Anaconda
Mining

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(Unaudited - expressed in Canadian Dollars)

	Notes	**Three months ended September 30, 2021 $**	Three months ended September 30, 2020 $	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Gold		**5,770,632**	12,689,395	**20,058,519**	31,560,685
Silver		**5,947**	14,235	**17,972**	34,054
Aggregates		**78,874**	-	**78,874**	-
Total revenue		**5,855,453**	12,703,630	**20,155,365**	31,594,739
Cost of operations					
Operating expenses	2	**5,402,512**	4,616,353	**19,934,137**	15,657,270
Royalty expense	3	**53,434**	-	**402,035**	49,196
Depletion and depreciation		**789,097**	924,007	**2,787,055**	2,661,854
		6,245,043	5,540,360	**23,123,227**	18,368,320
Mine operating (loss) income		**(389,590)**	7,163,270	**(2,967,862)**	13,226,419
Expenses and other income					
Corporate administration		**905,089**	1,010,599	**2,697,820**	2,642,418
Gain on loss of significant influence on equity accounted investment	10	**(1,020,432)**	-	**(1,020,432)**	-
Share of loss from equity accounted investments	10, 11	**105,890**	39,108	**344,017**	153,345
Loss (gain) on partial sale of a subsidiary	10, 11	**-**	547,647	**-**	(1,355,247)
Share-based compensation expense	15	**188,094**	82,416	**616,878**	301,000
Finance expense		**32,641**	47,153	**116,447**	171,714
Write-down of exploration and evaluation assets	8	**-**	-	**-**	15,310
Other income	4	**(138,973)**	(207,430)	**(339,937)**	(487,689)
		72,309	1,519,493	**2,414,793**	1,440,851
(Loss) income before income taxes		**(461,899)**	5,643,777	**(5,382,655)**	11,785,568
Current income tax expense	17	**-**	973,000	**30,345**	1,560,528
Deferred income tax expense	17	**617,000**	688,000	**365,000**	2,789,000
		617,000	1,661,000	**395,345**	4,349,528
Net (loss) income and comprehensive (loss) income for the period		**(1,078,899)**	3,982,777	**(5,778,000)**	7,436,040
Net (loss) income per share - basic and fully diluted	16	**(0.01)**	0.03	**(0.03)**	0.05
Weighted average number of shares outstanding					
- basic		**176,499,034**	144,974,074	**168,864,840**	139,365,107
- fully diluted		**176,499,034**	153,625,880	**168,864,840**	142,070,863

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

As at	Notes	**September 30, 2021** **$**	December 31, 2020 $
Assets			
Current assets			
Cash and cash equivalents		**10,567,042**	14,634,595
Restricted cash	5	**-**	208,838
Trade and other receivables	6	**929,970**	585,580
Inventory	7	**3,866,425**	6,830,360
Prepaid expenses and deposits		**497,676**	705,503
		15,861,113	22,964,876
Non-current assets			
Restricted cash		**190,790**	79,790
Property, mill and equipment	9	**13,847,064**	10,398,054
Exploration and evaluation assets	8	**55,419,963**	44,804,280
Investments	10	**2,156,615**	-
Equity accounted investments	11	**1,669,772**	3,149,971
		89,145,317	81,396,971
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	12	**7,402,219**	4,796,494
Current portion of loans	13	**1,254,701**	1,889,080
Current portion of decommissioning liability	14	**101,773**	101,107
Flow-through premium	15	**556,373**	186,874
Advances	18	**205,741**	189,850
Current taxes payable	17	**-**	1,863,000
		9,520,807	9,026,405
Non-current liabilities			
Loans	13	**280,727**	753,675
Deferred income tax liability	17	**3,758,000**	3,393,000
Decommissioning liability	14	**3,605,912**	3,382,965
		17,165,446	16,556,045
Shareholders' equity			
Share capital, warrants and equity reserves	15	**83,268,200**	70,386,480
Accumulated deficit		**(11,288,329)**	(5,545,554)
		71,979,871	64,840,926
		89,145,317	81,396,971

