Anaconda Mining

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited - expressed in Canadian Dollars)

	Notes	**Three months ended September 30, 2020 $**	Three months ended September 30, 2019 $	**Nine months ended September 30, 2020 $**	Nine months ended September 30, 2019 $
Gold		**12,689,395**	8,771,090	**31,560,685**	23,026,566
Silver		**14,235**	7,472	**34,054**	14,394
Total revenue		**12,703,630**	8,778,562	**31,594,739**	23,040,960
Cost of operations					
Operating expenses	2	**4,616,353**	4,916,099	**15,657,270**	14,140,265
Royalty expense	3	**-**	6,769	**49,196**	400,500
Depletion and depreciation		**924,007**	1,032,009	**2,661,854**	3,230,197
		5,540,360	5,954,877	**18,368,320**	17,770,962
Mine operating income		**7,163,270**	2,823,685	**13,226,419**	5,269,998
Expenses and other income					
Corporate administration		**1,010,599**	1,649,560	**2,642,418**	3,728,682
Loss (gain) on partial or full sale of a subsidiary	11	**547,647**	-	**(1,355,247)**	-
Share of loss from equity accounted investments	11	**39,108**	-	**153,345**	-
Share-based compensation expense	15	**82,416**	201,260	**301,000**	620,761
Write-down of exploration and evaluation assets	9	**-**	-	**15,310**	-
Finance expense		**47,153**	111,165	**171,714**	303,667
Other (income) expenses	4	**(207,430)**	120,262	**(487,689)**	155,900
		1,519,493	2,082,247	**1,440,851**	4,809,010
Income before income taxes		**5,643,777**	741,438	**11,785,568**	460,988
Current income tax expense	17	**973,000**	351,000	**1,560,528**	599,163
Deferred income tax expense (recovery)	17	**688,000**	(693,000)	**2,789,000**	(741,000)
		1,661,000	(342,000)	**4,349,528**	(141,837)
Net income and comprehensive income for the period		**3,982,777**	1,083,438	**7,436,040**	602,825
Net income per share - basic and fully diluted	16	**0.03**	0.01	**0.05**	0.00
Weighted average number of shares outstanding					
- basic		**144,974,074**	132,978,912	**139,365,107**	123,551,757
- fully diluted		**153,625,880**	133,702,098	**142,070,863**	124,621,003

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

As at	Notes	**September 30, 2020** $	December 31, 2019 $
Assets			
Current assets			
Cash and cash equivalents		**14,755,538**	4,351,588
Restricted cash	5	**208,838**	208,838
Trade and other receivables	6	**433,513**	310,065
Inventory	7	**6,324,181**	5,576,343
Prepaid expenses and deposits		**294,736**	485,863
Marketable securities	8	**-**	316,480
		22,016,806	11,249,177
Non-current assets			
Restricted cash		**79,790**	71,790
Property, mill and equipment	10	**10,272,168**	7,053,657
Exploration and evaluation assets	9	**41,644,641**	42,754,341
Equity accounted investments	11	**3,243,830**	-
Deferred income tax asset		**-**	2,629,000
		77,257,235	63,757,965
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	12	**5,181,768**	5,134,304
Current portion of loans	13	**1,951,955**	2,311,210
Current portion of decommissioning liability	14	**385,151**	79,726
Flow-through premium	15	**332,297**	404,632
Advances	18	**289,850**	37,646
Current taxes payable	17	**1,551,000**	553,598
		9,692,021	8,521,116
Non-current liabilities			
Loans	13	**1,173,931**	2,382,001
Deferred income tax liability		**1,913,000**	1,753,000
Decommissioning liability	14	**2,691,143**	2,768,273
		15,470,095	15,424,390
Shareholders' equity			
Share capital, warrants and equity reserves	15	**68,124,897**	62,742,455
Accumulated deficit		**(6,337,757)**	(14,408,880)
		61,787,140	48,333,575
		77,257,235	63,757,965

Approved by the Board of Directors on November 4, 2020

"Mary-Lynn Oke"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 22)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - expressed in Canadian Dollars)

