Anaconda Mining

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018, seven month period ended December 31, 2017, and year ended May 31, 2017

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Anaconda Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Anaconda Mining Inc. and its subsidiaries (together, the Company) as at December 31, 2018, December 31, 2017 and May 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2018, for the seven month period ended December 31, 2017 and for the year ended May 31, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of comprehensive (loss) income for the year ended December 31, 2018, for the seven month period ended December 31, 2017 and for the year ended May 31, 2017;
- the consolidated statements of financial position as at December 31, 2018, December 31, 2017 and May 31, 2017;
- the consolidated statements of cash flows for the year ended December 31, 2018, for the seven month period ended December 31, 2017 and for the year ended May 31, 2017;
- the consolidated statements of changes in equity for the year ended December 31, 2018, for the seven month period ended December 31, 2017 and for the year ended May 31, 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Annual Management Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Monica Banting.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 26, 2019

Anaconda Mining Inc.

Consolidated Statements of Comprehensive (Loss) Income

(Canadian Dollars)

		Year ended December 31, 2018	Seven months ended December 31, 2017	Year ended May 31, 2017
		$	$	$
Gold		**31,602,584**	15,344,622	25,670,331
Silver		**28,460**	15,962	26,298
Aggregates		**100,092**	809,192	938,089
Total revenue		**31,731,136**	16,169,776	26,634,718
Cost of operations				
Operating expenses	6	**18,626,974**	9,516,731	17,525,386
Royalty expense	6	**366,248**	-	2,952
Depletion and depreciation		**6,832,877**	4,248,742	7,262,083
		25,826,099	13,765,473	24,790,421
Mine operating income		**5,905,037**	2,404,303	1,844,297
Expenses and other income				
Corporate administration		**4,025,435**	2,747,770	2,637,276
Transaction costs	25	**854,131**	-	-
Share-based compensation expense	17	**544,560**	131,676	181,225
Deferred premium on flow-through shares	17	**(253,535)**	(96,584)	-
Write-down of exploration and evaluation assets	11	**240,836**	65,939	-
Research and development	20	**514,609**	59,288	-
Other expenses	7	**47,969**	42,579	152,984
		5,974,005	2,950,668	2,971,485
Income (loss) before income taxes		**(68,968)**	(546,365)	(1,127,188)
Current income tax expense	19	**1,007,445**	118,000	-
Deferred income tax expense (recovery)	19	**617,000**	(1,569,000)	2,475,000
		1,624,445	(1,451,000)	2,475,000
Net (loss) income and comprehensive (loss) income for the period		**(1,693,413)**	904,635	(3,602,188)
Net (loss) income per share - basic and diluted	18	**(0.01)**	0.01	(0.07)
Weighted average number of shares outstanding				
- basic		**113,263,230**	98,463,116	52,730,475
- fully diluted		**113,263,230**	98,887,200	52,730,475

Anaconda Mining Inc.

Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	**December 31, 2018**	December 31, 2017	May 31, 2017
		$	$	$
Assets				
Current assets				
Cash		**6,425,129**	3,963,181	2,519,488
Trade and other receivables	8	**831,376**	336,900	484,103
Inventory	9	**4,906,935**	7,126,240	4,525,312
Prepaid expenses and deposits		**251,111**	234,904	314,499
Marketable securities	10	**372,690**	-	-
		12,787,241	11,661,225	7,843,402
Non-current assets				
Restricted cash		**34,023**	5,000	-
Property, mill and equipment	12	**7,430,578**	11,018,738	13,516,534
Exploration and evaluation assets	11	**35,062,525**	23,615,914	22,346,129
Deferred income tax asset	19	**2,628,000**	3,627,000	2,368,000
		57,942,367	49,927,877	46,074,065
Liabilities				
Current liabilities				
Trade payables and accrued liabilities	13	**7,637,312**	3,958,933	4,060,492
Current portion of loans	15	**804,770**	671,881	349,527
Current portion of decommissioning liability	16	**60,119**	-	-
Flow-through premium	17	**-**	253,535	-
Advances	20	**86,200**	155,682	-
Unearned revenue		**-**	-	121,287
Current taxes payable	19	**1,001,000**	118,000	-
		9,589,401	5,158,031	4,531,306
Non-current liabilities				
Loans	15	**689,401**	670,534	645,458
Deferred income tax liability		**1,793,000**	2,175,000	2,485,000
Decommissioning liability	16	**2,808,245**	2,666,401	2,671,405
		14,880,047	10,669,966	10,333,169
Shareholders' equity				
Share capital, warrants and equity reserves	17	**57,976,959**	52,660,297	50,238,923
Accumulated deficit		**(14,914,639)**	(13,402,386)	(14,498,027)
		43,062,320	39,257,911	35,740,896
		57,942,367	49,927,877	46,074,065

Approved by the Board of Directors on February 26, 2019

"Maruf Raza" *"Jonathan Fitzgerald"*

Change in year-end (Note 1)
Commitments (Note 24)

Anaconda Mining Inc.

