Anaconda Mining

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2018 and August 31, 2017

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Canadian Dollars)

	Notes	**Three months ended September 30, 2018 $**	Three months ended August 31, 2017 $	**Nine months ended September 30, 2018 $**	Nine months ended August 31, 2017 $ Restated, Note 4
Gold		**6,916,928**	7,607,090	**21,848,067**	20,960,683
Silver		**6,810**	6,080	**23,796**	18,100
Aggregates		**-**	514,282	**100,092**	1,053,515
Total revenue		**6,923,738**	8,127,452	**21,971,955**	22,032,298
Cost of operations					
Operating expenses	5	**4,472,273**	5,037,132	**12,411,876**	13,996,158
Royalty expense	5	**51,368**	-	**70,445**	2,952
Depletion and depreciation		**1,714,188**	2,272,738	**4,853,006**	6,250,873
Total cost of operations		**6,237,829**	7,309,870	**17,335,327**	20,249,983
Mine operating income		**685,909**	817,582	**4,636,628**	1,782,315
Expenses and other income					
Corporate administration		**952,029**	1,244,616	**3,194,725**	2,529,625
Transaction costs	24	**114,113**	-	**854,131**	-
Share-based compensation expense	16	**106,967**	49,674	**447,847**	95,041
Deferred premium on flow-through shares	16	**-**	-	**(253,535)**	-
Write-down of exploration and evaluation assets	10	**-**	65,939	**-**	65,939
Research and development	19	**73,247**	-	**206,338**	-
Other expenses	6	**6,308**	48,386	**50,757**	191,035
		1,252,664	1,408,615	**4,500,263**	2,881,640
(Loss) income before income taxes		**(566,755)**	(591,033)	**136,365**	(1,099,325)
Current income tax expense	18	**141,000**	59,000	**813,445**	59,000
Deferred income tax expense (recovery)		**229,000**	(326,000)	**660,000**	1,996,000
		370,000	(267,000)	**1,473,445**	2,055,000
Net loss and comprehensive loss for the period		**(936,755)**	(324,033)	**(1,337,080)**	(3,154,325)
Net loss per share - basic and diluted	17	**(0.01)**	(0.00)	**(0.01)**	(0.05)
Weighted average number of shares outstanding - basic and fully diluted		**118,691,635**	95,518,773	**111,418,768**	69,048,353

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	September 30, 2018 $	December 31, 2017 $
Assets			
Current assets			
Cash		**7,579,958**	3,963,181
Trade and other receivables	7	**290,438**	336,900
Inventory	8	**6,286,548**	7,126,240
Prepaid expenses and deposits		**239,924**	234,904
Marketable securities	9	**372,690**	-
		14,769,558	11,661,225
Non-current assets			
Restricted cash		**34,023**	5,000
Property, mill and equipment	11	**9,019,020**	11,018,738
Exploration and evaluation assets	10	**29,702,236**	23,615,914
Deferred income tax asset		**2,631,000**	3,627,000
		56,155,837	49,927,877
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	12	**5,869,617**	3,958,933
Current portion of loans	14	**614,534**	671,881
Flow-through premium	16	**-**	253,535
Advances	19	**73,418**	155,682
Current taxes payable		**807,000**	118,000
		7,364,569	5,158,031
Non-current liabilities			
Loans	14	**680,277**	670,534
Deferred income tax liability		**1,839,000**	2,175,000
Decommissioning liability	15	**2,968,801**	2,666,401
		12,852,647	10,669,966
Shareholders' equity			
Share capital, warrants and equity reserves	16	**57,888,336**	52,660,297
Accumulated deficit		**(14,585,146)**	(13,402,386)
		43,303,190	39,257,911
		56,155,837	49,927,877

Approved by the Board of Directors on November 7, 2018

"Maruf Raza"
Director

"Jonathan Fitzgerald"
Director

Change in year-end (Note 1)

Commitments (Note 23)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Canadian Dollars)

	Notes	Three months ended September 30, 2018 $	Three months ended August 31, 2017 $	Nine months ended September 30, 2018 $	Nine months ended August 31, 2017 $ Restated, Note 4
Operating activities					
Net loss		**(964,755)**	(324,033)	**(1,365,080)**	(3,154,325)
Adjustments to reconcile net loss to cash flow from operating activities:					
Depletion and depreciation		**1,714,188**	2,272,738	**4,853,006**	6,250,873
Write down of exploration assets	10	**-**	65,939	**-**	65,939
Share-based compensation expense	16	**106,967**	49,674	**447,847**	95,041
Current income tax expense	18	**141,000**	59,000	**813,445**	59,000
Deferred income tax expense (recovery)		**257,000**	(326,000)	**688,000**	1,996,000
Finance expense		**-**	-	**-**	(30,166)
Deferred premium on flow-through shares	16	**-**	-	**(253,535)**	-
Interest accretion of decomissioning liability	15	**22,421**	6,337	**49,774**	25,807
Unrealized gain on derivatives		**(4,664)**	-	**(24,207)**	58,234
Unrealized gain on marketable securities	9	**(65)**	-	**(65)**	-
Change in non-cash working capital	20	**299,928**	(1,263,183)	**299,340**	(1,329,848)
Cash flow provided from operating activities		**1,572,020**	540,472	**5,508,525**	4,036,555
Investing activities					
Additions of property, mill and equipment	11	**(357,834)**	(179,471)	**(1,738,946)**	(966,420)
Additions of exploration and evaluation assets	10	**(1,309,749)**	(681,732)	**(3,966,183)**	(1,974,427)
Acquisition of Maritime loan	6	**-**	-	**(535,178)**	-
Repayment of Maritime loan	6	**-**	-	**535,178**	-
Cash received through acquisition of Orex Exploration Inc.		**-**	-	**-**	713,367
Payment of transaction costs related to acquisition of Orex		**-**	(537,687)	**-**	(537,687)
Purchase of marketable securities	9	**(372,625)**	-	**(372,625)**	-
(Increase)/decrease in restricted cash		**-**	-	**(29,023)**	27,500
Cash flow used in investing activities		**(2,040,208)**	(1,398,890)	**(6,106,777)**	(2,737,667)
Financing activities					
Proceeds from financing agreement, net of issuance costs	16	**-**	-	**4,161,677**	-
Net proceeds from exercise of stock options	16	**-**	-	**186,000**	30,000
Net proceeds from exercise of warrants	16	**-**	-	**87,000**	-
Proceeds from bank indebtedness		**-**	-	**-**	317,199
Proceeds from capital leases and other loans		**489,145**	-	**489,145**	-
Repayment of bank indebtedness		**-**	-	**-**	(317,199)
Repayment of capital leases and other loans	14	**(249,617)**	(37,081)	**(575,094)**	(97,354)
Repayment of government loans	14	**(44,712)**	(44,088)	**(133,699)**	(131,843)
Cash flow provided from (used in) financing activities		**194,816**	(81,169)	**4,215,029**	(199,197)
Net increase in cash		**(273,372)**	(939,587)	**3,616,777**	1,099,691
Cash at beginning of period		**7,853,330**	2,519,488	**3,963,181**	480,210
Cash at end of period		**7,579,958**	1,579,901	**7,579,958**	1,579,901

Supplemental cash flow information (Note 20)

Anaconda Mining Inc.

