda (all of which have been issued) over a four-year period. The Company is also required to spend a total of \$150,000 in qualified exploration expenditures on the Tilt Cove Property during the option period.

9. PROPERTY, MILL AND EQUIPMENT

For the period ended June 30, 2021

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	36,130,956	12,569,927	3,550,735	368,205	52,619,823
Additions*	2,208,598	166,857	204,803	201,199	2,781,457
Transfers	-	117,157	231,571	(348,728)	-
Disposals	-	-	(37,119)	-	(37,119)
	38,339,554	12,853,941	3,949,990	220,676	55,364,161
Accumulated depreciation					
Beginning of year	30,658,313	9,395,783	2,167,673	-	42,221,769
Depreciation/depletion	1,165,376	391,368	183,238	-	1,739,982
Disposals	-	-	(37,119)	-	(37,119)
	31,823,689	9,787,151	2,313,792	-	43,924,632
Net book value	6,515,865	3,066,790	1,636,198	220,676	11,439,529

* As at June 30, 2021, \$186,595 of additions were in trade payables and accrued liabilities. During the six months ended June 30, 2021, \$234,287 of PME additions were financed through leases.

Anaconda Mining Inc.

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(Expressed in Canadian Dollars, except per share amounts, unless otherwise noted)

For the year ended December 31, 2020

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	30,115,869	11,290,205	3,201,605	805,100	45,412,779
Additions*	2,269,704	483,215	369,078	625,660	3,747,657
Transfers	3,745,383	796,507	-	(1,062,555)	3,479,335
Disposals	-	-	(19,948)	-	(19,948)
	36,130,956	12,569,927	3,550,735	368,205	52,619,823
Accumulated depreciation					
Beginning of year	28,006,703	8,506,470	1,845,949	-	38,359,122
Depreciation/depletion	2,651,610	889,313	341,672	-	3,882,595
Disposals	-	-	(19,948)	-	(19,948)
	30,658,313	9,395,783	2,167,673	-	42,221,769
Net book value	5,472,643	3,174,144	1,383,062	368,205	10,398,054

* As at December 31, 2020, \$213,985 of additions were in trade payables and accrued liabilities. During the year ended December 31, 2020, \$123,390 of PME additions were financed through leases.

Indicators of impairment

When an impairment indicator of property, mill, and equipment exists, an impairment assessment is conducted at the level of the cash generating unit ("CGU") (a group of assets that generate independent cash inflows). An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount.

At March 31, 2021, management identified impairment indicators due to a decrease in mined grade in comparison to the mine plan due to higher mining dilution, which resulted in a downward adjustment to the top-cut parameter to better reflect the actual results from mining at the Argyle mine and the resulting mill reconciliation. As a result, management performed an impairment assessment on the Point Rousse CGU, including the Argyle mine, as at March 31, 2021. The recoverable amount of the CGU was based on a value in use method using the discounted cash flow model. The determination of the recoverable amounts included the following significant assumptions: quantities of recoverable reserves and resources, future metal prices, capital and operating costs and discount rates. No impairment charge was required for the Point Rousse CGU because its recoverable amount exceeded the carrying amount.

The model was most sensitive to the estimated short and long-term gold prices. Using the 7.5% discount rate, as disclosed below, a 1.9% decrease in estimated future gold prices would result in a break-even point.

Key assumptions

The Company's key assumptions used in determining the recoverable amount of the Point Rousse CGU, including the Argyle mine, are metal prices, operating costs, capital costs, reserves and resources, and discount rates.

The gold price used to calculate recoverable amounts as at March 31, 2021 was based on analysts' consensus prices and were a short-term gold price of C\$2,100 and a long-term gold price of C\$2,000. Operating costs and sustaining capital expenditures were based on life-of-mine plans and forecasts using management's best estimates as at March 31, 2021. Future mineral production was included in projected cash flows based on mineral reserve and resources estimates and exploration and evaluation work, undertaken by qualified persons. Discount rates used for the present value of the life of mine cash flow were based on weighted average cost of capital for similar companies and adjusted for risk and current market information. The Company used a 7.5% discount rate for the period ended March 31, 2021.

At June 30, 2021, the Company assessed that there were not any additional indicators of impairment that would require the Company to perform a further impairment test. Accordingly, no impairment was recorded as at June 30, 2021.