Consolidated Statements of Cash Flows

(Canadian Dollars)

	Notes	**Year ended December 31, 2018 $**	Seven months ended December 31, 2017 $	Year ended May 31, 2017 $
Operating activities				
Net (loss) income		**(1,693,413)**	904,635	(3,602,188)
Adjustments to reconcile net (loss) income to cash flow from operating activities:				
Depletion and depreciation		**6,832,877**	4,248,742	8,006,667
Write down of exploration assets	11	**240,836**	65,939	-
Share-based compensation expense	17	**544,560**	131,676	181,225
Current income tax expense	19	**1,007,445**	118,000	-
Deferred income tax expense (recovery)	19	**617,000**	(1,569,000)	2,475,000
Deferred premium on flow-through shares	17	**(253,535)**	(96,584)	-
Interest accretion of decomissioning liability	16	**68,198**	14,786	40,532
Unrealized gain on derivatives		**(24,207)**	(6,201)	-
Unrealized gain on marketable securities	10	**(65)**	-	-
Change in non-cash working capital	21	**1,554,651**	(1,776,487)	(2,318,810)
Cash flow provided from operating activities		**8,894,347**	2,035,506	4,782,426
Investing activities				
Additions of property, mill and equipment	12	**(2,023,857)**	(527,118)	(3,414,163)
Additions of exploration and evaluation assets	11	**(8,024,095)**	(1,942,146)	(2,868,112)
Acquisition of Maritime loan	7	**(535,178)**	-	-
Repayment of Maritime loan	7	**535,178**	-	-
Cash received through acquisition of Orex Exploration Inc.		**-**	-	713,367
Payment of transaction costs related to acquisition of Orex		**-**	(629,544)	(440,034)
Purchase of marketable securities	10	**(372,625)**	-	-
(Increase)/decrease in restricted cash		**(29,023)**	-	27,500
Cash flow used in investing activities		**(10,449,600)**	(3,098,808)	(5,981,442)
Financing activities				
Proceeds from financing agreement, net of issuance costs	17	**4,161,677**	2,812,572	1,790,893
Net proceeds from exercise of stock options	17	**186,000**	5,250	30,000
Net proceeds from exercise of warrants	17	**87,000**	-	-
Proceeds from loans	15	**489,145**	-	450,000
Repayment of loans	15	**(906,621)**	(310,827)	(188,550)
Cash flow provided from financing activities		**4,017,201**	2,506,995	2,082,343
Net increase in cash		**2,461,948**	1,443,693	883,327
Cash at beginning of period		**3,963,181**	2,519,488	1,636,161
Cash at end of period		**6,425,129**	3,963,181	2,519,488

Supplemental cash flow information (Note 21)

Anaconda Mining Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, expect share information)

	Notes	Share capital Number of shares	Issued capital $	Equity reserves $	Warrants $	Accumulated deficit $	Total $
Balance at May 31, 2016		**45,032,141**	**33,146,025**	**740,526**	**11,585**	**(11,042,239)**	**22,855,897**
Share-based compensation from issuance of options		-	-	181,225	-	-	181,225
Exercise of stock options		143,750	52,243	(22,243)	-	-	30,000
Expiry of stock options transferred to deficit		-	-	(146,400)	-	146,400	-
Common shares issued for cash		7,275,947	2,037,265	-	-	-	2,037,265
Share issuance expense, net of tax		-	(328,553)	-	82,181	-	(246,372)
Issuance of shares for property acquisition		25,000	6,500	-	-	-	6,500
Issuance of Anaconda shares for acquisition of Orex Exploration Inc.		43,041,935	12,051,741	-	-	-	12,051,741
Issuance of replacement options for acquisition of Orex Exploration Inc.		-	-	709,496	-	-	709,496
Assumption of warrants for acquisition of Orex Exploration Inc.		-	-	-	1,717,332	-	1,717,332
Net loss for the period		-	-	-	-	(3,602,188)	(3,602,188)
Balance at May 31, 2017		**95,518,773**	**46,965,221**	**1,462,604**	**1,811,098**	**(14,498,027)**	**35,740,896**
Share-based compensation from issuance of options	18	-	-	131,676	-	-	131,676
Exercise of stock options	18	25,000	9,145	(3,895)	-	-	5,250
Expiry of stock options transferred to deficit		-	-	(108,825)	-	108,825	-
Expiry of warrants transferred to deficit		-	-	-	(82,181)	82,181	-
Common shares issued for cash		10,051,192	3,000,497	-	-	-	3,000,497
Share issuance expense, net of tax		-	(230,302)	-	42,377	-	(187,925)
Flow-through share premium		-	(350,118)	-	-	-	(350,118)
Issuance of shares for property acquisition	11	50,000	13,000	-	-	-	13,000
Net income for the period		-	-	-	-	904,635	904,635
Balance at December 31, 2017		**105,644,965**	**49,407,443**	**1,481,560**	**1,771,294**	**(13,402,386)**	**39,257,911**
Share-based compensation from issuance of options	18	-	-	544,560	-	-	544,560
Expiry of stock options transferred to deficit		-	-	(181,160)	-	181,160	-
Exercise of stock options	18	787,500	213,420	(27,420)	-	-	186,000
Exercise of warrants	18	255,000	143,257	-	(56,257)	-	87,000
Issuance of shares for property acquisition	11	1,188,218	518,585	-	-	-	518,585
Issuance of flow-through shares and warrants for units	18	10,890,952	4,039,727	-	425,563	-	4,465,290
Share issuance expense, net of tax	18	-	(387,081)	-	83,468	-	(303,613)
Net loss for the period		-	-	-	-	(1,693,413)	(1,693,413)
Balance at December 31, 2018		**118,766,635**	**53,935,351**	**1,817,540**	**2,224,068**	**(14,914,639)**	**43,062,320**

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Anaconda Mining Inc. (individually, or collectively with its subsidiaries, as applicable, "Anaconda" or the "Company") is a gold mining, development, and exploration company, with operations in Atlantic Canada. The Company operates the Point Rousse Project located in the Baie Verte Mining District in Newfoundland, Canada, comprised of the Stog'er Tight mine, the Pine Cove open pit mine, the Argyle Mineral Resource, and the fully-permitted Pine Cove Mill and tailings facility. Anaconda is also advancing the Goldboro Project in Nova Scotia.