Approved by the Board of Directors on November 3, 2021

"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, 2021 $**	Three months ended September 30, 2020 $	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Operating activities					
Net (loss) income		**(1,078,899)**	3,982,777	**(5,778,000)**	7,436,040
Adjustments to reconcile net (loss) income to cash flow from operating activities:					
Depletion and depreciation		**789,097**	924,007	**2,787,055**	2,661,854
Loss (gain) on partial sale of a subsidiary	10, 11	**-**	534,020	**-**	(1,368,874)
Gain on loss of significant influence on equity accounted investment	10	**(1,020,432)**	-	**(1,020,432)**	-
Share of loss from equity accounted investments	10, 11	**105,890**	39,108	**344,017**	153,345
Write-down of inventory to net realizable value	7	**68,000**	-	**2,597,000**	-
Write-down of exploration assets	8	**-**	-	**-**	15,310
Share-based compensation expense	15	**188,094**	82,416	**616,878**	301,000
Current income tax expense	17	**-**	973,000	**30,345**	1,560,528
Deferred income tax expense	17	**617,000**	688,000	**365,000**	2,789,000
Deferred premium on flow-through shares	15	**(147,700)**	(184,466)	**(381,414)**	(449,146)
Interest accretion of decommissioning liability	14	**4,913**	1,870	**11,486**	5,941
Change in fair value of marketable securities		**-**	(37,010)	**-**	(83,191)
Change in working capital	19	**725,340**	(819,995)	**(602,553)**	(1,014,091)
Cash flow provided from (used in) operating activities		**251,303**	6,183,727	**(1,030,618)**	12,007,716
Investing activities					
Additions of property, mill and equipment	9	**(3,125,994)**	(387,383)	**(5,431,463)**	(1,577,708)
Additions of exploration and evaluation assets	8	**(2,227,982)**	(2,150,374)	**(9,195,864)**	(4,638,061)
Proceeds from sale of marketable securities		**-**	216,140	**-**	399,671
Cash disposed of through sale of subsidiary		**-**	(13,627)	**-**	(13,627)
Decrease (increase) in restricted cash		**85,838**	-	**97,838**	(8,000)
Cash flow used in investing activities		**(5,268,138)**	(2,335,244)	**(14,529,489)**	(5,837,725)
Financing activities					
Proceeds from financing agreement	15	**-**	5,463,763	**8,500,030**	5,463,763
Issuance costs	15	**-**	-	**(709,312)**	-
Proceeds from exercise of warrants	15	**1,524,000**	330,997	**4,346,737**	330,997
Proceeds from exercise of stock options	15	**5,075**	169,701	**848,525**	257,201
Repayment of loans	13	**(513,935)**	(592,093)	**(1,493,426)**	(1,818,002)
Cash flow provided from (used in) financing activities		**1,015,140**	5,372,368	**11,492,554**	4,233,959
Net (decrease) increase in cash		**(4,001,695)**	9,220,851	**(4,067,553)**	10,403,950
Cash at beginning of period		**14,568,737**	5,534,687	**14,634,595**	4,351,588
Cash at end of period		**10,567,042**	14,755,538	**10,567,042**	14,755,538

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)

		Share capital					
	Notes	Number of shares	Issued capital $	Equity reserves $	Warrants $	Accumulated deficit $	Total $
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	8	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**
Balance at December 31, 2020		**153,953,798**	**67,008,392**	**1,793,871**	**1,584,217**	**(5,545,554)**	**64,840,926**
Common shares issued for cash	15	10,241,000	8,500,030	-	-	-	8,500,030
Share issuance expense, net of tax	15	-	(709,312)	-	-	-	(709,312)
Flow-through share premium	15	-	(750,913)	-	-	-	(750,913)
Share-based compensation from issuance of share units	15	-	-	420,220	-	-	420,220
Redemption of share units	15	495,870	186,178	(186,178)	-	-	-
Share-based compensation from issuance of options	15	-	-	181,658	-	-	181,658
Exercise of stock options	15	3,341,250	1,554,564	(706,039)	-	-	848,525
Expiry of stock options transferred to deficit	15	-	-	(26,372)	-	26,372	-
Exercise of warrants	15	11,725,665	5,913,220	-	(1,566,483)	-	4,346,737
Expiry of warrants transferred to deficit		-	-	-	(8,853)	8,853	-
Issuance of shares for property acquisition	8	110,074	80,000	-	-	-	80,000
Net loss for the period		-	-	-	-	(5,778,000)	(5,778,000)
Balance at September 30, 2021		**179,867,657**	**81,782,159**	**1,477,160**	**8,881**	**(11,288,329)**	**71,979,871**

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, operating in the top-tier Canadian mining jurisdictions of Newfoundland and Nova Scotia. The Company is advancing the Goldboro Gold Project in Nova Scotia, a significant growth project which is subject to an ongoing Feasibility Study. The Company also 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 approximately 15,000 hectares of highly prospective mineral property, including those adjacent to the past producing, high-grade Nugget Pond Mine at its Tilt Cove Gold 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 20 Adelaide St. East, Suite 915, Toronto, ON M5C 2T6.

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

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

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 3, 2021.