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Right-of-use assets

The Company leases various assets including buildings, machinery, and equipment, and vehicles. The following table summarizes the changes in right-of-use assets within property, mill and equipment:

	Property	Mill and Infrastructure	Equipment	Total
	\$	\$	\$	\$
As at January 1, 2020	44,468	319,845	517,079	881,392
Additions	-	-	123,390	123,390
Depreciation	(22,352)	(113,620)	(143,851)	(279,823)
As at December 31, 2020	22,116	206,225	496,618	724,959
Additions	196,287	-	38,000	234,287
Depreciation	(30,424)	(39,992)	(62,620)	(133,036)
Net book value as at June 30, 2021	187,979	166,233	471,998	826,210

10. EQUITY ACCOUNTED INVESTMENTS

Investment in Magna Terra

On October 15, 2019, the Company announced that it had entered into a definitive Share Purchase Agreement (the "SPA") with Magna Terra, whereby Magna Terra proposed to acquire all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, 2647102 Ontario Inc ("ExploreCo"), which held the Company's interests in the Great Northern Project in Newfoundland and the Cape Spencer Project in New Brunswick. On July 30, 2020, the Transaction was completed with the Company acquiring a total of 12,493,482 common shares of Magna Terra, representing a 27% interest in Magna Terra upon closing.

The Company recognized an after-tax gain of \$296,353 (pre-tax loss of \$547,647) on the sale of the ExploreCo disposal group during the year ended December 31, 2020 as a result of the difference in the value of the share consideration of the Magna Terra common shares (\$1,749,087) and the disposition of the net assets held by ExploreCo consisting of cash of \$13,627, exploration and evaluation assets of \$2,267,459, and deferred tax liabilities of \$844,000, as well as Transaction-related expenses of \$15,648.

As at June 30, 2021, the Company had significant influence over Magna Terra from an accounting perspective and recorded a loss of \$47,695 and \$59,920 for the Company's share of Magna Terra's net loss for the three and six months ended June 30, 2021, respectively (three and six months ended June 30, 2020 - \$nil and \$nil, respectively).

Investment in Novamera

In June 2017, the Company commenced a research and development project to develop, prototype, and optimize a new technology to mine steeply-dipping narrow gold veins that cannot be mined cost-effectively with existing technologies (the "Narrow Vein Mining Project" or the "Project"). The Company secured funding of over \$2,000,000 for the Project, including \$1,500,000 from the Atlantic Innovation Fund ("AIF"), more than \$520,000 through the Research & Development Corporation ("RDC"), and up to \$50,000 from the Industrial Research Assistance Program ("IRAP").

On April 9, 2020, the Company completed a \$2.0 million financing with a venture capital firm to further the advancement of the Project through its subsidiary Novamera. As part of the funding arrangement, the technology and the Company's related agreements with the AIF, RDC, and IRAP were transferred to Novamera. In exchange for a \$2.0 million investment in Novamera, the venture capital firm received a 41% interest in Novamera, in the form of preferred shares. The Company retained a 34% interest in Novamera on closing, with the balance being held by employees of Novamera. Novamera has indemnified the Company for any potential repayments related to the AIF and RDC drawn down by the Company up to the date of the transaction.

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The Company recognized a gain of \$1,902,894 during the year ended December 31, 2020 as a result of recognizing the Company's retained investment in Novamera at fair value (\$1,648,087), as well as the assumption of certain liabilities by Novamera (\$254,807).

As at June 30, 2021, the Company had significant influence over Novamera from an accounting perspective and recorded a gain of \$6,086 and a loss of \$178,207 for the Company's share of Novamera's net income (loss) for the three and six months ended June 30, 2021, respectively (three and six months ended June 30, 2020 – loss of \$114,237 and \$114,237, respectively).

11. TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30, 2021	December 31, 2020
	\$	\$
Trade payables	3,175,872	3,325,545
Accrued liabilities	2,189,528	733,149
Accrued payroll costs	732,517	737,800
	6,097,917	4,796,494

Trade and other payables generally arise from the Company's ongoing operations and capital projects, and are subject to materially standard vendor trade terms and are typically due within 30 days.