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

Anaconda is incorporated in Canada under the laws of Ontario. The Company's common shares are listed on the Toronto Stock Exchange under the ticker symbol "ANX". The Company's head office and registered office is located at 150 York Street, Suite 410, Toronto, Ontario, M5H 3S5.

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are presented in note 2 and have been applied consistently to all periods presented unless otherwise noted.

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

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates, and also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement and/or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

These consolidated financial statements were approved by the Company's Board of Directors on February 26, 2018.

Principles of consolidation
These consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), 2647102 Ontario Inc. (Canada), Colorado Minerals Inc. (Canada), and Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"). The business and mineral properties of La Veta were sold during fiscal 2012.

All inter-company transactions and balances are eliminated on consolidation.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency
The Company's presentation currency is the Canadian Dollar ("$"). The functional currency of the Company and each subsidiary of the Company is the currency of the primary economic environment in which it operates. The functional currency of Anaconda and its Canadian subsidiaries is the Canadian Dollar. The translation difference arising from the translation of subsidiaries, with functional currency different than the consolidated functional currency, if any, is recorded on the consolidated statement of comprehensive (loss) income as currency translation adjustments.

Foreign currency translation
Foreign currency transactions are translated into Canadian Dollars (the Company's functional currency) using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive (loss) income as foreign exchange loss (gain).

Cash and cash equivalents
Cash and cash equivalents comprise cash on deposit at banks and other highly liquid short-term investments, which may be settled on demand or within a maximum 90-day period to maturity.

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

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

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

Inventory
Unshipped gold dore, gold-in-circuit, and ore in stockpiles are physically measured or estimated, and valued at the lower of cost and net realizable value. Net realizable value is the relevant market price less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises raw materials, direct labour, repairs and maintenance, utilities, and mine-site overhead expenses, including depreciation, incurred in producing finished goods.

Gold-in-circuit and ore in stockpiles represent inventories that are currently in the process of being converted into saleable product. Ore in stockpile tonnage is established by periodic surveys, and gold content based on assay testing and estimated metallurgical recovery rates.

Supplies and consumables are used during various stages of the gold mining, processing, and refining process, and are carried at the lower of cost, using the weighted average method, and net realizable value. Provisions are recorded to reduce materials and supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the materials or supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

Exploration and evaluation assets
Exploration and evaluation assets consist of costs associated with the Company's exploration properties. Exploration and evaluation costs include:

- Acquisition and leasehold/preservation costs of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;

- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Exploration and evaluation costs are capitalized as incurred and deferred until management establishes technical feasibility and economic feasibility of a property and commences permitting and development at which point the associated carrying costs are reclassified to property, mill and equipment as property. Upon disposal or abandonment of exploration and evaluation assets, the carrying values are derecognized and a gain/loss is recorded in the consolidated statement of comprehensive (loss) income.

Property, mill and equipment
Property, mill and equipment ("PME") are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PME consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Accumulated property and mill costs, which include site infrastructure and production stripping assets, are depreciated on a units-of production method ("UOP") over the expected life of mine, except in the case of an asset whose useful life is shorter than that of the mine life, in which case the straight-line method is applied. Mill assets and other site infrastructure whose estimated useful lives extend to other mineral resources would correspondingly be depreciated on a UOP basis over the larger estimate of economically recoverable resources, as appropriate. The Company prospectively revises calculations of depreciation for PME depreciated using the UOP method, where the denominator is based on the life of mine.

Mining properties consist of the fair value attributable to mineral reserves and resources acquired in a business combination or asset acquisition, underground mine development costs, open pit mine development costs and capitalized exploration and evaluation costs.

PME under construction are capitalized as construction in progress until the asset is available for use. The cost of construction in progress includes its purchase price and any costs directly attributable to bringing it into working condition for its intended use. On completion, the cost of construction is transferred to the appropriate category of PME, and depreciation will commence when the asset is available for its intended use.

Other equipment, including vehicles, computers and software, are depreciated on a straight-line basis over their useful lives, less their estimated residual values, which are generally estimated at between 2 and 5 years.

Stripping costs in the Development Stage
During the development stage of a pit or project (before production begins) stripping costs are capitalized, after which time such costs are either capitalized to inventory or, if the costs qualify as open pit stripping activities that provide a future benefit, to PME.

These assets are amortized when the benefits of the production stripping assets accrue to the ore body on a units-of-mine-production basis over the remaining life of mine of the identifiable ore body.

Stripping costs in the Production Stage
During the production stage of any mining activities, to the extent that the benefit from the stripping activity is realized in the form of inventory produced, costs are included as part of inventory. To the extent that the benefit is new or improved access to an identifiable component of the ore body, the costs are capitalized as stripping activity asset, as part of the existing mining asset, provided there is a reasonable expectation of recovering the future economic benefit of these assets. The Company recognises a production stripping asset when it is probable that the future benefit (improved access to the ore body) associated with the stripping activity will flow to the Company, the ore body for which access has been improved is identifiable and the costs can be measured reliably.