These condensed interim consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), Colorado Minerals Inc. (Canada), Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"), and the Company's equity accounted investment in Magna Terra Minerals Inc. ("Magna Terra"). The Company also included its equity accounted investment in Novamera Inc. ("Novamera") up to July 21, 2021, after which date the Company's interest in Novamera was diluted to 19% and the Company no longer retained a seat on the Board of Directors, and therefore the Company no longer held significant influence over Novamera for accounting purposes (note 10). All inter-company transactions and balances are eliminated on consolidation.

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2020, except for the treatment of the investment in Novamera as disclosed 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, 2020, except for the following:

COVID-19 Pandemic

The 2019 novel coronavirus ("COVID-19") was characterized as a global pandemic by the World Health Organization on March 11, 2020. Applicable health and safety protocols remain in place and are continually reviewed based on recommendations from medical authorities. The Company has prepared contingency plans in the event that certain scenarios should occur, such as a temporary shutdown, and has proactively maintained financial flexibility during this period of unprecedented uncertainty.

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company's condensed interim consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern, life of mine estimates, and the carrying values of the Company's property, mill, and equipment assets and exploration and evaluation assets. Based on management's judgment, as at the date of these condensed interim consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgements in the future.

Investments

On July 21, 2021, Novamera completed a $5,000,017 equity financing in which the Company did not participate. As a result of the financing, the Company's investment was diluted to a 19% interest in Novamera. As a result of the diluted interest in Novamera and the relinquishment of its seat on the Board of Directors, the Company no longer held significant influence over Novamera for accounting purposes. Based on the share price of the equity financing, the Company recorded $1,020,432 as a gain on the revaluation of the investment to its fair value (note 10).

Investments in privately-held companies are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements. The fair value of investments in privately-held companies is classified as level three.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will consider general market conditions when valuing its privately-held investments. The absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

An upward or downward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher or lower than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive or negative impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

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

2. OPERATING EXPENSES

	Notes	**Three months ended September 30, 2021 $**	Three months ended September 30, 2020 $	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Mining costs		**1,918,128**	2,432,583	**7,229,489**	7,494,140
Processing costs (including refining and transport)		**2,539,275**	2,264,310	**8,526,485**	7,196,183
Mine support costs		**484,206**	395,466	**1,456,784**	1,203,898
Inventory adjustment		**392,903**	(476,006)	**124,379**	(236,951)
Write-down of inventory to net realizable value	7	**68,000**	-	**2,597,000**	-
		5,402,512	4,616,353	**19,934,137**	15,657,270

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

3. ROYALTY EXPENSE

During the three and nine months ended September 30, 2021, a royalty expense of $53,434 and $402,035, reflecting the net smelter return of 3% payable to a third party on gold sold from the Argyle Property was recorded on the condensed interim consolidated statement of comprehensive (loss) income (three and nine months ended September 30, 2020 – $nil and $49,196, reflecting the net smelter return of 3% payable to a third party on gold sold from the Stog'er Tight Property).

4. OTHER INCOME

	Notes	**Three months ended September 30, 2021 $**	Three months ended September 30, 2020 $	**Nine months ended September 30, 2021 $**	Nine months ended September 30, 2020 $
Deferred premium on flow-through shares	15	**(147,700)**	(184,466)	**(381,414)**	(449,146)
Research and development		**11,322**	21,372	**60,552**	69,050
Interest income		**(8,010)**	(5,586)	**(25,880)**	(20,813)
Foreign exchange loss (gain)		**5,415**	(1,740)	**6,805**	(3,589)
Change in fair value of marketable securities		**-**	(37,010)	**-**	(83,191)
		(138,973)	(207,430)	**(339,937)**	(487,689)

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 of the Claim, NIL issued and served an arrest warrant with respect to approximately 1,000 tonnes ("Arrested Ore") which were yet to be discharged from the barge at the time of filing of the Claim, from a total initial delivery of 3,900 tonnes. 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 March 2020, the Company was named as a third-party defendant in a separate claim filed by a supplier which was engaged by NIL.

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

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 pending further court proceedings. As a result, a deposit of $208,838 was placed into escrow with the Federal Court of Canada.

During the nine months ended September 30, 2021, the Company, NIL, and the third-party supplier, through a mediation process with the Federal Court of Canada, agreed to a settlement whereby the Company would make a settlement payment of $415,000, inclusive of the $208,838 held in escrow. As part of the settlement agreement, all claims related to the bulk sample would be discontinued by all parties and each party would be indemnified against any potential claim related to the bulk sample.

During the nine months ended September 30, 2021, the settlement agreement was finalized and executed and the Company subsequently discharged the settlement amount of $415,000.