	Notes	**Three months ended September 30, 2020 $**	Three months ended September 30, 2019 $	**Nine months ended September 30, 2020 $**	Nine months ended September 30, 2019 $
Operating activities					
Net income		**3,982,777**	1,083,438	**7,436,040**	602,825
Adjustments to reconcile net income to cash flow from operating activities:					
Depletion and depreciation		**924,007**	1,032,009	**2,661,854**	3,230,197
Loss (gain) on partial or full sale of a subsidiary	11	**534,020**	-	**(1,368,874)**	-
Share of loss from equity accounted investments	11	**39,108**	-	**153,345**	-
Write down of exploration assets	9	**-**	-	**15,310**	-
Share-based compensation expense	15	**82,416**	201,260	**301,000**	620,761
Taxes paid		**(563,126)**	-	**(563,126)**	(932,261)
Current income tax expense	17	**973,000**	351,000	**1,560,528**	599,163
Deferred income tax expense (recovery)	17	**688,000**	(693,000)	**2,789,000**	(741,000)
Deferred premium on flow-through shares	15	**(184,466)**	(71,846)	**(449,146)**	(71,846)
Interest accretion of decommissioning liability	14	**1,870**	12,207	**5,941**	33,418
Site closure and reclamation costs paid	14	**-**	-	**-**	(44,054)
Change in fair value of marketable securities	8	**(37,010)**	59,340	**(83,191)**	18,334
Change in non-cash working capital	19	**(256,869)**	1,242,677	**(450,965)**	1,265,894
Cash flow provided from operating activities		**6,183,727**	3,217,085	**12,007,716**	4,581,431
Investing activities					
Additions of property, mill and equipment	10	**(387,383)**	(523,237)	**(1,577,708)**	(2,048,287)
Additions of exploration and evaluation assets	9	**(2,150,374)**	(2,595,838)	**(4,638,061)**	(9,492,019)
Proceeds from sale of marketable securities	8	**216,140**	-	**399,671**	18,096
Cash disposed of through sale of subsidiary	11	**(13,627)**	-	**(13,627)**	-
Decrease (increase) in restricted cash		**-**	224,188	**(8,000)**	(37,767)
Cash flow used in investing activities		**(2,335,244)**	(2,894,887)	**(5,837,725)**	(11,559,977)
Financing activities					
Proceeds from financing agreement, net of issuance costs	15	**5,463,763**	4,508,680	**5,463,763**	4,508,680
Net proceeds from exercise of stock options	15	**169,701**	-	**257,201**	33,750
Net proceeds from exercise of warrants	15	**330,997**	4,000	**330,997**	4,000
Proceeds from loans	13	**-**	-	**-**	5,000,000
Repayment of loans	13	**(592,093)**	(907,319)	**(1,818,002)**	(1,947,416)
Cash flow provided from financing activities		**5,372,368**	3,605,361	**4,233,959**	7,599,014
Net increase in cash		**9,220,851**	3,927,559	**10,403,950**	620,468
Cash at beginning of period		**5,534,687**	3,118,038	**4,351,588**	6,425,129
Cash at end of period		**14,755,538**	7,045,597	**14,755,538**	7,045,597

Supplemental cash flow information (Note 19)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

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

	Notes	Share capital Number of shares	Share capital Issued capital $	Equity reserves $	Warrants $	Accumulated deficit $	Total $
Balance at December 31, 2018		**118,766,635**	**53,935,351**	**1,817,540**	**2,224,068**	**(14,914,639)**	**43,062,320**
Common shares issued for cash	15	15,145,886	4,690,646	-	-	-	4,690,646
Share issuance expense, net of tax	15	-	(631,058)	-	449,092	-	(181,966)
Flow-through share premium	15	-	(579,651)	-	-	-	(579,651)
Share-based compensation from issuance of share units	15	-	-	589,480	-	-	589,480
Redemption of share units	15	528,332	166,425	(166,425)	-	-	-
Share-based compensation from issuance of options	15	-	-	95,030	-	-	95,030
Exercise of stock options	15	125,000	49,300	(15,550)	-	-	33,750
Expiry of stock options transferred to deficit	15	-	-	(121,127)	-	121,127	-
Exercise of warrants	15	17,000	4,000	-	-	-	4,000
Expiry of warrants transferred to deficit	15	-	-	-	(11,585)	11,585	-
Issuance of shares for property acquisition	9	116,309	32,500	-	-	-	32,500
Net income for the period		-	-	-	-	602,825	602,825
Balance at September 30, 2019		**134,699,162**	**57,667,513**	**2,198,948**	**2,661,575**	**(14,179,102)**	**48,348,934**
Balance at December 31, 2019		**135,216,962**	**57,810,013**	**2,270,867**	**2,661,575**	**(14,408,880)**	**48,333,575**
Common shares issued for cash	15	9,500,000	5,510,000	-	-	-	5,510,000
Share issuance expense, net of tax	15	-	(46,237)	-	-	-	(46,237)
Flow-through share premium	15	-	(376,811)	-	-	-	(376,811)
Share-based compensation from issuance of share units	15	-	-	262,419	-	-	262,419
Redemption of share units	15	1,280,208	378,910	(378,910)	-	-	-
Share-based compensation from issuance of options	15	-	-	42,956	-	-	42,956
Exercise of stock options	15	1,088,499	443,608	(186,407)	-	-	257,201
Expiry of stock options transferred to deficit	15	-	-	(126,051)	-	126,051	-
Exercise of warrants	15	1,029,861	507,304	-	(176,307)	-	330,997
Expiry of warrants transferred to deficit	15	-	-	-	(509,032)	509,032	-
Issuance of shares for property acquisition	9	97,896	37,000	-	-	-	37,000
Net income for the period		-	-	-	-	7,436,040	7,436,040
Balance at September 30, 2020		**148,213,426**	**64,263,787**	**1,884,874**	**1,976,236**	**(6,337,757)**	**61,787,140**

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 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 ~11,000 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 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 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 as at and for the year ended December 31, 2019.

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. Certain prior year amounts have been reclassified to conform to account presentation adopted in the current year.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 4, 2020.

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 interest in Novamera Inc. ("Novamera") and Magna Terra Minerals Inc. ("Magna Terra") as described below. The business and mineral properties of La Veta were sold during fiscal 2012. 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, 2019, except as described below.