These assets are amortized when the benefits of the production stripping assets accrue to the ore body on a units-of-mine-production basis over the remaining life of mine of the identifiable ore body.

Insurance
The Company records losses relating to insurable events as they occur. Proceeds receivable from insurance coverage are recorded at such time when receipt is virtually certain and the amounts receivable are fixed or determinable. For business interruption insurance, the amount recoverable is only recognized when receipt is virtually certain, as supported by notification of a minimum or proposed settlement amount from the insurance adjuster.

Borrowing costs
General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Financial instruments

Financial instruments for the year ended December 31, 2018

(a) Classification

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

(b) Measurement

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

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

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

(c) Impairment of financial assets at amortized cost

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

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

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

Financial instruments for the seven month period ended December 31, 2017 and the year ended May 31, 2017

The Company's financial assets includes cash, restricted cash, and trade and other receivables. The Company's financial liabilities include trade and other payables, call options, and loans.

Financial instruments require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 Inputs for the assets or liabilities that are not based on observable market data.

Financial assets
Initial recognition
Financial assets within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income and finance costs on the consolidated statement of comprehensive income (loss).

Available for sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the above categories of financial assets. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income (loss) and presented in the fair value reserve in equity. When an available for sale financial asset is derecognized or the decrease in fair value is a significant or prolonged decline below cost, the gain or loss accumulated in other comprehensive income (loss) is reclassified to income or loss.

Impairment
The Company assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset is impaired.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows: After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method ("EIR"). Gains and losses are recognized in the consolidated statement of comprehensive income (loss) when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost on the consolidated statement of comprehensive income (loss).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income (loss).

Classifications
The Company has classified its cash and restricted cash and call options as fair value through profit and loss, which are measured at fair value. Trade and other receivables are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and loans are classified as other financial liabilities, which are measured at amortized cost.

Impairment of non-financial assets
When events or circumstances indicate that the carrying value may not be recoverable, the Company reviews the carrying amounts of its non-financial assets to determine whether events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The estimated recoverable amount is determined on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the recoverable amount is estimated at the cash generating unit ("CGU") level.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive (loss) income.

If an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased up to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

Decommissioning, restoration and similar liabilities
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and PME, when those obligations result from the acquisition, construction, development or normal operation of the assets. Such costs include restoration of impacted areas for the tailings impoundment areas, polishing pond and stockpiles, the eventual removal of mill facilities, and post closure environmental monitoring costs. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the UOP method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. Elements of uncertainty also exist in estimating the timing of incurring the liability which depends on the ultimate closure date of the operation.

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statement of financial position.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the date of the consolidated statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are undiscounted and are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each date of the consolidated statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the consolidated statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provincial mining tax

The Company is subject to a Newfoundland mining tax of 15% calculated as income less applicable deductions, credits and allowances. The Newfoundland mining tax is accounted for under IAS 12, *Income Taxes*.

Flow-through share financing

The Company issues flow-through common shares to finance qualifying Canadian exploration expenses. Pursuant to the Canadian Income Tax Act and the terms of the flow-through share financing agreements, the renunciation of qualifying Canadian exploration expenses to flow-through shareholders transfers the tax deductibility of the qualifying exploration expenditures to investors. In flow-through financing arrangements where there is a difference between the market price of the Company's shares on the closing date of the financing and the cash consideration received, the difference is initially accounted for as a liability. As qualifying exploration expenditures are incurred, the Company derecognizes the liability and recognizes a corresponding income amount. Where the flow-through shares have attached share purchase warrants, the Company measures the common share at its fair value and the difference between the value of the common share and the value of the flow-through unit is allocated between the warrant and the liability. A related deferred tax expense and the associated liability are also recognized at the time the expenditures are capitalized for accounting purposes.

Research and development
All research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless they meet the criteria for capitalization, in which case they are capitalized and then amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits.

Government assistance
Non-repayable government assistance is recorded as a reduction in the related qualifying expenditure. Repayable government loans are recorded initially at fair value, with the difference between the book value and fair value recorded as a reduction of the related expenditures.

Share-based payments
Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision to the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-based share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Income (loss) per share
Basic income (loss) per common share is computed by dividing net (loss) income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted (loss) income per common share is determined whereby the deemed proceeds on the exercise of share options, warrants, and other dilutive instruments are considered to be used to reacquire common shares at the average price for the period, with the incremental number of shares being included in the denominator of the diluted (loss) income per share calculation. The diluted (loss) income per share calculation excludes any potential conversion of options, warrants and other dilutive instruments that would decrease any loss per share. In the event of a share consolidation or share split, the calculation of basic and diluted income (loss) per share is adjusted retrospectively for all periods presented.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements require management to make judgments and estimates, and form assumptions, that affect the reported amounts of assets and liabilities in the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets and are based on historical experiences and other factors considered relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised.

Critical accounting estimates and assumptions
The following is a list of accounting estimates the Company believes are critical, due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. Actual results may differ from these estimates.

- Estimates of the quantities of proven and probable mineral reserves and resources in the expected life of mine are used in the calculation of depletion and depreciation expense, to calculate the recoverable value of a CGU and/or exploration and evaluation assets, and any required impairment, and to forecast mine life of the Company's operations. The Company makes estimates of the quantities of reserves and resources, which requires significant subjective assumptions that arise from the evaluation of geological, engineering and economic data for a given ore body. These estimates could change over time due to various factors, including new information gained from mining and development, drill results and updated economic data.