6. TRADE AND OTHER RECEIVABLES

	September 30, 2021	December 31, 2020
	$	$
HST receivable	**569,349**	448,082
Other receivables and accrued interest	**100,704**	55,886
Due from related parties	**259,917**	81,612
	929,970	585,580

As at September 30, 2021, included in trade and other receivables is $259,917 (December 31, 2020 - $81,612) of amounts charged under the service level agreement with Magna Terra (note 21), which was received in full subsequent to period end.

7. INVENTORY

	September 30, 2021	December 31, 2020
	$	$
Gold dore	**487,000**	681,000
Gold-in-circuit	**1,015,000**	1,648,000
Ore in stockpiles	**761,000**	3,024,000
Supplies and consumables	**1,603,425**	1,477,360
	3,866,425	6,830,360

As at September 30, 2021, inventory balances included a $68,000 (December 31, 2020 - $nil) write-down to the net realizable value of ore in stockpiles.

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

8. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2020	Payments under option agreements*	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at September 30, 2021
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	36,948,906	45,000	7,187,847	-	-	44,181,753
Point Rousse Project, Newfoundland	4,935,236	-	1,984,079	-	-	6,919,315
Tilt Cove Project, Newfoundland	2,920,138	127,500	1,271,257	-	-	4,318,895
	44,804,280	**172,500**	**10,443,183**	**-**	**-**	**55,419,963**

* As at September 30, 2021, $2,673,539 of expenditures/payments were in trade payables and accrued liabilities.

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

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

As at September 30, 2021, the Company had met all required property option commitments and accordingly the properties were in good standing. Royalty obligations on the Company's various mineral properties are outlined in note 22. As at December 31, 2020, the Company had transferred the Argyle exploration and evaluation assets to property, mill and equipment ("PME") as the Company commenced development of Argyle in the year ended December 31, 2020.

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

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

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

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

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

- During the year ended December 31, 2020, the Company entered into an option agreement with local prospectors to acquire a 100%-undivided interest in a total of 76 claims, collectively the "Nippers Harbour Property", which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of $135,000 (of which $10,000 has been paid) in cash and $85,000 in common shares of Anaconda (of which $5,000 in common shares have been issued) over a four-year period.
- During the year ended December 31, 2020, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in a total of 10 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospector of $30,000 (of which $20,000 has been paid) in cash and $45,000 in common shares of Anaconda (of which $25,000 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 $121,000 has been paid) in cash and $169,500 in common shares of Anaconda (of which $72,000 in common shares have been issued) over a four-year period.

9. PROPERTY, MILL AND EQUIPMENT

For the period ended September 30, 2021

Cost	**Property**	**Mill and Infrastructure**	**Equipment**	**Work in Progress**	**Total**
Beginning of year	36,130,956	12,569,927	3,550,735	368,205	52,619,823
Additions*	5,023,545	210,691	226,875	428,929	5,890,040
Transfers	-	171,670	231,571	(403,241)	-
Disposals	(72,393)	-	(37,119)	-	(109,512)
	41,082,108	**12,952,288**	**3,972,062**	**393,893**	**58,400,351**
Accumulated depreciation					
Beginning of year	30,658,313	9,395,783	2,167,673	-	42,221,769
Depreciation/depletion	1,577,506	577,624	272,441	-	2,427,571
Disposals	(58,934)	-	(37,119)	-	(96,053)
	32,176,885	**9,973,407**	**2,402,995**	**-**	**44,553,287**
Net book value	**8,905,223**	**2,978,881**	**1,569,067**	**393,893**	**13,847,064**

* As at September 30, 2021, $51,361 of additions were in trade payables and accrued liabilities. During the nine months ended September 30, 2021, $386,099 of PME additions were financed through leases.

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

For the year ended December 31, 2020

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

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

Indicators of impairment

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

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

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

Key assumptions

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

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

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

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

Right-of-use assets

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

	Property	Mill and Infrastructure	Equipment	Total
	$	$	$	$
As at January 1, 2020	44,468	319,845	517,079	881,392
Additions	-	-	123,390	123,390
Depreciation	(22,352)	(113,620)	(143,851)	(279,823)
As at December 31, 2020	22,116	206,225	496,618	724,959
Additions	348,099	-	38,000	386,099
Depreciation	(59,075)	(56,676)	(92,365)	(208,116)
Net book value as at September 30, 2021	**311,140**	**149,549**	**442,253**	**902,942**

10. INVESTMENTS

	September 30, 2021	December 31, 2020
	$	$
Novamera Inc.	**2,156,615**	-
	2,156,615	-

Investment in Novamera

In June 2017, the Company commenced a research and development project to develop 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 year ended December 31, 2020 as a result of recognizing the Company’s retained investment in Novamera at fair value ($1,648,087), as well as the assumption of certain liabilities by Novamera ($254,807).