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, 2019, 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's corporate office remains closed for the foreseeable future, with corporate staff working from home. 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 equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company's property, mill, and equipment assets and exploration and evaluation assets in relation to the COVID-19 pandemic and did not note any indicators as of September 30, 2020 other than as explained in relation to the termination of an option agreement as disclosed in note 9. 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 any further impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgments in the future.

Equity Accounted Investments

In 2019, the Company incorporated Novamera (previously Sustainable Extractive Technologies Inc. (Canada)) to further the advancement of the Company's drilling technology to recover ore from steeply dipping, narrow vein deposits that are considered uneconomic when applying traditional extraction methods (the "Narrow Vein Mining Project" or the "Project"). As at December 31, 2019, the Company held an 80% interest of Novamera, with the non-controlling interest of 20% being held equally by two of the Company's former executives. As at December 31, 2019, the carrying value of non-controlling interest was $nil.

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 Novamera. As part of the funding arrangement, the technology and the Company's related agreements with the Atlantic Innovation Fund, Research & Development Company, and the Industrial Research Assistance Program (note 12) 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. Two of the Company's former executives received a 25% interest in the form of common shares and the Company retained a 34% interest in Novamera on closing.

On July 30, 2020, the Company completed the sale of its wholly owned subsidiary, 2647102 Ontario Inc. ("ExploreCo"), with Magna Terra Minerals Inc. ("Magna Terra"). Pursuant to the sale, the Company acquired a total of 12,493,482 common shares of Magna Terra, representing a 27% interest in Magna Terra upon closing.

Equity accounted investments are investments over which the Company has significant influence, but not control. Generally, the Company is considered to have the ability to exert significant influence when it holds more than a 20% interest in an entity. However, determining significant influence is a matter of judgment and specific circumstances. As at September 30, 2020, the Company had significant influence over Novamera and Magna Terra.

The fair value of the Company's 34% retained investment in the common shares of Novamera was determined with reference to the venture capital firm's investment in its preferred shares. The features of the preferred shares include priority over the common shares in the event of liquidation or dilution events. Judgment was applied in determining that the differences between the preferred and common shares would not give rise to a significant difference in value on initial recognition of the Company's equity accounted investment in Novamera. As a result of recognizing the Company's retained investment in Novamera at fair value, as well as the assumption of certain liabilities by Novamera upon closing, the Company recognized a gain of $1,902,894 during the nine months ended September 30, 2020 (note 11).

The fair value of the Company's 27% interest in Magna Terra was valued based on the share price of Magna Terra at the closing date of the transaction. As a result of recognizing the Company's investment in Magna Terra at fair value, the Company recognized an after-tax gain of $296,353 on the sale of the ExploreCo disposal group during the nine months ended September 30, 2020 (note 11).

The financial results of the Company's equity accounted investments are included in the Company's consolidated financial statements using the equity method, whereby the Company recognizes its share of earnings or losses and of other comprehensive income (losses) of the equity accounted investment in its own consolidated statement of income (loss), as applicable. Dilution gains and losses arising from changes in the Company's interest in equity accounted investments are recognized in income (loss). If the Company's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Company has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment.

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

The Company assesses, at each reporting date, whether there is objective evidence that its interest in an equity accounted investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the equity accounted investment is written down to its estimated recoverable amount, with any difference charged to the consolidated statement of income.

2. OPERATING EXPENSES

	Three months ended September 30, 2020	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
	$	$	**$**	$
Mining costs	**2,432,583**	2,949,247	**7,494,140**	6,561,969
Processing costs (including refining and transport)	**2,264,310**	2,339,586	**7,196,183**	6,672,119
Mine support costs	**395,466**	304,243	**1,203,898**	982,820
Inventory adjustment	**(476,006)**	(676,977)	**(236,951)**	(76,643)
	4,616,353	4,916,099	**15,657,270**	14,140,265

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.

During the nine months ended September 30, 2019, the Company recorded insurance proceeds of $615,820 regarding a business interruption claim pertaining to the failure of a jaw crusher in the mill during 2018. The proceeds were included as a reduction in processing costs in the period.

3. ROYALTY EXPENSE

During the three and nine months ended September 30, 2020, a royalty expense of $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 was recorded on the condensed interim consolidated statement of comprehensive income (three and nine months ended September 30, 2019 – $6,769 and $400,500).

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

4. OTHER INCOME

	Notes	**Three months ended September 30, 2020 $**	Three months ended September 30, 2019 $	**Nine months ended September 30, 2020 $**	Nine months ended September 30, 2019 $
Deferred premium on flow-through shares	15	**(184,466)**	(71,846)	**(449,146)**	(71,846)
Research and development		**21,372**	144,977	**69,050**	270,598
Change in fair value of marketable securities		**(37,010)**	59,340	**(83,191)**	18,334
Interest income		**(5,586)**	(14,184)	**(20,813)**	(63,540)
Foreign exchange (gain) loss		**(1,740)**	1,975	**(3,589)**	2,354
		(207,430)	120,262	**(487,689)**	155,900

5. RESTRICTED CASH

In July 2019, the Company began shipping bulk sample material from Goldboro to the Point Rousse 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 has 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 September 30, 2020, $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 September 30, 2020, the Company had been named as a third-party defendant in separate claims filed by two suppliers which were engaged by NIL. The Company had no contractual relationship with either plaintiff and consequently the Company considers both claims to be without merit and has filed a Statement of Defense against each claim. Subsequent to period end, the Company agreed to settle certain unpaid liabilities with local suppliers in Nova Scotia, and added those costs to the ongoing claim against NIL.