Condensed Interim Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars, expect share information)

		Share capital					
		Number of shares	Issued capital	Equity reserves	Warrants	Accumulated deficit	Total
	Notes		$	$	$	$	$
Balance at November 30, 2016		**52,333,088**	**34,861,237**	**866,034**	**93,766**	**(9,688,463)**	**26,132,574**
Issuance of common shares for acquisition of Orex Exploration Inc.		43,041,935	12,051,741	-	-	-	12,051,741
Issuance of replacement options for acquisition of Orex Exploration Inc.		-	-	709,496	-	-	709,496
Issuance of warrants for acquisition of Orex Exploration Inc.		-	-	-	1,717,332	-	1,717,332
Share-based compensation from issuance of options	16	-	-	95,041	-	-	95,041
Expiry of stock options transferred to deficit		-	-	(188,923)	-	188,923	-
Exercise of stock options	16	143,750	52,243	(22,243)	-	-	30,000
Net loss for the period		-	-	-	-	(3,154,325)	(3,154,325)
Balance at August 31, 2017		**95,518,773**	**46,965,221**	**1,459,405**	**1,811,098**	**(12,653,865)**	**37,581,859**
Balance at December 31, 2017		**105,644,965**	**49,407,443**	**1,481,560**	**1,771,294**	**(13,402,386)**	**39,257,911**
Share-based compensation from issuance of options	16	-	-	447,847	-	-	447,847
Expiry of stock options transferred to deficit		-	-	(154,320)	-	154,320	-
Exercise of stock options	16	787,500	213,420	(27,420)	-	-	186,000
Exercise of warrants	16	255,000	87,000	-	-	-	87,000
Issuance of shares for property acquisition	10	1,113,218	499,835	-	-	-	499,835
Issuance of flow-through shares and warrants for units	16	10,890,952	4,039,727	-	425,563	-	4,465,290
Share issuance expense, net of tax	16	-	(387,081)	-	83,468	-	(303,613)
Net loss for the period		-	-	-	-	(1,365,080)	(1,365,080)
Balance at September 30, 2018		**118,691,635**	**53,860,344**	**1,747,667**	**2,280,325**	**(14,613,146)**	**43,275,190**

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 in Atlantic Canada. The Company operates the Point Rousse Project located in the Baie Verte Mining District in Newfoundland, Canada, comprised of the Stog'er Tight mine, the Pine Cove open pit mine, the Argyle Mineral Resource, and the fully-permitted Pine Cove Mill and tailings facility. Anaconda is also advancing the Goldboro Project in Nova Scotia.

Other projects in Newfoundland include the Viking Project (which includes the Thor deposit), the Great Northern Project on the Northern Peninsula, and the Tilt Cove Property, located 60 kilometres east of the Company's Point Rousse Project.

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 150 York Street, Suite 410, Toronto, Ontario, M5H 3S5.

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 for the seven month period ended December 31, 2017.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value. Certain prior year amounts have been reclassified to conform to account presentation adopted in the current year.

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 accounting judgments and estimates discussed here reflect updates from those applied and disclosed in note 3 of the Company's audited consolidated financial statements as at and for the seven month period ended December 31, 2017.

During the nine months ended September 30, 2018, the Company completed a review of the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill which resulted in changes in the estimated residual values for these long-lived assets. The changes in the estimated residual values have been accounted for as changes in estimate (note 11). The residual value estimates require management to make judgments and apply assumptions in respect of the useful lives of the assets, including the Company's life of mine plan, the selection of transaction data for comparable assets and the economic conditions that will exist at the end of the life of the mine.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 7, 2018.

Change in year-end
During the seven months ended December 31, 2017, the Company changed its fiscal year end to December 31, from May 31. The Company's transition period is the seven months ended December 31, 2017. The comparative periods for these condensed interim consolidated financial statements are the three and nine months ended August 31, 2017. The new financial year aligns the Company with its peer group in the mineral resources sector and facilitate marketplace assessment of the Company's business performance.

2. SIGNIFICANT ACCOUNTING POLICIES

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 seven month period ended December 31, 2017, except for the changes in accounting policies resulting from the adoption of IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as described below:

Change in accounting policies – Financial instruments

The Company has adopted all of the requirements of IFRS 9 as of January 1, 2018. IFRS 9 replaced IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to the measurement of financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial assets on this date. The following is the Company's new accounting policy under IFRS 9:

Financial instruments

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	Amortized cost
Restricted cash	FVTPL	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Loans	Amortized cost	Amortized cost
Call options	FVTPL	FVTPL

(b) Measurement

Financial assets and liabilities at FVTPL and FVTOCI
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss). The Company recognizes marketable securities at FVTPL.

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

(c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Company recognizes in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was $nil as at September 30, 2018 and December 31, 2017.