12. LOANS AND REVOLVING CREDIT FACILITY

The following table provides the details of the current and non-current components of loans:

	June 30, 2021	December 31, 2020
	\$	\$
RBC loan	1,249,149	1,981,519
Provincial government loan	105,709	140,064
Federal government loan	96,800	147,200
Lease liabilities	445,893	373,972
	1,897,551	2,642,755
Current portion		
RBC loan	1,249,149	1,475,831
Provincial government loan	84,225	83,180
Federal government loan	96,800	100,800
Lease liabilities	235,699	229,269
	1,665,873	1,889,080

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	June 30, 2021	December 31, 2020
	\$	\$
Non-current portion		
RBC loan	-	505,688
Provincial government loan	21,484	56,884
Federal government loan	-	46,400
Lease liabilities	210,194	144,703
	231,678	753,675

* During the six months ended June 30, 2021, the Company recognized \$nil and \$1,227 of expenses in the condensed interim consolidated statement of operations relating to short-term leases and leases of low value assets, respectively (six months ended June 30, 2020 - \$nil and \$1,762, respectively).

In March 2019, the Company entered into a \$5 million term loan (the "Facility") from the Royal Bank of Canada ("RBC"). The Facility was initially repayable monthly over a 24-month term with certain prepayment options. It is subject to an existing general security agreement with RBC, which includes a specific security interest in the Company's ball mill and cone crushers, and a debt service coverage ratio covenant to be measured on an annual basis, based on a ratio of a measure of earnings to interest expense and scheduled principal payments. The Facility was arranged with the support of Export Development Canada ("EDC"), to whom the Company pays a guarantee fee with respect to a guarantee issued over half the principal amount. The Facility carries a fixed interest rate of 4.6% and a performance guarantee fee by EDC of 1.85%, payable quarterly based on the proportional amount outstanding. The full \$5 million was drawn down in March 2019, and the initial monthly payment was made in April 2019. In December 2019, the Company extended the amortization period on the term loan to April 2022.

The Company has financed the acquisition of certain equipment through the assumption of lease obligations. These obligations are secured by the acquired equipment, which has a net book value of \$826,210 as at June 30, 2021 (December 31, 2020 - \$724,959). The leases bear interest at rates ranging from 0.0% and 7.7% per annum with maturity dates between November 1, 2021 and January 1, 2026. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

On June 1, 2016, the Company entered into an agreement with the provincial government of Newfoundland and Labrador to receive a loan of \$400,000. The loan, which was obtained to finance the automation of parts of the mill, bears interest at 3% and is repayable in 60 monthly payments of \$7,187 commencing on December 1, 2016.

On April 7, 2015, the Company entered into an agreement with the federal government to receive a loan of \$500,000, also related to the mill automation project. The loan is non-interest bearing and is repayable in 60 equal installments commencing on October 1, 2016.

Revolving Credit Facility, Revolving Demand Facility, and Revolving Equipment Lease Line of Credit

In June 2016, the Company obtained a Line of Credit Agreement with the RBC for a \$1,000,000 revolving credit facility as well as a \$500,000 revolving equipment lease line of credit (together the "Agreement"). In November 2018, the revolving equipment lease line of credit was increased to \$750,000. In March 2020, the revolving credit facility was amended to \$275,000 and a \$725,000 revolving demand facility was included in the Agreement. In August 2020, the revolving credit facility was removed from the Agreement and the revolving demand facility was increased to \$1,000,000. Under the terms of the Agreement, RBC maintains a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers. As at June 30, 2021, an irrevocable letter of credit in the amount of \$908,119 as collateral for the Company's surety bonds (note 14) has been issued under the revolving demand facility (December 31, 2020 - \$908,119). Subsequent to June 30, 2021, the Company obtained an additional \$3 million revolving demand facility with RBC.

On August 15, 2018, the Company entered into an agreement with RBC to drawdown \$489,145 of the revolving equipment lease line of credit, to finance certain mill equipment purchased within the last 12 months. The draw down is repayable in 24 monthly payments of \$21,320 commencing on August 27, 2018, bearing interest at 4.4%.

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On November 20, 2018, the Company entered into an agreement with RBC to drawdown \$197,930 of the revolving equipment lease line of credit, to finance certain mill equipment. The draw down is repayable in 24 monthly payments of \$5,924 commencing on November 23, 2018, bearing interest at 4.9%.

On July 9, 2019, the Company entered into an agreement with RBC to drawdown \$115,115 of the revolving equipment lease line of credit, to finance certain mill equipment. The draw down is repayable in 24 monthly payments of \$5,003 commencing on July 12, 2019, bearing interest at 4.1%.

As at June 30, 2021, there was an outstanding balance of \$23,456 on the revolving equipment lease line of credit (December 31, 2020 - \$87,594).