On July 21, 2021, Novamera completed a $5,000,017 equity financing in which the Company did not participate. As a result of the financing, the Company’s investment was diluted to a 19% interest and the Company relinquished its seat on the Board of Directors. Consequently, the Company discontinued the use of the equity method based on a determination that the Company’s influence over Novamera was no longer demonstrable as significant.

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

On July 21, 2021, the Company classified its equity investment in Novamera as fair value through profit or loss. As a result, based on the share price of the equity financing, the Company recorded $1,020,432 as a gain, which represents the excess of the fair value of the investment on that date ($2,156,615) as compared to the investment's carrying value under the equity method ($1,136,183).

Prior to the completion of the financing, the Company had significant influence over Novamera from an accounting perspective and recorded a loss of $109,071 and $287,278 for the Company's share of Novamera's net income (loss) for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 – loss of $20,773 and $135,010, respectively).

11. EQUITY ACCOUNTED INVESTMENTS

	Notes	**September 30, 2021**	December 31, 2020
		$	$
Magna Terra Minerals Inc.		**1,669,772**	1,726,510
Novamera Inc.	10	**-**	1,423,461
		1,669,772	3,149,971

Investment in Magna Terra

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

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

As at September 30, 2021, the Company had significant influence over Magna Terra from an accounting perspective and recorded a gain of $3,181 and a loss of $56,739 for the Company's share of Magna Terra's net income (loss) for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - $18,335 and $18,335, respectively).

12. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
	$	$
Trade payables	**5,324,853**	3,325,545
Accrued liabilities	**1,351,003**	733,149
Accrued payroll costs	**726,363**	737,800
	7,402,219	4,796,494

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

(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, 2021	December 31, 2020
	$	$
RBC loan	**879,455**	1,981,519
Lease liabilities	**499,484**	373,972
Provincial government loan	**84,889**	140,064
Federal government loan	**71,600**	147,200
	1,535,428	2,642,755
Current portion		
RBC loan	**879,455**	1,475,831
Lease liabilities	**218,757**	229,269
Provincial government loan	**84,889**	83,180
Federal government loan	**71,600**	100,800
	1,254,701	1,889,080
Non-current portion		
RBC loan	**-**	505,688
Lease liabilities	**280,727**	144,703
Provincial government loan	**-**	56,884
Federal government loan	**-**	46,400
	280,727	753,675

* During the nine months ended September 30, 2021, the Company recognized $nil and $1,516 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, 2020 - $nil 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 $902,942 as at September 30, 2021 (December 31, 2020 – $724,959). The leases bear interest at rates ranging from 0.0% and 7.7% per annum with maturity dates between November 1, 2021 and January 1, 2026. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

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

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

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, 2021, an irrevocable letter of credit in the amount of $908,119 as collateral for the Company’s surety bonds (note 14) has been issued under the revolving demand facility (December 31, 2020 – $908,119). In July 2021, the Company obtained an additional $3,000,000 revolving demand facility with RBC (the “Facility”). The Facility is subject to the existing general security agreement with RBC and a debt service coverage ratio covenant to be measured on an annual basis. The Facility was arranged with the support of EDC, which has provided a performance guarantee over 75% of the Facility limit. The interest rate is calculated as the Royal Bank Prime rate plus 1.50% inclusive of EDC guarantee fees. As at September 30, 2021, the Facility was undrawn.

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 36 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, 2021, there was an outstanding balance of $5,900 on the revolving equipment lease line of credit (December 31, 2020 - $87,594).

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

		RBC Loan	**Provincial Government Loan**	**Federal Government Loan**	**Lease Liabilities**	**Total**
	$	$	$	$	$	$
As at December 31, 2020		**1,981,519**	**140,064**	**147,200**	**373,972**	**2,642,755**
Changes from financing cash flows:						
Repayments of loans/leases		(1,102,064)	(55,175)	(75,600)	(260,587)	(1,493,426)
Interest paid		(60,032)	(2,320)	-	(14,874)	(77,226)
		819,423	82,569	71,600	98,511	1,072,103
Other changes:						
Property, mill, and equipment acquired through leases		-	-	-	386,099	386,099
Interest expense		60,032	2,320	-	14,874	77,226
As at September 30, 2021		**879,455**	**84,889**	**71,600**	**499,484**	**1,535,428**

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

14. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	September 30, 2021	December 31, 2020
	$	$
Opening balance	**3,484,072**	2,847,999
Interest accretion	**11,486**	7,921
Additions/change in estimates	**158,026**	609,098
Change in inflation/discount rates	**54,101**	19,054
Closing balance	**3,707,685**	3,484,072
Current portion	**101,773**	101,107
Non-current portion	**3,605,912**	3,382,965

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, 2021, the Company recognized $158,026 of additions to the provision for asset retirement obligations in relation to the development of Argyle (year ended December 31, 2020 - $539,044).