Change in accounting policies – Revenue recognition

The Company has adopted all of the requirements of IFRS 15 as of January 1, 2018. IFRS 15 replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. In the Company's condensed interim consolidated financial statements as at and for the three months ended March 31, 2018, the modified retrospective transition method was applied, which had no impact on the Company's condensed interim consolidated financial statements. During the three months ended June 30, 2018, the Company changed its accounting policy and applied the full retrospective transition method. During the three months ended June 30, 2018, the Company entered into a contract to sell aggregates from the Point Rousse Project to a third party and determined that this change in accounting policy increased the comparability and relevance of the comparative financial information for the three and six months ended May 31, 2017. The application of the full retrospective transition method had no impact on the Company's condensed interim consolidated financial statements other than the reclassification of the income from aggregate arrangements from other income to aggregates revenue. The following is the Company's new accounting policy for revenue recognition under IFRS 15:

Revenue recognition
Revenue from the sales of gold and silver is recognized based on the identification of contracts with a customer, the determination of performance obligation under the contract and the related transaction price, and the point at which the Company satisfies its performance obligation. The Company currently enters into gold and silver sales agreements with Auramet International LLC ("Auramet") whereby the Company will sell its refined gold and silver bullion to Auramet at market prices for those metals. The Company recognizes revenue from gold and silver when it has transferred the metals to Auramet, fulfilling its performance obligations under the sales agreement, and the resulting revenue can be measured at the contract price on the delivery date.

When the Company sells a portion of its future production for upfront proceeds, the Company records a corresponding amount of unearned revenue and recognizes revenue as it delivers the physical metal to settle those sales in fulfillment of its performance obligation under that contract. The Company applies the practical expedient under IFRS 15 where the consideration for these transactions is not adjusted for the effects of a significant financing component, as all physical deliveries are expected to be made within one year of the receipt of proceeds.

Revenue from the sales of aggregates is recognized based on the identification of contracts with a customer, the determination of performance obligation under the contract and the related transaction price, and the point at which the Company satisfies its performance obligation. The Company recognizes revenue from the sale of aggregates when the rock has been delivered to the buyer.

For the three and nine months ended August 31, 2017, $514,282 and $1,053,515 were reclassified from other income to aggregates revenue. The reclassifications for the three and nine months ended August 31, 2017 did not result in a change in the previously disclosed net loss per share.

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

Standards issued but not yet effective

Recently issued but not adopted accounting guidance includes IFRS 16 *Leases* and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*.

- **IFRS 16 – Leases ("IFRS 16")** was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

- **IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23")** was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact of IFRIC 23 on its consolidated financial statements.

3. SHARE CONSOLIDATION

On January 18, 2018, the Company completed a consolidation (the "Share Consolidation") of its share capital on the basis of four (4) existing common shares for one (1) new common share. As a result of the Share Consolidation, the 423,430,258 common shares issued and outstanding as at that date were consolidated to 105,857,465 common shares. The Share Consolidation was previously approved by shareholders at a meeting held on May 8, 2017. All information in these consolidated financial statements is presented on a post-Share Consolidation basis.

4. CORRECTION OF ERRORS IN ACCOUNTING FOR PROPERTY, MILL AND EQUIPMENT

As disclosed in the Company’s consolidated financial statements for the year ended May 31, 2017, the Company undertook a comprehensive review of the capitalization and UOP depreciation of its production stripping asset (classified within property, mill and equipment (“PME”)), as well as its depreciation and depletion calculations for its property and mill infrastructure and equipment and discovered that certain errors had been made.

Errors were made in the Company’s depreciation and depletion calculations for its PME, which resulted in an overstatement of depreciation and depletion and of the Company’s comprehensive loss for the nine months ended August 31, 2017.

These errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	August 31, 2017 $	Increase (Decrease) $	**August 31, 2017 $ Restated**
Depreciation	(6,445,949)	195,076	**(6,250,873)**
Income (loss) before income taxes	(1,294,401)	195,076	**(1,099,325)**
Net income (loss) and comprehensive income (loss) for the period	(3,349,401)	195,076	**(3,154,325)**

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

The corrections described above further affected some of the prior period amounts disclosed in the consolidated statement of changes in equity and the consolidated statements of cash flows.

The Company also determined that the change in its unearned revenue should be reclassified in the prior period to cash flow provided by operating activities from cash flow provided from financing activities.

5. OPERATING EXPENSES

	Three months ended September 30, 2018	Three months ended August 31, 2017	**Nine months ended September 30, 2018**	Nine months ended August 31, 2017
	$	$	**$**	$
Mining costs	**1,938,413**	2,507,765	**4,753,926**	6,709,586
Processing costs (including refining and transport)	**2,501,993**	2,278,873	**7,106,310**	5,822,664
Mine support costs	**312,333**	240,494	**829,093**	816,858
Inventory adjustment	**(280,466)**	10,000	**(277,453)**	647,050
	4,472,273	5,037,132	**12,411,876**	13,996,158

During the three and nine months ended September 30, 2018, the Company received insurance proceeds of $222,055 regarding a business interruption claim pertaining to the failure of a jaw crusher in the mill. The proceeds received have been included as a reduction in processing costs in the period.

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.

The royalty expense recorded in the three and nine months ended September 30, 2018 reflects the net smelter return of 3% payable to a third party on gold produced from the Stog'er Tight Property.

6. OTHER EXPENSES

	Three months ended September 30, 2018	Three months ended August 31, 2017	**Nine months ended September 30, 2018**	Nine months ended August 31, 2017
	$	$	**$**	$
Finance expense	**8,416**	24,013	**64,765**	132,322
Foreign exchange loss (gain)	**2,621**	(1,410)	**10,264**	(6,766)
Unrealized (gain) loss on derivatives	**(4,664)**	25,783	**(24,207)**	65,479
Unrealized gain on marketable securities	**(65)**	-	**(65)**	-
	6,308	48,386	**50,757**	191,035

On March 12, 2018, the Company acquired a $500,000 interest bearing loan provided to Maritime Resources Corp. ("Maritime") on April 26, 2017 from Code Consulting Limited (the "Loan"). The Loan had a maturity date of April 25, 2018, bore interest at 8% per annum, and was repayable, among other things, on the earlier of Maritime raising $2,000,000 or more in equity or debt financing; or upon Maritime committing an event of default. The Company provided Maritime with notice that it was in default under its obligations pursuant to the Loan as Maritime had raised over $2,000,000 through

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

February 15, 2018. On March 26, 2018, Maritime repaid the Loan and accrued interest in full. Interest income of $1,534 received from the Loan was included in finance expense in other expenses on the consolidated statement of comprehensive loss for the nine months ended September 30, 2018.