The following summary sets out the movement in loans over the period ended June 30, 2021 and the year ended December 31, 2020:

	RBC Loan \$	Provincial Government Loan \$	Federal Government Loan \$	Lease Liabilities \$	Total \$
As at December 31, 2020	1,981,519	140,064	147,200	373,972	2,642,755
Changes from financing cash flows:					
Repayments of loans/leases	(732,370)	(34,355)	(50,400)	(162,366)	(979,491)
Interest paid	(44,944)	(1,579)	-	(8,969)	(55,492)
	1,204,205	104,130	96,800	202,637	1,607,772
Other changes:					
Property, mill, and equipment acquired through leases	-	-	-	234,287	234,287
Interest expense	44,944	1,579	-	8,969	55,492
As at June 30, 2021	1,249,149	105,709	96,800	445,893	1,897,551

	RBC Loan \$	Provincial Government Loan \$	Federal Government Loan \$	Lease Liabilities \$	Other Loans \$	Total \$
As at December 31, 2019	3,384,124	160,472	172,400	644,616	331,598	4,693,211
Changes from financing cash flows:						
Repayments of loans/leases	(1,402,605)	(20,408)	(25,200)	(394,034)	(458,885)	(2,301,133)
Interest paid	(164,103)	(1,153)	-	(27,738)	-	(192,994)
	1,817,416	138,911	147,200	222,844	(127,287)	2,199,085
Other changes:						
Insurance premiums financed through loans	-	-	-	-	127,287	127,287
Property, mill, and equipment acquired through leases	-	-	-	123,390	-	123,390
Interest expense	164,103	1,153	-	27,738	-	192,994
As at December 31, 2020	1,981,519	140,064	147,200	373,972	-	2,642,755

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13. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	June 30, 2021	December 31, 2020
	\$	\$
Opening balance	3,484,072	2,847,999
Interest accretion	6,573	7,921
Additions/change in estimates	50,369	609,098
Change in inflation/discount rates	212,698	19,054
Closing balance	3,753,712	3,484,072
Current portion	103,451	101,107
Non-current portion	3,650,261	3,382,965

The provisions for reclamation are provided against the Company's operations at the Point Rouse Project in Newfoundland and the Goldboro Project in Nova Scotia, and are based on the project plan submitted to the Newfoundland and Labrador government and the Goldboro bulk sample program plan submitted to the Nova Scotia government, respectively. The Company expects to incur the majority of its reclamation costs between 2021 and 2027, based on existing life of mine assumptions. During the six months ended June 30, 2021, the Company recognized \$50,369 of additions to the provision for asset retirement obligations in relation to the development of Argyle (year ended December 31, 2020 - \$539,044).

As at June 30, 2021, the Company had entered an agreement with an insurance company to provide a surety bond for \$3,481,243 (December 31, 2020 - \$3,481,243) to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

During the year ended December 31, 2018, the Company obtained a permit from the Nova Scotia government to complete a bulk sample program at the Goldboro Project which requires the Company to maintain total reclamation security of \$225,000 to cover related rehabilitation and closure costs. During the year ended December 31, 2020, the Nova Scotia government required the Company to increase the total reclamation security by \$25,000 to \$250,000. The reclamation security for the bulk sample program is maintained through a combination of security held by the Nova Scotia government and a surety bond.

During the year ended December 31, 2020, the Company changed insurance companies which provide the surety bonds to backstop its performance obligations with respect to the Company's reclamation obligations. Under the terms of the replacement surety bonds, the Company was required to provide collateral of \$908,119, equivalent to 25% of the value of the bonds. The collateral was provided in the form of an irrevocable letter of credit from the Royal Bank of Canada, which was carved out of the existing \$1,000,000 undrawn revolving line of credit (note 12).

14. ISSUED CAPITAL AND EQUITY-BASED INSTRUMENTS

Issued Capital and Recent Issuances

The Company's authorized share capital consists of an unlimited number of common shares. As at June 30, 2021, the Company had 174,081,444 (December 31, 2020 - 153,953,798) common shares outstanding.