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

During the year ended December 31, 2018, the Company obtained a permit from the Nova Scotia government to complete a bulk sample program at the Goldboro Project which requires the Company to maintain total reclamation security of

$225,000 to cover related rehabilitation and closure costs. During the year ended December 31, 2020, the Nova Scotia government required the Company to increase the total reclamation security by $25,000 to $250,000. The reclamation security for the bulk sample program is maintained through a combination of security held by the Nova Scotia government and a surety bond.

During the year ended December 31, 2020, the Company changed insurance companies which provide the surety bonds to backstop its performance obligations with respect to the Company's reclamation obligations. Under the terms of the replacement surety bonds, the Company was required to provide collateral of $908,119, equivalent to 25% of the value of the bonds. The collateral was provided in the form of an irrevocable letter of credit from the Royal Bank of Canada, which was carved out of the existing $1,000,000 undrawn revolving line of credit (note 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, 2021, the Company had 179,867,657 (December 31, 2020 – 153,953,798) common shares outstanding.

On May 28, 2021, the Company completed a non-brokered private placement for aggregate gross proceeds of $8,500,030, whereby it issued 10,241,000 flow-through common shares of the Company at a price of $0.83 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares ($8,500,030) will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2021. As at September 30, 2021, $2,202,115 of the flow-through funds were spent on eligible exploration expenses, with $6,297,915 remaining to be spent. A flow-through liability of $750,913 was recorded upon closing, representing the difference between the market price of the Company's shares on May 28, 2021 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at September 30, 2021, the Company derecognized a cumulative amount of $194,540 of the flow-through liability and recognized a corresponding income amount (for the three and nine months ended September 30, 2021 – $147,700 and $194,539), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

On July 31, 2020, the Company completed a non-brokered private placement for aggregate gross proceeds of $5,510,000, whereby it issued 9,500,000 flow-through common shares of the Company at a price of $0.58 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares ($5,510,000) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2020. As at September 30, 2021, all of the flow-through funds were spent on eligible exploration expenses. A flow-through liability of $376,811 was recorded upon closing, representing the difference between the market price of the Company's shares on July 31, 2020 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at September 30, 2021, the Company derecognized a cumulative amount of $376,811 of the flow-through liability and recognized a corresponding income amount (for the three and nine months ended September 30, 2021 - $nil and $186,875), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

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

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

Warrants

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

	Warrants #	Weighted average exercise price $
Outstanding, December 31, 2019	**23,795,615**	**0.42**
Exercised	(5,945,957)	0.39
Expired/forfeited	(6,038,993)	0.55
Outstanding, December 31, 2020	**11,810,665**	**0.37**
Exercised	(11,725,665)	0.37
Expired/forfeited	(42,500)	0.28
Outstanding, September 30, 2021	**42,500**	**0.28**

During the nine months ended September 30, 2021, 11,725,665 warrants were exercised (year ended December 31, 2020 – 5,945,957). The corresponding grant date fair value of $1,566,483 (year ended December 31, 2020 - $568,326) was reclassified from warrants to issued capital.

During the nine months ended September 30, 2021, 42,500 warrants expired unexercised (year ended December 31, 2020 – 6,038,993). The corresponding grant date fair value of $8,853 (year ended December 31, 2020 – $509,032) was reclassified from equity reserves to accumulated deficit. Subsequent to period end, 42,500 warrants were expired unexercised.

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

Date of grant	Number of warrants	Exercise price per share	Expiry date
May 19, 2017*	42,500	$0.28	October 11, 2021
	42,500	**$0.28**	

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

Incentive Plans

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

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

As at September 30, 2021, 17,986,766 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, 2021, 2,489,584 options under the Company's Stock Option Plan were outstanding with 2,136,251 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, 2021, 425,000 replacement stock options were outstanding and exercisable.

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

	Options #	Weighted average exercise price $
Outstanding, December 31, 2019	**7,772,875**	**0.28**
Granted	578,750	0.40
Exercised	(1,804,124)	0.24
Expired/forfeited	(616,667)	0.26
Outstanding, December 31, 2020	**5,930,834**	**0.30**
Granted	545,000	0.72
Exercised	(3,341,250)	0.25
Expired/forfeited	(220,000)	0.61
Outstanding, September 30, 2021	**2,914,584**	**0.40**
Options exercisable, September 30, 2021	**2,561,251**	**0.36**

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

During the nine months ended September 30, 2021, 3,341,250 options were exercised (year ended December 31, 2020 – 1,804,124). The corresponding grant date fair value of $706,039 (year ended December 31, 2020 – $322,644) was reclassified from equity reserves to issued capital.