7. TRADE AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017
	$	$
HST receivable	**278,864**	336,554
Other receivables and accrued interest	**11,574**	346
	290,438	336,900

8. INVENTORY

	September 30, 2018	December 31, 2017
	$	$
Gold dore	**1,334,000**	854,000
Gold-in-circuit	**2,147,000**	1,245,000
Ore in stockpiles	**1,168,937**	3,528,000
Supplies and consumables	**1,636,611**	1,499,240
	6,286,548	7,126,240

During the three and nine months ended September 30, 2018, an obsolescence provision of $1,962 and $12,325, respectively (three and nine months ended August 31, 2017 – $nil and $nil, respectively), was recorded as an inventory adjustment against supplies and consumables, which was included in operating expenses on the consolidated statement of comprehensive loss.

9. MARKETABLE SECURITIES

In September 2018, the Company purchased common shares of a publicly traded junior mining company at a total purchase price of $372,625. During the three and nine months ended September 30, 2018, the Company recorded an unrealized gain on marketable securities of $65 as a result of the revaluation of the marketable securities at period end, which was included in other expenses on the consolidated statement of comprehensive loss.

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

10. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2017	Payments under option agreements	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at September 30, 2018
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	16,545,184	-	4,601,679	-	-	21,146,863
Point Rousse Project, Newfoundland	5,697,274	30,000	781,674	-	-	6,508,948
Tilt Cove Project, Newfoundland	77,354	22,500	24,425	-	-	124,279
Great Northern Project, Newfoundland	1,296,102	15,000	559,534	-	-	1,870,636
Cape Spencer, New Brunswick	-	50,000	1,510	-	-	51,510
	23,615,914	**117,500**	**5,968,822**	**-**	**-**	**29,702,236**

* As at September 30, 2018, $2,128,843 of expenditures were in trade payables and accrued liabilities.

Properties	Balance as at May 31, 2017	Payments under option agreements	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at December 31, 2017
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	14,850,987	-	1,694,197	-	-	16,545,184
Point Rousse Project, Newfoundland	6,243,437	55,000	833,478	(1,368,702)	(65,939)	5,697,274
Tilt Cove Project, Newfoundland	28,710	46,500	2,144	-	-	77,354
Great Northern Project, Newfoundland	1,222,995	46,500	26,607	-	-	1,296,102
	22,346,129	**148,000**	**2,556,426**	**(1,368,702)**	**(65,939)**	**23,615,914**

* As at December 31, 2017, $744,530 of expenditures were in trade payables and accrued liabilities.

As at September 30, 2018, 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 23.

As at December 31, 2017, the Company transferred Stog'er Tight exploration and evaluation assets to property, mill and equipment ("PME"). The Company also transferred Pine Cove in-pit drilling costs to PME, which were incurred in preparation for the use of the Pine Cove Pit as a tailings storage facility, for which the Company received approval during the period ended December 31, 2017.

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

Point Rousse Project – The Point Rousse Project contains five mining leases and nine mineral licenses.

During the period ended December 31, 2017, the Company completed its earn-in into the Duffitt and Strong option agreement; title on the exploration licenses have been transferred to the Company. In January 2018, the Company made a final payment of $30,000 to complete its earn-in under the Fair Haven option agreement; title on exploration licenses subject to the option agreement (the "Fair Haven Property") have been transferred to the Company. In July 2017, the Company and Fair Haven amended the original option agreement, whereby it reduced the initial number of licenses subject to the agreement based on work performed to date. Accordingly, allocated costs of $65,939 were written off during the period ended December 31, 2017.

On July 29, 2015, the Company entered an option agreement to acquire a 100%-undivided interest in one mining lease contiguous with the Point Rousse Project (the "Corkscrew Property"). During the period ended December 31, 2017, the Company made a final payment of $25,000 pursuant to the option agreement to earn an undivided interest in the property.

Great Northern Project – The Great Northern Project is comprised of two mineral deposits and a land position, collectively referred to as the Great Northern Project ("Great Northern").

- On February 5, 2016, the Company entered into an option agreement with Spruce Ridge Resources Ltd. ("Spruce Ridge"), to acquire a 100%-undivided interest in the Viking Property, which contains the Thor Deposit. Under this agreement, the Company is required to make aggregate payments to Spruce Ridge of $300,000 over a five-year period, based on milestones to production, including a final payment of $175,000 upon commencement of commercial production. The Company has paid $50,000 to date. In addition, the Company has granted warrants to Spruce Ridge to purchase 87,500 common shares of Anaconda at an exercise price of $0.40 per share, expiring three years from the date of the agreement.

- On February 5, 2016, the Company also entered into a second option agreement with Spruce Ridge to acquire a 100%-undivided interest in the Kramer Property, which is contiguous to the Viking Property and contains numerous gold prospects and showings similar in geological character and setting to the Thor Deposit. To earn a 100%-undivided interest in the Kramer Property, the Company is required to make aggregate payments to Spruce Ridge of $132,500 over a five-year period, beginning with an initial payment of $12,500, paid on closing, with increasing payments on the anniversary of the date of the agreement. The Company also issued 62,500 common shares to Spruce Ridge under the agreement.

- On November 8, 2016, Anaconda entered an option agreement with Metals Creek Resources Corp. ("MEK ") to acquire a 100%-undivided interest in the "Jackson's Arm Property" and contiguous mineral. To earn a 100%-undivided interest in the Jackson's Arm Property, the Company is required to make aggregate payments to MEK of $200,000 (of which $60,000 has been paid) in cash and 125,000 common shares of Anaconda (of which 37,500 have been issued) over a three-year period, with increasing payments on the anniversary of the date of the agreement. Anaconda is required to spend a total of $750,000 in qualified exploration expenditures on the Jackson's Arm Property during the option period.

- On January 29, 2018, the Company announced the acquisition of the Rattling Brook Deposit in northwest Newfoundland, pursuant to an acquisition agreement with Kermode Resources Ltd. Under the agreement, the Company acquired a 100%-undivided interest in a mineral license that hosts the Rattling Brook Deposit, which is contiguous with the Company's existing land holdings. The Company paid consideration of $50,000 cash and $500,000 in common shares, equal to 1,113,218 common shares based on a twenty-day volume weighted average trading price ending as of January 24, 2018.

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

- On November 8, 2016, Anaconda entered into an option agreement with 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 (of which $60,000 has been paid) in cash and 125,000 common shares of Anaconda (of which 37,500 have been issued) over a three-year period. The Company is also required to spend a total of $750,000 in qualified exploration expenditures on the Tilt Cove Property during the option period.

- During the period ended September 30, 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 $115,000 (of which $22,500 has been paid) in cash and $15,000 in common shares of Anaconda (of which no common shares have been issued) over a two-year period.