6. TRADE AND OTHER RECEIVABLES

	Notes	**September 30, 2020 $**	December 31, 2019 $
HST receivable		**281,439**	310,065
Due from related parties	21	**152,074**	-
		433,513	310,065

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

7. INVENTORY

	September 30, 2020	December 31, 2019
	$	$
Gold dore	**35,000**	712,000
Gold-in-circuit	**1,862,000**	1,717,000
Ore in stockpiles	**2,665,000**	1,686,000
Supplies and consumables	**1,762,181**	1,461,343
	6,324,181	5,576,343

As at September 30, 2020, gold dore, gold-in-circuit, and ore in stockpiles were recorded at cost.

8. 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. In the three and nine months ended September 30, 2020, the Company sold 1,706,000 and 3,956,000 common shares of the junior mining company, respectively, for net proceeds of $216,140 and $399,671, respectively (proceeds of $nil and $18,096 in the three and nine months ended September 30, 2019, respectively). For the three and nine months ended September 30, 2020, the Company recorded a gain on the change in fair value of marketable securities of $37,010 and $83,191, respectively, as a result of the sale and revaluation of marketable securities, which was included in other income on the condensed interim consolidated statement of comprehensive income (three and nine months ended September 30, 2019 – loss of $59,340 and $18,334, respectively).

9. EXPLORATION AND EVALUATION ASSETS

Properties	**Balance as at December 31, 2019**	**Payments under option agreements***	**Expenditures/ acquisition***	**Transfers**	**Write-offs**	**Balance as at September 30, 2020**
	$	**$**	**$**	**$**	**$**	**$**
Goldboro Project, Nova Scotia	32,238,426	10,000	2,565,516	-	(15,310)	34,798,632
Point Rousse Project, Newfoundland	6,951,675	-	960,346	(3,479,335)	-	4,432,686
Tilt Cove Project, Newfoundland	1,296,781	194,500	922,042	-	-	2,413,323
Great Northern Project, Newfoundland	2,100,758	-	-	(2,100,758)	-	-
Cape Spencer, New Brunswick	166,701	-	-	(166,701)	-	-
	42,754,341	**204,500**	**4,447,904**	**(5,746,794)**	**(15,310)**	**41,644,641**

* As at September 30, 2020, $693,814 of expenditures/payments were in trade payables and accrued liabilities.

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

Properties	Balance as at December 31, 2018	Payments under option agreements*	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at December 31, 2019
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	25,946,234	65,000	6,227,192	-	-	32,238,426
Point Rousse Project, Newfoundland	6,772,069	-	557,421	(377,815)	-	6,951,675
Tilt Cove Project, Newfoundland	231,498	116,000	949,283	-	-	1,296,781
Great Northern Project, Newfoundland	2,031,711	45,000	30,846	-	(6,799)	2,100,758
Cape Spencer, New Brunswick	81,013	60,000	25,688	-	-	166,701
	35,062,525	**286,000**	**7,790,430**	**(377,815)**	**(6,799)**	**42,754,341**

* As at December 31, 2019, $716,471 of expenditures/payments were in trade payables and accrued liabilities.

As at September 30, 2020, 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 22. As at September 30, 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 nine months ended September 30, 2020. During the year ended December 31, 2019, the Company had transferred Pine Cove Pond pushback exploration and evaluation assets to PME as the Company commenced development of the pushback in the year ended December 31, 2019.

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.

- During the year ended December 31, 2019, the Company processed the bulk sample material from the Goldboro Project at the Point Rousse Complex. As at December 31, 2019, $1,773,091 of net proceeds from the sale of processed materials was credited against the bulk sample costs.
- 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 $35,000 has been paid) in cash and $85,000 in common shares of Anaconda (of which $25,000 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 nine months ended September 30, 2020, the Company terminated the option agreement and recorded a write-down of $15,310 on the Country Harbour Property.

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

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

- During the nine months ended September 30, 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

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

$63,500 has been paid) in cash and $169,500 in common shares of Anaconda (of which $27,000 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.

10. PROPERTY, MILL AND EQUIPMENT

For the period ended September 30, 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*	1,640,210	121,569	341,454	517,742	2,620,975
Transfers	3,745,383	302,391	-	(568,439)	3,479,335
	35,501,462	**11,714,165**	**3,543,059**	**754,403**	**51,513,089**
Accumulated depreciation					
Beginning of year	28,006,703	8,506,470	1,845,949	-	38,359,122
Depreciation/depletion	1,928,755	691,628	261,416	-	2,881,799
	29,935,458	**9,198,098**	**2,107,365**	**-**	**41,240,921**
Net book value	**5,566,004**	**2,516,067**	**1,435,694**	**754,403**	**10,272,168**

* As at September 30, 2020, $877,132 of additions were in trade payables and accrued liabilities. During the nine months ended September 30, 2020, $123,390 of PME additions were financed through leases.