On May 28, 2021, the Company completed a non-brokered private placement for aggregate gross proceeds of \$8,500,030, whereby it issued 10,241,000 flow-through common shares of the Company at a price of \$0.83 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares (\$8,500,030) will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2021. As

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at June 30, 2021, \$530,202 of the flow-through funds were spent on eligible exploration expenses, with \$7,969,828 remaining to be spent. A flow-through liability of \$750,913 was recorded upon closing, representing the difference between the market price of the Company's shares on May 28, 2021 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at June 30, 2021, the Company derecognized a cumulative amount of \$46,840 of the flow-through liability and recognized a corresponding income amount, representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

On July 31, 2020, the Company completed a non-brokered private placement for aggregate gross proceeds of \$5,510,000, whereby it issued 9,500,000 flow-through common shares of the Company at a price of \$0.58 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares (\$5,510,000) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2020. As at June 30, 2021, all of the flow-through funds were spent on eligible exploration expenses. A flow-through liability of \$376,811 was recorded upon closing, representing the difference between the market price of the Company's shares on July 31, 2020 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at June 30, 2021, the Company derecognized a cumulative amount of \$376,811 of the flow-through liability and recognized a corresponding income amount (for the three and six months ended June 30, 2021 - \$44,812 and \$186,874), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

On July 10, 2019, the Company completed a non-brokered private placement for aggregate gross proceeds of \$4,690,646, whereby it issued 7,515,701 flow-through units of the Company (the "FT Units") at a price of \$0.35 per FT unit, and 7,630,185 units of the Company (the "Units") at a price of \$0.27 per Unit. Each FT Unit consisted of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Unit consisted of one common share and one-half of one Warrant. Each Warrant entitled the holder thereof to purchase one common share of the Company at a price of \$0.45 until January 10, 2021. A cash commission of 6% of certain proceeds from the issuance of Units and FT Units, for a total cost of \$74,499, and 264,600 non-transferable finder warrants were issued in connection to the private placement. Each finder warrant was exercisable for one common share of the Company at a price of \$0.45 until January 10, 2021. An amount equal to the gross proceeds from the flow-through common shares (\$2,630,495) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2019. All of the flow-through funds were spent on eligible exploration expenses. A flow-through liability of \$579,651 was recorded upon closing, representing the difference between the market price of the Company's shares on July 10, 2019 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. During the year ended December 31, 2020, the Company derecognized the flow-through liability and recognized a corresponding income amount, as the liability had been fulfilled by incurring qualifying exploration expenditures.

Warrants

A summary of the Company's warrant activities for the six months ended June 30, 2021 and the year ended December 31, 2020 is presented below:

	Warrants	Weighted average exercise price
	#	\$
Outstanding, December 31, 2019	23,795,615	0.42
Exercised	(5,945,957)	0.39
Expired/forfeited	(6,038,993)	0.55
Outstanding, December 31, 2020	11,810,665	0.37
Exercised	(6,328,165)	0.45
Outstanding, June 30, 2021	5,482,500	0.28

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During the six months ended June 30, 2021, 6,328,165 warrants were exercised (six months ended June 30, 2020 – nil). The corresponding grant date fair value of \$389,603 (six months ended June 30, 2020 - \$nil) was reclassified from warrants to issued capital. Subsequent to period end, 170,000 warrants were exercised.

During the six months ended June 30, 2021, no warrants expired unexercised (six months ended June 30, 2020 – 6,038,993).

As at June 30, 2021, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
May 19, 2017*	5,270,000	\$0.28	September 15, 2021
May 19, 2017*	212,500	\$0.28	October 11, 2021
	5,482,500	\$0.28	

*May 19, 2017 reflects the date of acquisition of Orex Exploration Inc.

Incentive Plans

The Company has adopted a stock option plan (the “Stock Option Plan”) and a share unit plan (the “Share Unit Plan” and together with the Stock Option Plan, the “Incentive Plans”). The Incentive Plans are each a “rolling evergreen” plan and provide that the number of common shares of the Company available for issuance from treasury under the Incentive Plans shall not exceed 10% of the issued and outstanding common shares of the Company at the time of grant. Any increase in the issued and outstanding common shares of the Company will result in an increase in the available number of common shares issuable under the Incentive Plans. Any issuance of common shares from treasury pursuant to the settlement of stock options or share units granted pursuant to the Incentive Plans shall automatically replenish the number of common shares issuable under the Incentive Plans. When each stock option or share unit is exercised, cancelled, or terminated, a common share shall automatically be made available for the grant of a stock option or share unit under the Incentive Plans.

As at June 30, 2021, 17,408,144 common shares were available for the grant of stock options or share units to directors, officers, employees and service providers in connection with the Incentive Plans.

Stock Option Plan

As at June 30, 2021, 3,133,751 options under the Company's Stock Option Plan were outstanding with 2,375,835 exercisable.

On May 19, 2017, the Company issued 3,453,125 replacement stock options pursuant to the acquisition of Orex Exploration Inc. The replacement stock options are not included in the calculation of the number of stock options left unallocated under the Company's Incentive Plans. As at June 30, 2021, 425,000 replacement stock options were outstanding and exercisable.