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

Cape Spencer – On August 9, 2018, Anaconda entered into an option agreement to acquire a 100%-undivided interest in Cape Spencer, an early stage exploration project located 15 kilometres east of Saint John, New Brunswick. To earn a 100%-undivided interest in Cape Spencer, the Company is required to make aggregate payments of $300,000 (of which $60,000 has been paid) in cash and $145,000 in cash or equivalent value shares (of which 37,500 have been issued) over a five-year period. The Company is also required to spend a total of $400,000 in qualified exploration expenditures on Cape Spencer within the first four years of the option period.

11. PROPERTY, MILL AND EQUIPMENT

For the nine months ended September 30, 2018

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	27,420,578	9,469,141	2,256,122	1,222,603	40,368,444
Additions*	940,160	80,423	169,625	482,579	1,672,787
Transfers	102,963	842,833	165,005	(1,110,801)	-
Disposals	-	-	(20,000)	-	(20,000)
	28,463,701	**10,392,397**	**2,570,752**	**594,381**	**42,021,231**
Accumulated depreciation					
Beginning of year	21,552,740	6,556,480	1,240,486	-	29,349,706
Depreciation/depletion	2,822,502	607,277	234,476	-	3,664,255
Disposals	-	-	(11,750)	-	(11,750)
	24,375,242	**7,163,757**	**1,463,212**	**-**	**33,002,211**
Net book value	**4,088,459**	**3,228,640**	**1,107,540**	**594,381**	**9,019,020**

* As at September 30, 2018, $103,673 of additions were in trade payables and accrued liabilities. During the period ended September 30, 2018, $68,225 of PME additions were financed through capital leases.

For the seven month period ended December 31, 2017

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	26,368,551	9,172,790	1,893,118	393,674	37,828,133
Additions*	456,696	296,351	466,389	55,558	1,274,994
Transfers	595,331	-	-	773,371	1,368,702
Disposals	-	-	(103,385)	-	(103,385)
	27,420,578	**9,469,141**	**2,256,122**	**1,222,603**	**40,368,444**
Accumulated depreciation					
Beginning of year	17,889,193	5,317,359	1,105,047	-	24,311,599
Depreciation/depletion	3,663,547	1,239,121	238,824	-	5,141,492
Disposals	-	-	(103,385)	-	(103,385)
	21,552,740	**6,556,480**	**1,240,486**	**-**	**29,349,706**
Net book value	**5,867,838**	**2,912,661**	**1,015,636**	**1,222,603**	**11,018,738**

* As at December 31, 2017, $254,693 of additions were in trade payables and accrued liabilities. During the period ended December 31, 2017, $512,973 of PME additions were financed through capital leases.

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

During the nine months ended September 30, 2018, the Company reviewed the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill. The updated estimated residual values reduced the depreciation charges by approximately $267,000 for the nine months ended September 30, 2018. The Company has determined that it is not practicable to determine the effect of the change in residual values on future periods.

12. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
	$	$
Trade payables	**2,891,818**	2,722,975
Accrued liabilities	**2,353,349**	738,319
Accrued payroll costs	**624,451**	473,432
Derivative liability	**-**	24,207
	5,869,618	3,958,933

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.

13. GOLD PREPAYMENT AGREEMENTS

On January 9, 2017, the Company executed a prepayment agreement with Auramet, whereby the Company received US$551,304, less fees, in exchange for 468 ounces of gold (US$1,178 per ounce), to be delivered from January to June 2017. The Company made its final delivery of gold ounces under the agreement in June 2017. As part of the agreement, Auramet was also issued call options to purchase 400 ounces at a strike price of US$1,300 on December 27, 2017, and another 400 ounces at a strike price of US$1,300 on August 29, 2018. The call options expired unexercised on their maturity dates.

On February 7, 2018, the Company executed a prepayment agreement with Auramet whereby the Company received gross proceeds of $250,000 for 155 ounces of gold ($1,618 per ounce), which were delivered over 5 bi-weekly deliveries from April 2018 to June 2018. As part of the agreement, Auramet was also issued call options to purchase 220 ounces of gold at a strike price of $1,735 on August 31, 2018. The call options expired unexercised on their maturity date.

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

14. LOANS AND REVOLVING CREDIT FACILITY

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

	September 30, 2018	December 31, 2017
	$	$
Provincial government loan	**260,253**	318,351
Federal government loan	**298,400**	374,000
Capital leases and other loans	**736,158**	650,064
	1,294,811	1,342,415
Current portion		
Provincial government loan	**79,524**	77,757
Federal government loan	**100,800**	100,800
Capital leases and other loans	**434,210**	493,324
	614,534	671,881
Non-current portion		
Provincial government loan	**180,729**	240,594
Federal government loan	**197,600**	273,200
Capital leases and other loans	**301,948**	156,740
	680,277	670,534

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, bearing interest at 3%, due November 1, 2021, which was obtained to finance the automation of parts of the mill 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 Company received $450,000 during the year ended May 31, 2016, and the remaining $50,000 was received in the year ended May 31, 2017. The loan is non-interest bearing and is repayable in 60 equal installments commencing October 1, 2016.

The Company has financed the acquisition of certain equipment through the assumption of capital lease obligations. These obligations are secured by the acquired equipment, which has a net book value of $576,300 as at September 30, 2018 (December 31, 2017 – $404,833). The capital leases bear interest at rates ranging from 0.0% and 7.0% per annum with maturity dates between January 13, 2019 and May 18, 2023. The net book value of the leased equipment is pledged as security for any capital leases and loans outstanding.

The Company has financed insurance through insurance premium loans, which bear interest at rates ranging from 8.0% to 16.0% per annum with maturity dates between October 1, 2018 and November 1, 2018. As at September 30, 2018, $34,066 was outstanding in relation to these financing arrangements (December 31, 2017 – $129,065).

Revolving Credit Facility
In June 2016, the Company obtained a Line of Credit Agreement with the Royal Bank of Canada (“RBC”) for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the “Financing”). 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 September 30, 2018, there was no outstanding balance on the revolving credit facility (December 31, 2017 – $nil).

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

On August 15, 2018, the Company entered into an agreement with RBC to draw down $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%.