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

For the year ended December 31, 2019

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	28,441,768	10,589,655	2,839,252	475,030	42,345,705
IFRS 16 transition	65,812	-	-	-	65,812
Additions*	1,212,055	223,526	344,688	846,474	2,626,743
Transfers	396,234	477,024	75,990	(516,404)	432,844
Disposals	-	-	(58,325)	-	(58,325)
	30,115,869	**11,290,205**	**3,201,605**	**805,100**	**45,412,779**
Accumulated depreciation					
Beginning of year	25,852,960	7,513,806	1,548,361	-	34,915,127
Depreciation/depletion	2,153,743	992,664	355,913	-	3,502,320
Disposals	-	-	(58,325)	-	(58,325)
	28,006,703	**8,506,470**	**1,845,949**	**-**	**38,359,122**
Net book value	**2,109,166**	**2,783,735**	**1,355,656**	**805,100**	**7,053,657**

* As at December 31, 2019, $189,554 of additions were in trade payables and accrued liabilities. During the year ended December 31, 2019, $337,298 of PME additions were financed through leases.

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, 2019	65,812	514,800	336,836	917,448
Additions	-	-	337,298	337,298
Depreciation	(21,344)	(194,955)	(157,055)	(373,354)
As at December 31, 2019	44,468	319,845	517,079	881,392
Additions	-	-	123,390	123,390
Depreciation	(16,638)	(88,739)	(110,267)	(215,644)
Net book value as at September 30, 2020	**27,830**	**231,106**	**530,202**	**789,138**

11. 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 three and nine months ended September 30, 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 September 30, 2020, the Company had significant influence over Magna Terra from an accounting perspective and recorded a loss of $18,335 for the Company's share of Magna Terra's net loss for the three and nine months ended September 30, 2020.

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

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.

The Company recognized a gain of $1,902,894 during the nine months ended September 30, 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 September 30, 2020, the Company had significant influence over Novamera from an accounting perspective and recorded a loss of $20,773 and $135,010 for the Company's share of Novamera's net loss for the three and nine months ended September 30, 2020.

12. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
	$	$
Trade payables	**3,547,539**	3,270,984
Accrued liabilities	**1,066,379**	1,257,281
Accrued payroll costs	**567,850**	606,039
	5,181,768	5,134,304

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.

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

13. LOANS AND REVOLVING CREDIT FACILITY

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

	September 30, 2020	December 31, 2019
	$	$
RBC loan	**2,344,994**	3,384,124
Provincial government loan	**140,064**	160,473
Federal government loan	**147,200**	172,400
Lease liabilities	**441,421**	644,616
Other loans	**52,207**	331,598
	3,125,886	4,693,211
Current portion		
RBC loan	**1,465,609**	1,407,853
Provincial government loan	**83,180**	82,559
Federal government loan	**92,400**	100,800
Lease liabilities	**258,559**	388,400
Other loans	**52,207**	331,598
	1,951,955	2,311,210
Non-current portion		
RBC loan	**879,385**	1,976,271
Provincial government loan	**56,884**	77,914
Federal government loan	**54,800**	71,600
Lease liabilities	**182,862**	256,216
	1,173,931	2,382,001

* During the nine months ended September 30, 2020, the Company recognized $nil and $2,642 of expenses in the condensed interim consolidated statement of operations relating to short-term leases and leases of low value assets, respectively (nine months ended September 30, 2019 - $13,642 and $2,642, 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 $789,138 as at September 30, 2020 (December 31, 2019 – $881,392). The leases bear interest at rates ranging from 0.0% and 7.7% per annum with maturity dates between October 31, 2020 and January 3, 2026. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

The Company has financed insurance premiums through a loan, which bears interest at a rate of 5.1% per annum with a maturity date of October 31, 2020. As at September 30, 2020, $52,207 was outstanding in relation to these financing arrangements (December 31, 2019 – $331,598).

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 September 30, 2020, there was no outstanding balance on the revolving credit facility (December 31, 2019 – $nil). As at September 30, 2020, 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, 2019 – $nil).

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%.

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 September 30, 2020, there was an outstanding balance of $119,123 on the revolving equipment lease line of credit (December 31, 2019 - $358,699).