- Significant estimates and assumptions are made in determining the nature, timing and amount of future expenditures required to settle the Company's rehabilitation liabilities and closure costs. These estimates could change in the future due to increased disturbance, technological changes, changes in the regulatory environment, cost changes, and changes to the discount rate.
- Estimates are made in determining the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill. The residual value estimates require management to make judgments and apply assumptions in respect of the useful lives of the assets, including the Company's life of mine plan, the selection of transaction data for comparable assets and the economic conditions that will exist at the end of the life of the mine.
- The Company allocates production costs to metal inventory, which requires an estimate of contained gold and recovery rates. Estimates of recoverable gold on the stockpiles are calculated from the quantities of ore placed on the stockpiles (measured tons added to the stockpiles), the grade of ore placed on the stockpiles (based on assay data) and a recovery percentage (based on ore type). Ultimate ounces recovered will only be known once metal is poured and refined. The measurement of inventory, including the determination of its net realizable value, especially as it relates to ore in stockpiles, involves the use of estimates. Estimation is required in determining the tonnage, recoverable gold contained therein, and in determining the remaining costs of completion to bring inventory into its saleable form. Judgment also exists in determining whether to recognize a provision for obsolescence on mine operating supplies, and estimates are required to determine salvage or scrap value of supplies.
- The Company's management makes significant estimates and judgments in determining the Company's tax expense for the period and the deferred tax assets and liabilities. Management interprets tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. In addition, management makes estimates related to expectations of future taxable income based on cash flows from operations and the application of existing tax law. Assumptions used in the forecast of taxable profit are based on management's estimates of future production and sales volume, commodity prices, operating costs, capital expenditures, and decommissioning and reclamation expenditures. These estimates are subject to risk and uncertainty and could result in an adjustment to the deferred tax asset and a corresponding credit or charge to the consolidated statement of comprehensive (loss) income.

Critical accounting judgments
The following are critical judgments that management has made in the process of applying accounting policies that may have a significant impact on the amounts recognized in the consolidated financial statements:

- Whether there are any indicators that the Company's property, mill and equipment assets and exploration and evaluation assets are impaired. Where an indicator of impairment exists for its long lived assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.
- Whether the recognition criteria for deferred tax assets have been met based on forecasts of future taxable profit.
- Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Company establishes provisions where it determines that a present obligation exists and that it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made. The amount of such provisions for tax matters is based on various factors, such as previous tax audits and the interpretation of tax regulations by the responsible tax authority. Such areas of audit and interpretation may include the Company's judgements in respect of qualifying Canadian exploration expenses and related tax deductions renounced to investors under a flow-through common share financing.

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

4. ADOPTION OF NEW ACCOUNTING STANDARDS

The Company has adopted IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 9 *Financial Instruments*

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

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial assets on this date. The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

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

IFRS 15 *Revenue from Contracts with Customers*

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

For the seven months ended December 31, 2017 and the twelve months ended May 31, 2017, $809,192 and $938,089 were reclassified from other income to aggregates revenue. The reclassifications for the comparative periods did not result in a change in the previously disclosed net income (loss) per share.

Standards issued but not yet effective

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

- **IFRS 16 – Leases ("IFRS 16")** was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. The Company will apply IFRS 16 on its effective date of January 1, 2019 using the modified retrospective approach of adoption resulting in no restatement of prior year comparative information.

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

Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight line basis for short term leases (lease term of 12 months or less) and low value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of the initial application would be accounted for in the same way as short term leases.

A review of leases was significantly advanced in 2018 with further analysis and quantification of impacts to be finalized. Implementation of IFRS 16 is expected to increase property, mill and equipment, related debt amounts, and corresponding depreciation and finance cost expenses.

- **IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23")** was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company does not expect the application of IFRIC 23 to have a significant impact on its consolidated financial statements.

5. SHARE CONSOLIDATION

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

6. OPERATING EXPENSES

	Year ended December 31, 2018	Seven months ended December 31, 2017	Year ended May 31, 2017
	$	$	$
Mining costs	**7,005,663**	5,265,763	9,807,252
Processing costs (including refining and transport)	**9,428,149**	5,370,237	7,479,348
Mine support costs	**1,163,780**	550,557	1,084,805
Inventory adjustment	**1,029,382**	(1,669,826)	(846,019)
	18,626,974	9,516,731	17,525,386

During the year ended December 31, 2018, the Company received insurance proceeds of $222,055 regarding a business interruption claim pertaining to the failure of a jaw crusher in the mill. The proceeds received have been included as a reduction in processing costs in the year ended December 31, 2018.

During the year ended May 31, 2017, the Company received insurance proceeds of $750,000 regarding a business interruption claim pertaining to the failure of its regrind mill. The proceeds received were included as a reduction in processing costs in the year ended May 31, 2017.

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

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

The royalty expense recorded in the year ended December 31, 2018 reflects the net smelter return of 3% payable to a third party on gold produced from the Stog'er Tight Property.