The following summary sets out the movement in loans over the nine months ended September 30, 2018 and August 31, 2017:

	Provincial Government Loan	Federal Government Loan	Capital Leases and Other Loans	Total
	$	$	$	$
Balance as at January 1, 2018	**318,351**	**374,000**	**650,064**	**1,342,415**
Changes from financing cash flows:				
Proceeds	-	-	489,145	489,145
Repayments of loans/leases	(58,099)	(75,600)	(575,094)	(708,793)
Interest paid	(6,585)	-	(22,278)	(28,863)
	253,668	298,400	541,837	1,093,905
Other changes:				
Insurance premiums financed through loans	-	-	103,818	103,818
Property, mill, and equipment acquired through capital leases	-	-	68,225	68,225
Interest expense	6,585	-	22,278	28,863
Balance as at September 30, 2018	**260,253**	**298,400**	**736,158**	**1,294,811**

For the nine months ended August 31, 2017

	Bank Indebtedness	Provincial Government Loan	Federal Government Loan	Capital Leases and Other Loans	Total
	$	$	$	$	$
Balance as at December 1, 2016	**-**	**400,000**	**483,200**	**50,916**	**934,116**
Changes from financing cash flows:					
Proceeds	317,199	-	-	-	317,199
Repayments of loans/leases	(317,199)	(56,243)	(75,600)	(97,354)	(546,396)
Interest paid	(4,564)	(8,440)	-	(13,208)	(26,212)
	(4,564)	335,317	407,600	(59,646)	678,707
Other changes:					
Insurance premiums financed through loans	-	-	-	154,517	154,517
Property, mill, and equipment acquired through capital leases	-	-	-	138,727	138,727
Interest expense	4,564	8,440	-	13,208	26,212
Balance as at August 31, 2017	**-**	**343,757**	**407,600**	**246,806**	**998,163**

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

15. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	September 30, 2018	December 31, 2017
	$	$
Opening balance	**2,666,401**	2,671,405
Interest accretion	**49,774**	14,786
Additions	**235,991**	8,133
Change in inflation/discount rates	**16,635**	(27,923)
Closing balance	**2,968,801**	2,666,401

The provision for reclamation is provided against the Company's operations at the Point Rousse 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. As at September 30, 2018, the estimated future cash flows have been discounted using a risk-free rate of 2.33% and an inflation rate of 2.80% was used to determine future expected costs (December 31, 2017 – discount rate of 1.86% and inflation rate of 2.10%). The Company expects to incur the majority of its reclamation costs between 2020 and 2027, based on existing life of mine assumptions.

As at September 30, 2018, the Company had entered an agreement with an insurance company to provide a surety bond for $2,700,963 (December 31, 2017 – $2,370,689) 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 three months ended September 30, 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.

16. 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 September 30, 2018, the Company had 118,691,635 (December 31, 2017 – 105,644,965) common shares outstanding.

In June 2018, the Company completed a non-brokered private placement for aggregate gross proceeds of $4,465,290, whereby it issued a total of 10,890,952 units (the "Units") at a price of $0.41 per Unit. Each Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). A cash commission of 6% of certain proceeds from the issuance of Units, for a total cost of $243,342, and 593,517 non-transferable finder warrants were issued in connection to the private placement. The difference between the market price of the Company's shares on the closing date of the private placement and the cash consideration received in exchange for the Units was allocated to the Warrants, with no value attributed to a liability associated with the flow-through tax benefit. An amount equal to the gross proceeds will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of no later than December 31, 2018. As at September 30, 2018, $1,023,475 of the flow-through funds have been spent on eligible exploration expenses.

On January 18, 2018, the Company completed a consolidation of its share capital on the basis of four (4) existing common shares for one (1) new common share (note 3). As a result of the Share Consolidation, the 423,430,258 common shares issued and outstanding at that date were consolidated to 105,857,465 common shares.

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

On October 31, 2017, the Company completed a non-brokered private placement for aggregate gross proceeds of $3,000,497, whereby it issued 6,453,125 flow-through common shares of the Company at a price of $0.32 per flow-through common share, and 3,598,067 units (the "Units") at a price of $0.26 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common shares of the Company at a price of $0.42 until October 31, 2020. The Warrants contain an acceleration clause whereby if the common shares of Anaconda trade at a volume weighted average price of $0.84 or more for 20 consecutive trading days, Anaconda will have the right to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of the Warrants. A cash commission of 6% of certain proceeds from the issuance of flow-through common shares and Units, for a total cost of $91,800, and 278,797 non-transferable finder warrants were issued in connection to the private placement. Each finder warrant is exercisable for one common share of the Company at a price of $0.42 until October 31, 2020, subject to the same acceleration as provided for in the Warrants. An amount equal to the gross proceeds from the flow-through common shares ($2,065,000) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of no later than December 31, 2017. All of the flow-through funds were spent on eligible exploration expenses. A flow-through liability of $350,119 was recorded upon closing, representing the difference between the market price of the Company's shares on October 31, 2017 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 nine months ended September 30, 2018, 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 nine months ended September 30, 2018 and the seven month period ended December 31, 2017 is presented below:

	Warrants	Weighted average exercise price
	#	$
Outstanding, May 31, 2017	**12,480,362**	**0.33**
Warrants issued in financing	2,077,828	0.42
Expired/forfeited	(3,982,112)	0.40
Outstanding, December 31, 2017	**10,576,078**	**0.32**
Granted	6,038,993	0.55
Exercised	(255,000)	0.34
Outstanding, September 30, 2018	**16,360,071**	**0.40**

On June 26, 2018, the Company issued warrants in relation to a non-brokered private placement to acquire 1,109,500 common shares, which are exercisable at $0.55 per share and expiring on June 26, 2020, and 73,200 non-transferable finder warrants, which are exercisable at $0.55 per share and expiring on June 26, 2020. The difference between the market price of the Company's shares on the closing date of the private placement and the cash consideration received in exchange for the Units was allocated to the warrants. The finder warrants issued were valued using a risk free rate of 1.80%, and expected dividend yield of nil, an expected volatility of 88.87%, and an expected life of 2 years.

On June 22, 2018, the Company issued warrants in relation to a non-brokered private placement to acquire 4,335,976 common shares, which are exercisable at $0.55 per share and expiring on June 22, 2020, and 520,317 non-transferable finder warrants, which are exercisable at $0.55 per share and expiring on June 22, 2020. The difference between the market price of the Company's shares on the closing date of the private placement and the cash consideration received in exchange for the Units was allocated to the warrants. The finder warrants issued were valued using a risk free rate of 1.79%, and expected dividend yield of nil, an expected volatility of 88.90%, and an expected life of 2 years.