The following summary sets out the movement in loans over the period ended September 30, 2020 and the year ended December 31, 2019:

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

	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	644,617	331,598	4,693,211
Changes from financing cash flows:						
Repayments of loans/leases	(1,039,130)	(20,408)	(25,200)	(326,586)	(406,678)	(1,818,002)
Interest paid	(124,246)	(1,153)	-	(14,517)	(9,903)	(149,819)
	2,220,748	138,911	147,200	303,514	(84,983)	2,725,390
Other changes:						
Insurance premiums financed through loans	-	-	-	-	127,287	127,287
Property, mill, and equipment acquired through leases	-	-	-	123,390	-	123,390
Interest expense	124,246	1,153	-	14,517	9,903	149,819
As at September 30, 2020	**2,344,994**	**140,064**	**147,200**	**441,421**	**52,207**	**3,125,886**

	RBC Loan $	Provincial Government Loan $	Federal Government Loan $	Lease Liabilities $	Other Loans $	Total $
As at December 31, 2018	-	**240,594**	**273,200**	**781,117**	**199,260**	**1,494,171**
Changes from financing cash flows:						
Proceeds	5,000,000	-	-	-	-	5,000,000
Repayments of loans/leases	(1,615,876)	(80,122)	(100,800)	(539,609)	(301,554)	(2,637,961)
Interest paid	(151,477)	(6,122)	-	(36,842)	(10,647)	(205,088)
	3,232,647	154,350	172,400	204,666	(112,941)	3,651,122
Other changes:						
IFRS 16 transition	-	-	-	65,812	-	65,812
Insurance premiums financed through loans	-	-	-	-	433,892	433,892
Property, mill, and equipment acquired through leases	-	-	-	337,298	-	337,298
Interest expense	151,477	6,122	-	36,842	10,647	205,088
As at December 31, 2019	**3,384,124**	**160,472**	**172,400**	**644,617**	**331,598**	**4,693,211**

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

14. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	September 30, 2020	December 31, 2019
	$	$
Opening balance	**2,847,999**	2,868,364
Interest accretion	**5,941**	44,557
Additions/change in estimates	**292,095**	(39,000)
Site closure and reclamation costs paid	**-**	(44,054)
Change in inflation/discount rates	**(69,741)**	18,132
Closing balance	**3,076,294**	2,847,999
Current portion	**385,151**	79,726
Non-current portion	**2,691,143**	2,768,273

The provisions for reclamation are 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. The Company expects to incur the majority of its reclamation costs between 2021 and 2027, based on existing life of mine assumptions. During the nine months ended September 30, 2020, the Company recognized $222,041 of additions to the provision for asset retirement obligations in relation to the commencement of Argyle development.

As at September 30, 2020, the Company had entered an agreement with an insurance company to provide a surety bond for $3,481,243 (December 31, 2019 – $2,700,963) 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. 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. Subsequent to September 30, 2020, the Nova Scotia government required the Company to increase the total reclamation security by $25,000 to $250,000.

During the nine months ended September 30, 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 13).

15. 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, 2020, the Company had 148,213,426 (December 31, 2019 – 135,216,962) common shares outstanding.

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) will be 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 September 30, 2020, $650,917 of the flow-through funds were spent on eligible exploration expenses, with $4,859,083 remaining to be spent. 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 September 30, 2020, the Company derecognized a cumulative amount of $44,514 of the flow-through liability and recognized a corresponding income amount (for the three and nine months ended September 30, 2020 – $44,514), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

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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 consists 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 consists of one common share and one-half of one Warrant. Each Warrant entitles 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 is 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. As at September 30, 2020, $2,630,495 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. As at September 30, 2020, the Company derecognized a cumulative amount of $579,651 of the flow-through liability and recognized a corresponding income amount (for the three and nine months ended September 30, 2020 – $139,952 and $404,632), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

Warrants

A summary of the Company's warrant activities for the nine months ended September 30, 2020 and the year ended December 31, 2019 is presented below:

	Warrants \#	Weighted average exercise price $
Outstanding, December 31, 2018	**16,360,071**	**0.40**
Granted	7,837,544	0.45
Exercised	(17,000)	0.24
Expired/forfeited	(385,000)	0.28
Outstanding, December 31, 2019	**23,795,615**	**0.42**
Exercised	(1,029,861)	0.32
Expired/forfeited	(6,038,993)	0.55
Outstanding, September 30, 2020	**16,726,761**	**0.38**

During the nine months ended September 30, 2020, 1,029,861 warrants were exercised (year ended December 31, 2019 – 17,000). The corresponding grant date fair value of $176,307 (year ended December 31, 2019 – $15,550) was reclassified from warrants to issued capital. Subsequent to September 30, 2020, 2,240,300 warrants were exercised.

During the nine months ended September 30, 2020, 6,038,993 warrants expired unexercised (year ended December 31, 2019 – 385,000). The corresponding grant date fair value of $509,032 (year ended December 31, 2019 – $11,585) was reclassified from warrants to accumulated deficit.

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

On July 10, 2019, the Company issued warrants in relation to a non-brokered private placement to acquire 7,572,944 common shares, which are exercisable at $0.45 per share and expiring on January 10, 2021, and 264,600 non-transferable finder warrants, which are exercisable at $0.45 per share and expiring on January 10, 2021. The warrants and finder warrants issued were valued using a risk-free rate of 1.58%, and expected dividend yield of nil, an expected volatility of 63.79%, and an expected life of 18 months.