7. OTHER EXPENSES

	Year ended December 31, 2018	Seven months ended December 31, 2017	Year ended May 31, 2017
	$	$	$
Finance expense	**60,027**	46,883	176,882
Foreign exchange loss (gain)	**12,214**	1,897	(5,360)
Unrealized gain on derivatives	**(24,207)**	(6,201)	(18,538)
Unrealized gain on marketable securities	**(65)**	-	-
	47,969	42,579	152,984

On March 12, 2018, the Company acquired a $500,000 interest bearing loan provided to Maritime Resources Corp. ("Maritime") on April 26, 2017 from Code Consulting Limited (the "Loan"). The Loan had a maturity date of April 25, 2018, bore interest at 8% per annum, and was repayable, among other things, on the earlier of Maritime raising $2,000,000 or more in equity or debt financing; or upon Maritime committing an event of default. The Company provided Maritime with notice that it was in default under its obligations pursuant to the Loan as Maritime had raised over $2,000,000 through February 15, 2018. On March 26, 2018, Maritime repaid the Loan and accrued interest in full. Interest income of $1,534 received from the Loan was included in finance expense in other expenses on the consolidated statement of comprehensive (loss) income for the year ended December 31, 2018.

8. TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
HST receivable	**829,541**	336,554	355,892
Receivables from aggregates sales	**-**	-	108,846
Other receivables and accrued interest	**1,835**	346	19,365
	831,376	336,900	484,103

9. INVENTORY

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
Gold dore	**900,000**	854,000	417,000
Gold-in-circuit	**1,695,000**	1,245,000	1,254,000
Ore in stockpiles	**686,259**	3,528,000	1,479,000
Supplies and consumables	**1,625,676**	1,499,240	1,375,312
	4,906,935	7,126,240	4,525,312

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

During the year ended December 31, 2018, an obsolescence provision of $17,438 (seven month period ended December 31, 2017 – $101,226, year ended May 31, 2017 – $nil), was recorded as an inventory adjustment against supplies and consumables, which was included in operating expenses on the consolidated statement of comprehensive (loss) income.

10. 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. As at December 31, 2018, the Company recorded an unrealized gain on marketable securities of $65 as a result of the revaluation of the marketable securities at period end, which was included in other expenses on the consolidated statement of comprehensive (loss) income.

11. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2017	Payments under option agreements	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at December 31, 2018
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	16,545,184	-	9,401,050	-	-	25,946,234
Point Rousse Project, Newfoundland	5,697,277	30,000	1,285,628	-	(240,836)	6,772,069
Tilt Cove Project, Newfoundland	77,354	91,875	62,269	-	-	231,498
Great Northern Project, Newfoundland	1,296,102	84,375	651,234	-	-	2,031,711
Cape Spencer, New Brunswick	-	50,000	31,013	-	-	81,013
	23,615,917	**256,250**	**11,431,194**	**-**	**(240,836)**	**35,062,525**

* As at December 31, 2018, $3,653,870 of expenditures were in trade payables and accrued liabilities.

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

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

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

Properties	Balance as at May 31, 2016	Payments under option agreements	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at May 31, 2017
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	-	-	14,850,987	-	-	14,850,987
Point Rousse Project, Newfoundland	4,532,444	225,000	1,485,993	-	-	6,243,437
Tilt Cove Project, Newfoundland	-	24,715	3,995	-	-	28,710
Great Northern Project, Newfoundland	104,293	64,715	1,053,987	-	-	1,222,995
	4,636,737	**314,430**	**17,394,962**	**-**	**-**	**22,346,129**

* As at May 31, 2017, $629,544 of expenditures were in trade payables and accrued liabilities.

As at December 31, 2018, the Company had met all required property option commitments and accordingly the properties were in good standing. Royalty obligations on the Company's various mineral properties are outlined in note 24.

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

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

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

During the year ended December 31, 2018, $240,836 on expenditures related to the Anoroc Property within the Point Rousse Project were written off, due to the Company's decision to discontinue exploration activity on the Anoroc Property.

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

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

During the year ended May 31, 2017, the Company completed its earn-in into two option agreements that comprise the Argyle property; title on five mineral exploration licenses have been fully transferred to the Company. The Company also completed its earn-in obligations under an option agreement with respect to the Stog'er Tight property, where title has been fully transferred to the Company.

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

- On November 8, 2016, Anaconda entered into an option agreement with MEK to acquire a 100%-undivided interest in the "Tilt Cove Property" located 60 kilometres east of the Company's Point Rousse Project. To earn a 100%-undivided interest in the Tilt Cove Property, the Company is required to make aggregate payments to MEK of $200,000 (of which $120,000 has been paid) in cash and 125,000 common shares of Anaconda (of which 75,000 have been issued) over a three-year period. The Company is also required to spend a total of $750,000 in qualified exploration expenditures on the Tilt Cove Property during the option period.

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

Great Northern Project – The Great Northern Project is comprised of two mineral deposits, collectively referred to as the Great Northern Project (“Great Northern”).

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

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

- On November 8, 2016, Anaconda entered an option agreement with Metals Creek Resources Corp. (“MEK “) to acquire a 100%-undivided interest in the “Jackson’s Arm Property” and contiguous mineral. To earn a 100%-undivided interest in the Jackson’s Arm Property, the Company is required to make aggregate payments to MEK of $200,000 (of which $120,000 has been paid) in cash and 125,000 common shares of Anaconda (of which 75,000 have been issued) over a three-year period, with increasing payments on the anniversary of the date of the agreement. Anaconda is required to spend a total of $750,000 in qualified exploration expenditures on the Jackson’s Arm Property during the option period.