The following summary sets out the activity in the Stock Option Plan, along with the replacement stock options, for the six months ended June 30, 2021 and the year ended December 31, 2020:

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	Options	Weighted average exercise price
	#	\$
Outstanding, December 31, 2019	7,772,875	0.28
Granted	578,750	0.40
Exercised	(1,804,124)	0.24
Expired/forfeited	(616,667)	0.26
Outstanding, December 31, 2020	5,930,834	0.30
Granted	545,000	0.72
Exercised	(3,317,083)	0.25
Expired/forfeited	(25,000)	0.24
Outstanding, June 30, 2021	3,133,751	0.42
Options exercisable, June 30, 2021	2,375,835	0.35

During the six months ended June 30, 2021, 545,000 options (year ended December 31, 2020 – 578,750) were granted to employees and consultants of the Company at a weighted average exercise price of \$0.72 (year ended December 31, 2020 – \$0.40). The vesting terms of the options were as follows: 445,000 of the options vest over an 18-month period in 3 equal instalments and 100,000 of the options vest over a 6-month period in 2 equal instalments.

During the six months ended June 30, 2021, 3,317,083 options were exercised (year ended December 31, 2020 – 1,804,124). The corresponding grant date fair value of \$702,578 (year ended December 31, 2020 – \$322,644) was reclassified from equity reserves to issued capital.

During the six months ended June 30, 2021, 25,000 options expired unexercised or were forfeited (year ended December 31, 2020 – 616,667). The corresponding grant date fair value of \$4,510 (year ended December 31, 2020 – \$126,051) was reclassified from equity reserves to accumulated deficit.

The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the assumptions below. The following table sets out the details of the stock options granted and outstanding as at June 30, 2021. The weighted average exercise price for the outstanding stock options was \$0.42 as at June 30, 2021.

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Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
425,000	425,000	0.46 years	\$0.24	December 15, 2021
100,000	50,000	0.62 years	\$0.60	February 10, 2022
125,000	125,000	0.90 years	\$0.28	May 23, 2022
495,000	495,000	0.98 years	\$0.24	June 21, 2022
62,500	62,500	1.27 years	\$0.28	October 5, 2022
12,500	12,500	1.38 years	\$0.26	November 13, 2022
50,000	50,000	1.48 years	\$0.32	December 22, 2022
900,000	900,000	1.56 years	\$0.46	January 19, 2023
248,751	165,834	3.69 years	\$0.21	March 3, 2025
125,000	41,667	4.19 years	\$0.64	September 3, 2025
125,000	41,667	4.22 years	\$0.58	September 14, 2025
20,000	6,667	4.37 years	\$0.61	November 6, 2025
320,000	-	4.68 years	\$0.77	February 26, 2026
125,000	-	4.87 years	\$0.67	May 6, 2026
3,133,751	2,375,835	2.10 years	\$0.42	

The expected volatility is based on the historical volatility (based on the remaining life of the options) adjusted for any expected changes in future volatility due to publicly available information.

The following table sets out the details of the valuation of stock option grants for the six months ended June 30, 2021 and the year ended December 31, 2020:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
March 3, 2020	308,750	0.88%	Nil	88.0%	5 years
September 3, 2020	125,000	0.35%	Nil	89.5%	5 years
September 14, 2020	125,000	0.36%	Nil	89.0%	5 years
November 6, 2020	20,000	0.40%	Nil	88.6%	5 years
February 10, 2021	100,000	0.19%	Nil	108.3%	1 year
February 26, 2021	320,000	0.88%	Nil	84.2%	5 years
May 6, 2021	125,000	0.91%	Nil	83.3%	5 years

The fair value of the stock options granted for the three and six months ended June 30, 2021 was \$54,950 and \$242,496, respectively (three and six months ended June 30, 2020 – \$nil and \$44,213). Share-based compensation expense recognized in relation to stock options during the three and six months ended June 30, 2021 was \$90,073 and \$152,466 (three and six months ended June 30, 2020 – \$18,573 and \$29,275, respectively).

Share Unit Plan

The Company's Share Unit Plan provides for the issuance of share units to directors, officers, employees, and consultants of the Company. Share units are units representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined at the discretion of the Board of Directors on the date of grant. In granting share units, the Board of Directors may include other terms, conditions, and/or vesting criteria which are not inconsistent with the Share Unit Plan. Share units are settled by way of issuance of common shares from treasury as soon as practicable following the maturity date in accordance with the Share Unit Plan.