During the nine months ended September 30, 2021, 220,000 options expired unexercised or were forfeited (year ended December 31, 2020 – 616,667). The corresponding grant date fair value of $26,372 (year ended December 31, 2020 – $126,051) was reclassified from equity reserves to accumulated deficit.

The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the assumptions below. The following table sets out the details of the stock options granted and outstanding as at September 30, 2021. The weighted average exercise price for the outstanding stock options was $0.40 as at September 30, 2021.

(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
425,000	425,000	0.21 years	$0.24	December 15, 2021
100,000	100,000	0.37 years	$0.60	February 10, 2022
125,000	125,000	0.65 years	$0.28	May 23, 2022
495,000	495,000	0.73 years	$0.24	June 21, 2022
62,500	62,500	1.02 years	$0.28	October 5, 2022
12,500	12,500	1.12 years	$0.26	November 13, 2022
50,000	50,000	1.23 years	$0.32	December 22, 2022
900,000	900,000	1.31 years	$0.46	January 19, 2023
214,584	214,584	3.43 years	$0.21	March 3, 2025
125,000	83,333	3.97 years	$0.58	September 14, 2025
20,000	6,667	4.12 years	$0.61	November 6, 2025
260,000	86,667	4.42 years	$0.77	February 26, 2026
125,000	-	4.61 years	$0.67	May 6, 2026
2,914,584	**2,561,251**	**1.69 years**	**$0.40**	

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, 2021 and the year ended December 31, 2020:

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

The fair value of the stock options granted for the three and nine months ended September 30, 2021 was $nil and $242,496, respectively (three and nine months ended September 30, 2020 – $104,388 and $148,601, respectively). Share-based compensation expense recognized in relation to stock options during the three and nine months ended September 30, 2021 was $29,192 and $181,658 (three and nine months ended September 30, 2020 – $13,681 and $42,956, respectively).

Share Unit Plan

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

As at September 30, 2021, 1,696,950 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the nine months ended September 30, 2021 and the year ended December 31, 2020:

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

	Share units #	Weighted average fair value $
Outstanding, December 31, 2019	**1,967,256**	**0.31**
Granted	1,019,520	0.23
Redeemed	(1,380,208)	0.29
Forfeited	(140,001)	0.30
Outstanding, December 31, 2020	**1,466,567**	**0.27**
Granted	749,587	0.77
Redeemed	(495,870)	0.38
Forfeited	(23,334)	0.77
Outstanding, September 30, 2021	**1,696,950**	**0.45**

During the nine months ended September 30, 2021, 749,587 share units (year ended December 31, 2020 – 1,019,520) were granted to directors, officers, employees, and consultants of the Company at an average fair value of $0.77 (year ended December 31, 2020 – $0.23). The vesting terms of these share units were as follows: 75,587 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, and 674,000 share units vest over an 18-month period in three equal instalments.

During the nine months ended September 30, 2021, 495,870 share units were redeemed (year ended December 31, 2020 – 1,380,208). The corresponding grant date fair value of $186,178 (year ended December 31, 2020 – $410,410) was reclassified from equity reserves to issued capital.

During the nine months ended September 30, 2021, 23,334 share units were forfeited (year ended December 31, 2020 – 140,001).

The share units, when granted, are accounted for at their fair value determined by the share price upon the grant of the share units. The fair value of the share units granted for the three and nine months ended September 30, 2021 was $18,500 and $575,605, respectively (three and nine months ended September 30, 2020 – $22,112 and $218,420). Share-based compensation expense recognized in relation to share units during the three and nine months ended September 30, 2021 was $158,902 and $435,220 respectively (three and nine months ended September 30, 2020 – $68,735 and $258,044, respectively).

16. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

	Three months ended September 30, 2021	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Net (loss) income for the period	**$ (1,078,899)**	$ 3,982,777	**$ (5,778,000)**	$ 7,436,040
Weighted average basic number of shares outstanding	**176,499,034**	144,974,074	**168,864,840**	139,365,107
Weighted average dilutive shares adjustment:				
Stock options	**-**	3,045,304	**-**	1,421,339
Warrants	**-**	5,153,326	**-**	890,998
Share units	**-**	453,176	**-**	393,419
Weighted average diluted number of shares outstanding	**176,499,034**	153,625,880	**168,864,840**	142,070,863
Net (loss) income per share:				
Basic and diluted	**$ (0.01)**	$ 0.03	**$ (0.03)**	$ 0.05

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

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 exceeded the weighted average market price of the Company's common shares.