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

Cape Spencer – On August 9, 2018, Anaconda entered into an option agreement to acquire a 100%-undivided interest in Cape Spencer, an early stage exploration project located 15 kilometres east of Saint John, New Brunswick. To earn a 100%-undivided interest in Cape Spencer, the Company is required to make aggregate payments of $300,000 (of which $50,000 has been paid) in cash and $145,000 in cash or equivalent value shares (of which $nil has been paid and of which no common shares have been issued) over a five-year period. The Company is also required to spend a total of $400,000 in qualified exploration expenditures on Cape Spencer within the first four years of the option period.

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

12. PROPERTY, MILL AND EQUIPMENT

For the year ended December 31, 2018

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	27,420,578	9,469,141	2,256,122	1,222,603	40,368,444
Additions*	918,227	80,423	235,235	763,376	1,997,261
Transfers	102,963	1,040,091	367,895	(1,510,949)	-
Disposals	-	-	(20,000)	-	(20,000)
	28,441,768	**10,589,655**	**2,839,252**	**475,030**	**42,345,705**
Accumulated depreciation					
Beginning of year	21,552,740	6,556,480	1,240,486	-	29,349,706
Depreciation/depletion	4,300,220	957,326	319,625	-	5,577,171
Disposals	-	-	(11,750)	-	(11,750)
	25,852,960	**7,513,806**	**1,548,361**	**-**	**34,915,127**
Net book value	**2,588,808**	**3,075,849**	**1,290,891**	**475,030**	**7,430,578**

* As at December 31, 2018, $63,600 of additions were in trade payables and accrued liabilities. During the period ended December 31, 2018, $266,155 of PME additions were financed through capital leases.

For the seven month period ended December 31, 2017

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

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

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

For the year ended May 31, 2017

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	22,255,860	8,865,411	1,713,339	762,006	33,596,616
Additions	3,404,113	269,659	173,979	383,766	4,231,517
Transfers	708,578	37,720	5,800	(752,098)	-
	26,368,551	**9,172,790**	**1,893,118**	**393,674**	**37,828,133**
Accumulated depreciation					
Beginning of year	11,081,441	4,328,283	895,208	-	16,304,932
Depreciation/depletion	6,807,752	989,076	209,839	-	8,006,667
	17,889,193	**5,317,359**	**1,105,047**	**-**	**24,311,599**
Net book value	**8,479,358**	**3,855,431**	**788,071**	**393,674**	**13,516,534**

* As at May 31, 2017, no additions were in trade payables and accrued liabilities. During the period ended May 31, 2017, $54,380 of additions from the year ended May 31, 2016 were paid and no additions were financed through capital leases.

During the year ended December 31, 2018, the Company reviewed the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill. The updated estimated residual values reduced the depreciation charges by approximately $413,000 for the year ended December 31, 2018. The Company has determined that it is not practicable to determine the effect of the change in residual values on future periods.

13. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
Trade payables	**3,101,050**	2,722,975	3,313,449
Accrued liabilities	**3,729,883**	738,319	334,183
Accrued payroll costs	**806,379**	473,432	382,452
Derivative liability	**-**	24,207	30,408
	7,637,312	3,958,933	4,060,492

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.

14. GOLD PREPAYMENT AGREEMENTS

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

On February 7, 2018, the Company executed a prepayment agreement with Auramet whereby the Company received net proceeds of $250,000 for 155 ounces of gold ($1,676 per ounce; finance expense of $8,945), which were delivered over 5 bi-weekly deliveries from April 2018 to June 2018. As part of the agreement, Auramet was also issued call options to purchase 220 ounces of gold at a strike price of $1,735 on August 31, 2018. The call options expired unexercised on their maturity date.

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

Subsequent to December 31, 2018, the Company executed a prepayment agreement with Auramet whereby the Company received net proceeds of $1,727,500 for 1,038 ounces of gold ($1,728 per ounce; finance expense of $65,645), to be delivered over 3 bi-weekly deliveries from June 2019 to July 2019.

15. LOANS AND REVOLVING CREDIT FACILITY

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

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
Provincial government loan	**240,595**	318,351	362,645
Federal government loan	**273,200**	374,000	432,800
Capital leases and other loans	**980,376**	650,064	199,540
	1,494,171	1,342,415	994,985
Current portion			
Provincial government loan	**80,122**	77,757	76,410
Federal government loan	**100,800**	100,800	100,800
Capital leases and other loans	**623,848**	493,324	172,317
	804,770	671,881	349,527
Non-current portion			
Provincial government loan	**160,473**	240,594	286,235
Federal government loan	**172,400**	273,200	332,000
Capital leases and other loans	**356,528**	156,740	27,223
	689,401	670,534	645,458

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 Company received $450,000 during the year ended May 31, 2016, and the remaining $50,000 was received in the year ended May 31, 2017. The loan is non-interest bearing and is repayable in 60 equal installments commencing October 1, 2016.

The Company has financed the acquisition of certain equipment through the assumption of capital lease obligations. These obligations are secured by the acquired equipment, which has a net book value of $697,883 as at December 31, 2018 (December 31, 2017 – $404,833, May 31, 2017 – $45,751). The capital leases bear interest at rates ranging from 0.0% and 7.0% per annum with maturity dates between January 13, 2019 and May 18, 2023. The net book value of the leased equipment is pledged as security for any capital leases and loans outstanding.

The Company has financed insurance through insurance premiums through a loan, which bears interest at a rate of 7.0% per annum with a maturity date of October 30, 2019. As at December 31, 2018, $199,259 was outstanding in relation to these financing arrangements (December 31, 2017 – $129,065, May 31, 2017 – $127,131).