As at September 30, 2020, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
October 31, 2017	1,913,550	$0.42	October 31, 2020
May 19, 2017*	1,131,917	$0.35	December 23, 2020
July 10, 2019	7,837,544	$0.45	January 10, 2021
May 19, 2017*	5,482,500	$0.28	September 15, 2021
May 19, 2017*	361,250	$0.28	October 11, 2021
	16,726,761	**$0.38**	

*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 September 30, 2020, 14,821,343 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 September 30, 2020, 3,810,834 options under the Company’s Stock Option Plan were outstanding with 3,386,111 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 September 30, 2020, 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 Stock Option Plan, along with the replacement stock options, over the periods:

	Options #	Weighted average exercise price $
Outstanding, December 31, 2018	**8,310,375**	**0.28**
Granted	225,000	0.28
Exercised	(125,000)	0.27
Expired/forfeited	(637,500)	0.32
Outstanding, December 31, 2019	**7,772,875**	**0.28**
Granted	558,750	0.39
Exercised	(1,088,499)	0.24
Expired/forfeited	(616,667)	0.26
Outstanding, September 30, 2020	**6,626,459**	**0.29**
Options exercisable, September 30, 2020	**6,201,736**	**0.28**

During the nine months ended September 30, 2020, 558,750 options were granted (year ended December 31, 2019 – 225,000) were granted to employees of the Company at a weighted average exercise price of $0.39 (year ended December 31, 2019 – $0.28). The options vest over an 18-month period in 3 equal instalments.

During the nine months ended September 30, 2020, 1,088,499 options were exercised (year ended December 31, 2019 – 125,000). The corresponding grant date fair value of $186,407 (year ended December 31, 2019 – $15,550) was reclassified from equity reserves to issued capital. Subsequent to September 30, 2020, 400,000 options were exercised.

During the nine months ended September 30, 2020, 616,667 options expired unexercised or were forfeited (year ended December 31, 2019 – 637,500). The corresponding grant date fair value of $126,051 (year ended December 31, 2019 – $121,127) 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 September 30, 2020. The weighted average exercise price for the outstanding stock options was $0.29 as at September 30, 2020.

(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
568,750	568,750	0.40 years	$0.24	February 22, 2021
2,125,000	2,125,000	0.52 years	$0.24	April 6, 2021
592,500	592,500	0.65 years	$0.24	May 26, 2021
265,625	265,625	1.03 years	$0.24	October 11, 2021
425,000	425,000	1.21 years	$0.24	December 15, 2021
125,000	125,000	1.65 years	$0.28	May 23, 2022
725,000	725,000	1.73 years	$0.24	June 21, 2022
62,500	62,500	2.02 years	$0.28	October 5, 2022
12,500	12,500	2.13 years	$0.26	November 13, 2022
50,000	50,000	2.23 years	$0.32	December 22, 2022
1,162,500	1,162,500	2.31 years	$0.46	January 19, 2023
262,084	87,361	4.44 years	$0.21	March 3, 2025
125,000	-	4.94 years	$0.64	September 3, 2025
125,000	-	4.97 years	$0.58	September 14, 2025
6,626,459	**6,201,736**	**1.41 years**	**$0.29**	

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, 2020 and the year ended December 31, 2019:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
February 11, 2019	100,000	1.82%	Nil	104.7%	5 years
July 15, 2019	125,000	1.51%	Nil	101.3%	5 years
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

The fair value of the stock options granted for the three and nine months ended September 30, 2020 was $104,388 and $148,601, respectively (year ended December 31, 2019 – $46,368). Share-based compensation expense recognized in relation to stock options during the three and nine months ended September 30, 2020 was $13,681 and $42,956, respectively (year ended December 31, 2019 – $107,253).

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. 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.

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

As at September 30, 2020, 1,538,698 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the periods:

	Share units #	Weighted average fair value $
Outstanding, December 31, 2018	**-**	**-**
Granted	2,953,921	0.31
Redeemed	(861,665)	0.32
Forfeited	(125,000)	0.32
Outstanding, December 31, 2019	**1,967,256**	**0.31**
Granted	991,651	0.22
Redeemed	(1,280,208)	0.29
Forfeited	(140,001)	0.30
Outstanding, September 30, 2020	**1,538,698**	**0.27**

During the nine months ended September 30, 2020, 991,651 share units (year ended December 31, 2019 – 2,953,921) were granted to directors, officers, employees, and consultants of the Company at an average fair value of $0.22 (year ended December 31, 2019 – $0.31). The vesting terms of these share units were as follows: 244,984 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 746,667 share units vest over an 18 month period in three equal instalments.

During the nine months ended September 30, 2020, 1,280,208 share units were redeemed (year ended December 31, 2019 – 861,665). The corresponding grant date fair value of $378,910 (year ended December 31, 2019 – $271,425) was reclassified from equity reserves to issued capital. Subsequent to September 30, 2020, 100,000 share units were redeemed.

During the nine months ended September 30, 2020, 140,001 share units were forfeited (year ended December 31, 2019 – 125,000).

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 nine months ended September 30, 2020 was $22,112 and $218,420, respectively (year ended December 31, 2019 – $919,507). Share-based compensation expense recognized in relation to share units during the three and nine months ended September 30, 2020 was $68,735 and $258,044, respectively (year ended December 31, 2019 – $670,927).