	Three months ended September 30, 2021	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Stock options	**2,914,584**	3,581,155	**2,914,584**	5,205,120
Warrants	**42,500**	11,573,435	**42,500**	16,333,342
Share units	**426,002**	91,269	**426,002**	151,026
	3,383,086	15,245,859	**3,383,086**	21,689,488

17. INCOME TAXES

During the three and nine months ended September 30, 2021, a current income tax expense of $nil and $30,345 relating to provincial mining tax was recorded in the condensed interim consolidated statement of comprehensive (loss) income (three and nine months ended September 30, 2020 – $973,000 and $1,560,528, respectively). During the nine months ended September 30, 2021, the Company paid $1,893,345 relating to provincial mining tax for the year ended December 31, 2020.

During the three and nine months ended September 30, 2021, a net deferred income tax expense of $617,000 and $365,000 (three and nine months ended September 30, 2020 – $688,000 and $2,789,000, respectively) was recognized in the condensed interim consolidated statement of comprehensive (loss) income.

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, 2021, the Company received $320,015 as an advance from the Centre and $304,124 was credited against eligible costs incurred in relation to advances received from the Centre (year ended December 31, 2020 – $534,850 and $345,000, respectively). As at September 30, 2021, $205,741 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.

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
	$	$	**$**	$
Change in working capital:				
Trade and other receivables	**(262,385)**	(142,821)	**(344,390)**	(123,448)
Prepaid expenses and deposits	**217,173**	196,283	**207,827**	318,414
Inventory	**443,475**	(348,098)	**(2,065)**	(537,838)
Assets held for sale	**-**	13,661	**-**	-
Advances	**(105,940)**	(95,000)	**15,891**	252,204
Trade payables and accrued liabilities	**433,017**	119,106	**1,413,529**	(360,297)
Current taxes payable	**-**	(563,126)	**(1,893,345)**	(563,126)
	725,340	(819,995)	**(602,553)**	(1,014,091)
Supplemental cash flow information:				
Interest paid	**21,734**	53,866	**77,226**	149,819
Property, mill and equipment acquired through leases	**151,812**	-	**386,099**	123,390
Insurance premiums financed through loans	**-**	-	**-**	127,287

20. FINANCIAL INSTRUMENTS

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

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

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	7,402,219	-	-	**7,402,219**
RBC loan	894,911	-	-	**894,911**
Provincial government loan	86,244	-	-	**86,244**
Federal government loan	71,600	-	-	**71,600**
Lease liabilities	252,463	277,348	16,801	**546,612**
	8,707,437	277,348	16,801	**9,001,586**

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

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, 2021 and September 30, 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
	$	$	**$**	$
Salaries, bonuses, fees and short term benefits	**214,148**	149,977	**539,493**	541,302
Share based compensation	**111,568**	51,405	**268,256**	190,745
	325,716	201,382	**807,749**	732,047

As at September 30, 2021, included in trade and other payables is $83,000 (December 31, 2020 – $215,000) of amounts due for directors' fees and bonuses.

Magna Terra Minerals Inc.

The Company and Magna Terra have certain key management personnel in common. As described in note 10, the Company completed a transaction with Magna Terra on July 30, 2020, whereby Magna Terra acquired all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, ExploreCo. The Company and Magna Terra have entered into a service level agreement whereby the Company provides certain services to Magna Terra, including technical geology services and exploration program management, corporate services, and finance and accounting support. As at September 30, 2021, included in trade and other receivables in note 6 is $259,917 (December 31, 2020 - $81,612) of amounts charged under the service level agreement, which was received in full subsequent to period end.

22. COMMITMENTS

As at September 30, 2021, the Company has a commitment to spend a total of $6,297,915 of flow-through funds on eligible exploration expenses, related to the private placement completed in May 2021 (note 15).

In the third quarter of 2021, the Company locked into forward sales on a delivery basis for a total of 1,587 ounces of its production for the fourth quarter of 2021. The gold price for the orders was locked in at an average of $2,249 per ounce with delivery in the fourth quarter of 2021.

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

- A net smelter return ("NSR") of 3% is payable to a third-party on gold sold from the Stog'er Tight Property.
- A $3,000,000 capped NSR on 4 mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle property, is calculated at 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter and is 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter.
- A $3,000,000 capped NSR of 3% on a property that forms part of the Argyle Property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.
- A net profits interest ("NPI") agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. As at September 30, 2021, the Company has determined it has approximately $16 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.