On October 31, 2017, the Company issued warrants in relation to a non-brokered private placement to acquire 1,799,031 common shares, which are exercisable at $0.42 per share and expiring on October 31, 2020, and 278,797 non-transferable finder warrants, which are exercisable at $0.42 per share and expiring on October 31, 2020. The finder warrants issued were valued using a risk free rate of 1.45%, and expected dividend yield of nil, an expected volatility of 110.54%, and an expected life of 3 years. None of the private placement gross proceeds was allocated to the warrants.

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

On July 27, 2016, the Company issued warrants in relation to a brokered flow-through private placement to acquire 3,637,972 common shares and 344,140 broker warrants, which were exercisable at $0.40 per share. The warrants expired unexercised on July 27, 2017.

As at September 30, 2018, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
February 5, 2016	87,500	$0.40	February 5, 2019
May 19, 2017*	314,500	$0.24	August 29, 2019
May 19, 2017*	1,381,250	$0.35	December 23, 2020
May 19, 2017*	5,907,500	$0.28	September 15, 2021
May 19, 2017*	552,500	$0.28	October 11, 2021
October 31, 2017	2,077,828	$0.42	October 31, 2020
June 22, 2018	4,856,293	$0.55	June 22, 2020
June 26, 2018	1,182,700	$0.55	June 26, 2020
	16,360,071	**$0.40**	

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

Stock Options

The Company's stock option plan (the "Plan") is a 10% rolling option plan based on the number of common shares issued and outstanding. As at September 30, 2018, 11,869,164 common shares were available for the grant of stock options to directors, officers, employees and service providers in connection with the Plan. As at September 30, 2018, 5,594,750 options under the Company's stock option plan were outstanding with 4,002,917 exercisable and 6,274,414 left unallocated.

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 stock option plan. As at September 30, 2018, 2,815,625 replacement stock options were outstanding and exercisable.

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

The following summary sets out the activity in the Plan over the periods:

	Options	Weighted average exercise price
	#	$
Outstanding, May 31, 2017	**7,395,625**	**0.25**
Granted	1,012,500	0.25
Exercised	(25,000)	0.22
Expired/forfeited	(343,750)	0.36
Outstanding, December 31, 2017	**8,039,375**	**0.25**
Granted	1,708,500	0.43
Exercised	(787,500)	0.24
Expired/forfeited	(550,000)	0.32
Outstanding, September 30, 2018	**8,410,375**	**0.28**
Options exercisable, September 30, 2018	**6,818,542**	**0.26**

During the nine months ended September 30, 2018, 787,500 options were exercised (seven months ended December 31, 2017 – 25,000). The corresponding fair value of $27,420 (seven months ended December 31, 2017 – $3,895) was reclassified from equity reserves to issued capital.

During the nine months ended September 30, 2018, 1,708,500 options were granted to directors, officers, employees, and consultants of the Company at an average exercise price of $0.43 (seven months ended December 31, 2017 – 1,012,500 options at an average exercise price of $0.25). The vesting terms of these options are as follows: 1,412,500 options vest over an 18 month period in 3 equal instalments, 250,000 options vest over a 12 month period in 2 equal instalments, and 46,000 options vest over an 8 month period in 1 instalment.

During the nine months ended September 30, 2018, 550,000 options expired unexercised (seven months ended December 31, 2017 – 343,750). The corresponding fair value of $154,320 (seven months ended December 31, 2017 – $108,825) was reclassified from equity reserves to accumulated deficit. Subsequent to period end, an additional 100,000 options expired unexercised.

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 September 30, 2018. The weighted average exercise price for the outstanding stock options was $0.26 as at September 30, 2018.

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

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
100,000	100,000	0.02 years	$0.32	October 9, 2018
475,000	475,000	0.75 years	$0.32	June 10, 2019
75,000	75,000	1.60 years	$0.20	May 4, 2020
487,500	487,500	1.68 years	$0.20	June 1, 2020
25,000	-	1.78 years	$0.36	July 9, 2020
21,000	-	1.90 years	$0.28	August 23, 2020
250,000	-	1.97 years	$0.27	September 17, 2020
756,250	756,250	2.41 years	$0.24	February 22, 2021
2,125,000	2,125,000	2.52 years	$0.24	April 6, 2021
867,500	867,500	2.66 years	$0.24	May 26, 2021
265,625	265,625	3.04 years	$0.24	October 11, 2021
425,000	425,000	3.22 years	$0.24	December 15, 2021
125,000	125,000	3.66 years	$0.28	May 23, 2022
850,000	566,667	3.74 years	$0.24	June 21, 2022
87,500	29,167	4.03 years	$0.28	October 5, 2022
12,500	12,500	4.13 years	$0.26	November 13, 2022
50,000	50,000	4.24 years	$0.32	December 22, 2022
1,375,000	458,333	4.32 years	$0.46	January 19, 2023
37,500	-	4.74 years	$0.385	June 20, 2023
8,410,375	**6,818,542**	**2.84 years**	**$0.28**	

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 nine months ended September 30, 2018 and the seven month period ended December 31, 2017:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
June 21, 2017	862,500	1.15%	Nil	100.7%	5 years
October 5, 2017	87,500	1.75%	Nil	99.8%	5 years
November 13, 2017	12,500	1.68%	Nil	100.2%	5 years
December 22, 2017	50,000	1.84%	Nil	101.0%	5 years
January 19, 2018	1,375,000	2.02%	Nil	108.3%	5 years
June 20, 2018	37,500	2.03%	Nil	107.5%	5 years
July 9, 2018	25,000	1.94%	Nil	86.5%	2 years
August 23, 2018	21,000	2.13%	Nil	84.9%	2 years
September 17, 2018	250,000	2.15%	Nil	84.3%	2 years

Share-based compensation expense

The fair value of the stock options granted for the three and nine months ended September 30, 2018 was $38,053 and $545,853, respectively (three and nine months ended August 31, 2017 – $169,740 and $195,890, respectively). The fair value of options vested for the three and nine months ended September 30, 2018 was $106,967 and $447,847, respectively (three and nine months ended August 31, 2017 – $49,674 and $95,041, respectively), amounts which have been expensed as share-based compensation in the consolidated statement of comprehensive loss.