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

16. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended September 30, 2020	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
Net income for the period	**$ 3,982,777**	$ 1,083,438	**$ 7,436,040**	$ 602,825
Weighted average basic number of shares outstanding	**144,974,074**	132,978,912	**139,365,107**	123,551,757
Weighted average dilutive shares adjustment:				
Stock options	**3,045,304**	723,186	**1,421,339**	1,036,837
Warrants	**5,153,326**	-	**890,998**	32,409
Share units	**453,176**	-	**393,419**	-
Weighted average diluted number of shares outstanding	**153,625,880**	133,702,098	**142,070,863**	124,621,003
Net income per share:				
Basic and diluted	**$ 0.03**	$ 0.01	**$ 0.05**	$ 0.00

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, 2020	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
Stock options	**3,581,155**	7,049,689	**5,205,120**	6,736,038
Warrants	**11,573,435**	23,795,615	**16,333,342**	23,763,206
Share units	**91,269**	-	**151,026**	-
	15,245,859	30,845,304	**21,689,488**	30,499,244

17. INCOME TAXES

During the three and nine months ended September 30, 2020, a current income tax expense of $973,000 and $1,560,528 relating to provincial mining tax was recorded in the condensed interim consolidated statement of comprehensive income (three and nine months ended September 30, 2019 – $351,000 and $599,163, respectively). During the three and nine months ended September 30, 2020, the Company paid $563,126 relating to provincial mining tax for the year ended December 31, 2019.

During the three and nine months ended September 30, 2020, a net deferred income tax expense of $688,000 and $2,789,000 (three and nine months ended September 30, 2019 – recoveries of $693,000 and $741,000, respectively) was recognized in the condensed interim consolidated statement of comprehensive income, relating to the use of certain tax pools to offset the Company's taxable income, the recognition of a deferred tax expense of $189,000 arising as a result of the difference in the tax basis and the carrying value of the Company's investment in Novamera (note 11), and the recognition of a deferred tax recovery of $844,000 related to the sale of ExploreCo (note 11).

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

18. 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 nine months ended September 30, 2020, the Company received $534,850 as an advance from the Centre and $245,000 was credited against eligible costs incurred in relation to advances received from the Centre. As at September 30, 2020, $289,850 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.

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
	$	$	**$**	$
Change in non-cash working capital:				
Trade and other receivables	**(142,821)**	680,523	**(123,448)**	422,687
Prepaid expenses and deposits	**196,283**	99,777	**318,414**	(24,281)
Inventory	**(348,098)**	(498,678)	**(537,838)**	70,918
Assets held for sale	**13,661**	-	**-**	-
Unearned revenue	**-**	(575,833)	**-**	-
Advances	**(95,000)**	26,507	**252,204**	(59,693)
Trade payables and accrued liabilities	**119,106**	1,510,381	**(360,297)**	856,263
	(256,869)	1,242,677	**(450,965)**	1,265,894
Supplemental cash flow information:				
Interest paid	**53,866**	67,524	**149,819**	158,913
Property, mill and equipment acquired through leases	**-**	115,115	**123,390**	280,508
Insurance premiums financed through loans	**-**	-	**127,287**	-

20. FINANCIAL INSTRUMENTS

The Company's financial instruments as at September 30, 2020 and December 31, 2019 are cash, restricted cash, marketable securities, accounts payable, accrued liabilities, and certain current and non-current loans. Marketable securities are classified as level one. 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)

The contractual cash flow obligations of the Company as at September 30, 2020 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	5,181,768	-	-	**5,181,768**
RBC loan	1,577,708	895,521	-	**2,473,229**
Provincial government loan	86,244	57,495	-	**143,739**
Federal government loan	92,400	54,800	-	**147,200**
Lease liabilities	267,014	140,146	46,604	**453,764**
Other loans	52,434	-	-	**52,434**
	7,257,568	1,147,962	46,604	**8,452,134**

21. 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 nine months ended September 30, 2020 and September 30, 2019:

	Three months ended September 30, 2020	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
	$	$	**$**	$
Salaries, bonuses, fees and short term benefits	**149,977**	310,784	**541,302**	917,596
Severance costs	**-**	694,243	**-**	694,243
Share based compensation	**51,405**	166,218	**190,745**	510,734
	201,382	1,171,245	**732,047**	2,122,573

As at September 30, 2020, included in trade and other payables is $34,000 (December 31, 2019 – $442,750) of amounts due for directors' fees and one-time severance costs.

During the nine months ended September 30, 2020, the Company purchased a warehouse building at the Goldboro Project from a director of the Company for $100,000.

Magna Terra Minerals Inc.

The Company and Magna Terra have certain key management personnel in common. As described in note 11, 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 September 30, 2020, included in trade and other receivables is $152,074 (December 31, 2020 - $nil) of amounts charged under the service level agreement.

22. COMMITMENTS

As at September 30, 2020, the Company has a commitment to spend a total of $4,859,083 of flow-through funds on eligible exploration expenses, related to the private placement completed in July 2020 (note 15).

In the third quarter of 2020, the Company locked into forward sales on a delivery basis for a total of 1,400 ounces of its production for the fourth quarter of 2020. The gold price for the orders was locked in at an average of $2,543 per ounce with delivery in the fourth quarter of 2020.

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 September 30, 2020, the Company has determined it has approximately $12.9 million in expenditures deductible against future receipts.

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