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As at June 30, 2021, 2,017,112 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the six months ended June 30, 2021 and the year ended December 31, 2020:

	Share units #	Weighted average fair value \$
Outstanding, December 31, 2019	1,967,256	0.31
Granted	1,019,520	0.23
Redeemed	(1,380,208)	0.29
Forfeited	(140,001)	0.30
Outstanding, December 31, 2020	1,466,567	0.27
Granted	727,026	0.77
Redeemed	(176,481)	0.22
Outstanding, June 30, 2021	2,017,112	0.45

During the six months ended June 30, 2021, 727,026 share units (year ended December 31, 2020 – 1,019,520) were granted to directors, officers, employees, and consultants of the Company at an average fair value of \$0.77 (year ended December 31, 2020 – \$0.23). The vesting terms of these share units were as follows: 53,026 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, and 674,000 share units vest over an 18-month period in three equal instalments.

During the six months ended June 30, 2021, 176,481 share units were redeemed (year ended December 31, 2020 – 1,380,208). The corresponding grant date fair value of \$37,395 (year ended December 31, 2020 – \$410,410) was reclassified from equity reserves to issued capital.

During the six months ended June 30, 2021, no share units were forfeited (year ended December 31, 2020 – 140,001).

The share units, when granted, are accounted for at their fair value determined by the share price upon the grant of the share units. The fair value of the share units granted for the three and six months ended June 30, 2021 was \$18,125 and \$557,105, respectively (three and six months ended June 30, 2020 – \$14,875 and \$196,308). Share-based compensation expense recognized in relation to share units during the three and six months ended June 30, 2021 was \$185,062 and \$276,318, respectively (three and six months ended June 30, 2020 – \$95,335 and \$189,309, respectively).

15. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net (loss) income for the period	\$ (2,202,251)	\$ 1,981,864	\$ (4,699,101)	\$ 3,453,263
Weighted average basic number of shares outstanding	168,377,868	136,999,026	164,984,476	136,529,805
Weighted average dilutive shares adjustment:				
Stock options	-	115,757	-	-
Share units	-	819,365	-	783,282
Weighted average diluted number of shares outstanding	168,377,868	137,934,148	164,984,476	137,313,087
Net (loss) income per share:				
Basic and diluted	\$ (0.01)	\$ 0.01	\$ (0.03)	\$ 0.03

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The following table lists the equity securities excluded from the computation of diluted earnings per share. The securities were excluded as the inclusion of the equity securities had an anti-dilutive effect on net income; or the exercise prices relating to the particular security exceed the weighted average market price of the Company's common shares.

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Stock options	3,133,751	7,647,875	3,133,751	7,647,875
Warrants	5,482,500	16,272,571	5,482,500	16,272,571
Share units	896,226	-	896,226	-
	9,512,477	23,920,446	9,512,477	23,920,446

16. INCOME TAXES

During the three and six months ended June 30, 2021, a current income tax expense of \$nil and \$30,345 relating to provincial mining tax was recorded in the condensed interim consolidated statement of comprehensive (loss) income (three and six months ended June 30, 2020 – \$235,000 and \$587,528, respectively). During the three and six months ended June 30, 2021, the Company paid \$1,893,345 relating to provincial mining tax for the year ended December 31, 2020.

During the three and six months ended June 30, 2021, a net deferred income tax recovery of \$203,000 and \$252,000 (three and six months ended June 30, 2020 – expense of \$1,275,000 and \$2,101,000, respectively) was recognized in the condensed interim consolidated statement of comprehensive (loss) income.

17. ADVANCES

In March 2020, the Company secured funding of \$949,850 from the Government of Canada's Future Skills Centre (the "Centre") for a project entitled "Creating a Microlearning Model for the Canadian Mining Industry". Funding through the Centre is a non-repayable grant and will be credited against eligible costs incurred. During the six months ended June 30, 2021, the Company received \$320,015 as an advance from the Centre and \$198,184 was credited against eligible costs incurred in relation to advances received from the Centre (year ended December 31, 2020 – \$534,850 and \$345,000, respectively). As at June 30, 2021, \$311,681 related to amounts received from the Centre for future project expenditures was included as an advance in the condensed interim consolidated statement of financial position.