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

17. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended September 30, 2018	Three months ended August 31, 2017	**Nine months ended September 30, 2018**	Nine months ended August 31, 2017
Net loss for the period	**$ (964,755)**	$ (324,033)	**$ (1,365,080)**	$ (3,154,325)
Weighted average basic and diluted number of shares outstanding	**118,691,635**	95,518,773	**111,418,768**	69,048,353
Net loss per share				
Basic and diluted	**$ (0.01)**	$ (0.00)	**$ (0.01)**	$ (0.05)

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 September 30, 2018	Three months ended August 31 2017	**Nine months ended September 30, 2018**	Nine months ended August 31 2017
Stock options	**8,410,375**	8,026,875	**8,410,375**	8,026,875
Warrants	**16,360,071**	8,498,250	**16,360,071**	8,498,250
	24,770,446	16,525,125	**24,770,446**	16,525,125

18. INCOME TAXES

During the three and nine months ended September 30, 2018, a current income tax expense of $141,000 and $813,445, respectively, relating to provincial mining tax was recorded in the consolidated statement of comprehensive loss, (three and nine months ended August 31, 2017 – $59,000).

19. ADVANCES

Narrow Vein Mining Project

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 has 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"). As at September 30, 2018, a total of $260,717, $50,000, and $nil have been received from RDC, IRAP, and the AIF, respectively.

Funding through the AIF is conditionally repayable based on revenues generated should the Project be successful. Funding through RDC and IRAP is a non-repayable grant and will be credited against eligible costs incurred.

As at September 30, 2018, $16,838 (December 31, 2017 – $155,682) related to amounts received from RDC for future Project expenditures was included as an advance in the consolidated statement of financial position. During the three and nine months ended September 30, 2018, $73,247 and $206,338, respectively, (three and nine months ended August 31, 2017 – $nil) of non-reimbursable expenditures were recorded as research and development in the consolidated statement of comprehensive loss.

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

Anaconda Corporate Training Program

In March 2018, the Company secured funding of $199,620 from the province of Newfoundland's Advanced Education, Skills and Labour Agency for an internal training program under the province's Labour Market Partnerships program. As at September 30, 2018, a total of $150,000 has been received from the province of Newfoundland. Funding through the province is a non-repayable grant and will be credited against eligible costs incurred.

As at September 30, 2018, $56,580 (December 31, 2017 – $nil) related to amounts received from the province of Newfoundland for future training expenditures was included as an advance in the consolidated statement of financial position.

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30, 2018	Three months ended August 31, 2017	**Nine months ended September 30, 2018**	Nine months ended August 31, 2017
	$	$	**$**	$
Change in non-cash working capital:				
Trade and other receivables	**275,312**	(383,012)	**54,712**	(187,996)
Prepaid expenses and deposits	**30,881**	(202,832)	**98,798**	(16,351)
Inventory	**(386,139)**	94,337	**(348,060)**	459,410
Unearned revenue	**-**	(121,287)	**-**	(58,234)
Advances	**(121,975)**	-	**(82,264)**	-
Trade payables and accrued liabilities	**502,849**	(650,389)	**701,599**	(1,526,677)
Current taxes payable	**-**	-	**(124,445)**	-
	300,928	(1,263,183)	**300,340**	(1,329,848)
Supplemental cash flow information:				
Interest paid	**9,561**	7,072	**28,863**	26,212
Taxes paid	**-**	-	**124,445**	-
Property, mill and equipment acquired through capital	**-**	84,347	**68,225**	138,727
Insurance premiums financed through loans	**-**	-	**103,818**	154,517

21. FINANCIAL INSTRUMENTS

The Company's financial instruments as at September 30, 2018 and December 31, 2017 are cash, restricted cash, marketable securities, accounts payable, accrued liabilities, call option derivative liabilities (recorded as part of trade payables and accrued liabilities), and certain current and non-current loans. Marketable securities are classified as level one and call option derivative liabilities are classified as level two. The carrying amount of the Company's other financial instruments approximates fair value due to their short-term nature.

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

22. 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, Chief Financial Officer, and starting on June 1, 2017, the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the three and nine months ended September 30, 2018 and August 31, 2017:

	Three months ended September 30, 2018	Three months ended August 31, 2017	**Nine months ended September 30, 2018**	Nine months ended August 31, 2017
	$	$	**$**	$
Salaries, bonuses, fees and short term benefits	**243,593**	343,813	**810,637**	725,116
Share based compensation	**61,199**	34,682	**263,640**	60,146
	304,792	378,495	**1,074,277**	785,262

As at September 30, 2018, included in trade and other payables is $39,750 (December 31, 2017 - $16,250) of amounts due for directors' fees.

23. COMMITMENTS

Contractual obligations of the Company as at September 30, 2018 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	5,869,618	-	-	**5,869,618**
Provincial government loan	79,524	166,378	14,351	**260,253**
Federal government loan	100,800	197,600	-	**298,400**
Capital leases and other loans	434,210	265,949	35,999	**736,158**
Operating leases	115,789	28,282	1,251	**145,322**
	6,599,941	658,209	51,601	**7,309,751**

As at September 30, 2018, the Company has a commitment to spend a total of $3,441,815 of flow-through funds on eligible exploration expenses, related to the private placement completed in June 2018 (note 16).

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

- 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. At September 30, 2018, the Company has determined it has approximately $37 million in expenditures deductible against future receipts.
- A net smelter return ("NSR") of 3% is payable to a third-party on gold produced 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%.

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

In June 2017, the Company commenced a research and development project to potentially develop new technology to mine steeply-dipping narrow gold veins (note 19). The total Project cost is estimated at $3,787,000, of which over $2,000,000 will be funded through agreements in place with various government agencies.

24. TAKEOVER BID OF MARITIME RESOURCES CORP.

On April 13, 2018, the Company announced that it had made a formal offer (the "Offer") to acquire all of the issued and outstanding common shares ("Maritime Shares") of Maritime Resources Corp. ("Maritime"), together with the associated rights (the "SRP Rights") issued under the shareholder rights plan of Maritime dated March 15, 2018, in exchange for consideration of 0.390 of a common share of Anaconda for each Maritime Share. On July 12, 2018, the Company announced the withdrawal of the Offer. During the three and nine months ended September 30, 2018, the Company incurred $114,113 and $854,131 in expenditures related to the Offer that were recorded as transaction costs on the consolidated statement of comprehensive loss.