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18. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information to the statements of cash flows is as follows:

	Three months ended June 30, 2021 \$	Three months ended June 30, 2020 \$	Six months ended June 30, 2021 \$	Six months ended June 30, 2020 \$
Change in working capital:				
Trade and other receivables	(79,995)	35,744	(82,005)	19,373
Prepaid expenses and deposits	(116,503)	68	(9,346)	122,131
Inventory	791,816	(521,379)	(445,540)	(189,740)
Unearned revenue	-	(13,661)	-	(13,661)
Advances	146,831	-	121,831	-
Trade payables and accrued liabilities	7,135	347,204	980,512	347,204
Current taxes payable	(1,893,345)	(850,243)	(1,893,345)	(479,403)
	(1,144,061)	(1,002,267)	(1,327,893)	(194,096)
Supplemental cash flow information:				
Interest paid	27,446	48,144	55,492	95,953
Property, mill and equipment acquired through leases	234,287	55,488	234,287	123,390
Insurance premiums financed through loans	-	54,112	-	127,287

19. FINANCIAL INSTRUMENTS

The Company's financial instruments as at June 30, 2021 and December 31, 2020 are cash, restricted cash, accounts payable, accrued liabilities, and certain current and non-current loans. The carrying amount of the Company's financial instruments approximates fair value due to their short-term nature.

The contractual cash flow obligations of the Company as at June 30, 2021 are as follows:

	1 year \$	1 - 3 years \$	More than 3 years \$	Total \$
Trade payables and accrued liabilities	6,097,917	-	-	6,097,917
RBC loan	1,279,693	-	-	1,279,693
Provincial government loan	86,244	21,561	-	107,805
Federal government loan	96,800	-	-	96,800
Lease liabilities	251,468	194,480	23,392	469,340
	7,812,122	216,041	23,392	8,051,555

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20. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, and the Chief Financial Officer. Compensation of key management personnel (including directors) was as follows for the three and six months ended June 30, 2021 and June 30, 2020:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$	\$	\$
Salaries, bonuses, fees and short term benefits	173,754	175,187	325,345	391,325
Share based compensation	18,500	67,501	79,164	139,340
	192,254	242,688	404,509	530,665

As at June 30, 2021, included in trade and other payables is \$37,000 (December 31, 2020 – \$215,000) of amounts due for directors' fees and bonuses.

Magna Terra Minerals Inc.

The Company and Magna Terra have certain key management personnel in common. As described in note 10, the Company completed a transaction with Magna Terra on July 30, 2020, whereby Magna Terra acquired all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, ExploreCo. The Company and Magna Terra have entered into a service level agreement whereby the Company provides certain services to Magna Terra, including technical geology services and exploration program management, corporate services, and finance and accounting support. As at June 30, 2021, included in trade and other receivables in note 6 is \$181,229 (December 31, 2020 - \$81,612) of amounts charged under the service level agreement.

21. COMMITMENTS

As at June 30, 2021, the Company has a commitment to spend a total of \$7,969,828 of flow-through funds on eligible exploration expenses, related to the private placement completed in May 2021 (note 14).

In the second quarter of 2021, the Company locked into forward sales on a delivery basis for a total of 1,511 ounces of its production for the third quarter of 2021. The gold price for the orders was locked in at an average of \$2,244 per ounce with delivery in the third quarter of 2021.

The Company has royalty obligations on its various mineral properties as follows:

- A net smelter return ("NSR") of 3% is payable to a third-party on gold sold from the Stog'er Tight Property.
- A \$3,000,000 capped NSR on 4 mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle property, is calculated at 3% when the average price of gold is less than US\$2,000 per ounce for the calendar quarter and is 4% when the average price of gold is more than US\$2,000 per ounce for the calendar quarter.
- A \$3,000,000 capped NSR of 3% on a property that forms part of the Argyle Property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.
- A net profits interest ("NPI") agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. As at June 30, 2021, the Company has determined it has approximately \$15 million in expenditures deductible against future receipts.

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The Company also has royalties payable to various vendors of mineral leases located outside the currently anticipated mining areas.

22. SUBSEQUENT EVENTS

In July 2021, the Company obtained an additional \$3 million revolving demand facility with RBC (the "Facility"). The Facility is subject to an existing general security agreement with RBC (note 12) and a debt service coverage ratio covenant to be measured on an annual basis. The Facility was arranged with the support of EDC, which has provided a performance guarantee over 75% of the Facility limit. The interest rate is calculated as the Royal Bank Prime rate plus 1.50% inclusive of EDC guarantee fees. The Facility remains undrawn as of July 28, 2021.