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

Revolving Credit Facility

In June 2016, the Company obtained a Line of Credit Agreement with the Royal Bank of Canada ("RBC") for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the "Financing"). In November 2018, the revolving equipment lease line of credit was increased to $750,000. 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 December 31, 2018, there was no outstanding balance on the revolving credit facility (May 31, 2017 and December 31, 2017 – $nil).

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

On November 20, 2018, the Company entered into an agreement with RBC to draw down $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%.

The following summary sets out the movement in loans over the year ended December 31, 2018 and the seven month period ended December 31, 2017, and the year ended May 31, 2017:

	Provincial Government Loan	Federal Government Loan	Capital Leases and Other Loans	Total
	$	$	$	$
Balance as at January 1, 2018	**318,351**	**374,000**	**650,064**	**1,342,415**
Changes from financing cash flows:				
Proceeds	-	-	489,145	489,145
Repayments of loans/leases	(77,757)	(100,800)	(728,064)	(906,621)
Interest paid	(8,487)	-	(30,456)	(38,943)
	232,107	273,200	380,689	885,996
Other changes:				
Insurance premiums financed through loans	-	-	303,077	303,077
Property, mill, and equipment acquired through capital leases	-	-	266,155	266,155
Interest expense	8,487	-	30,456	38,943
Balance as at December 31, 2018	**240,594**	**273,200**	**980,377**	**1,494,171**

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

	Provincial Government Loan	Federal Government Loan	Capital Leases and Other Loans	Total
	$	$	$	$
Balance as at June 1, 2017	**362,645**	**432,800**	**199,540**	**994,985**
Changes from financing cash flows:				
Repayments of loans/leases	(44,294)	(58,800)	(207,733)	(310,827)
Interest paid	(6,015)	-	(9,628)	(15,643)
	312,336	374,000	(17,821)	668,515
Other changes:				
Insurance premiums financed through loans	-	-	145,283	145,283
Property, mill, and equipment acquired through capital leases	-	-	512,973	512,973
Interest expense	6,015	-	9,628	15,643
Balance as at December 31, 2017	**318,351**	**374,000**	**650,064**	**1,342,415**

	Provincial Government Loan	Federal Government Loan	Capital Leases and Other Loans	Total
	$	$	$	$
Balance as at May 31, 2016	**-**	**450,000**	**74,639**	**524,639**
Changes from financing cash flows:				
Proceeds	400,000	50,000	-	450,000
Repayments of loans/leases	(37,355)	(67,200)	(83,996)	(188,551)
Interest paid	(5,767)	-	(4,532)	(10,299)
	356,878	432,800	(13,889)	775,789
Other changes:				
Insurance premiums financed through loans	-	-	154,517	154,517
Property, mill, and equipment acquired through capital leases	-	-	54,380	54,380
Interest expense	5,767	-	4,532	10,299
Balance as at May 31, 2017	**362,645**	**432,800**	**199,540**	**994,985**

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

16. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
Opening balance	**2,666,401**	2,671,405	1,867,899
Interest accretion	**68,198**	14,786	40,532
Additions	**254,506**	8,133	597,232
Change in inflation/discount rates	**(120,741)**	(27,923)	165,742
Closing balance	**2,868,364**	2,666,401	2,671,405
Current portion	**60,119**	-	-
Non-current portion	**2,808,245**	2,666,401	2,671,405

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. As at December 31, 2018, the estimated future cash flows have been discounted using a risk-free rate ranging from 1.86% to 1.90% and an inflation rate of 1.70% was used to determine future expected costs (December 31, 2017 – discount rate of 1.86% and inflation rate of 2.10%, May 31, 2017 – discount rate of 0.94% and inflation rate of 1.30%). The Company expects to incur the majority of its reclamation costs between 2019 and 2027, based on existing life of mine assumptions.

As at December 31, 2018, the Company had entered an agreement with an insurance company to provide a surety bond for $2,700,963 (May 31, 2017 and December 31, 2017 – $2,370,689) to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

During the 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.

17. 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 December 31, 2018, the Company had 118,766,635 (December 31, 2017 – 105,644,965, May 31, 2017 – 95,518,773) common shares outstanding.

In June 2018, the Company completed a non-brokered private placement for aggregate gross proceeds of $4,465,290, whereby it issued a total of 10,890,952 units (the "Units") at a price of $0.41 per Unit. Each Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). A cash commission of 6% of certain proceeds from the issuance of Units, for a total cost of $243,342, and 593,517 non-transferable finder warrants were issued in connection to the private placement. The difference between the market price of the Company's shares on the closing date of the private placement and the cash consideration received in exchange for the Units was allocated to the Warrants, with no value attributed to a liability associated with the flow-through tax benefit. An amount equal to the gross proceeds will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of no later than December 31, 2018. As at December 31, 2018, $2,413,855 of the flow-through funds have been spent on eligible exploration expenses.

On January 18, 2018, the Company completed a consolidation of its share capital on the basis of four (4) existing common shares for one (1) new common share (note 5). As a result of the Share Consolidation, the 423,430,258 common shares issued and outstanding at that date were consolidated to 105,857,465 common shares.

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

On May 19, 2017, as part of the Arrangement to acquire Orex Exploration Inc., the Company issued 43,041,935 common shares.

On July 27, 2016, the Company completed a flow-through private placement whereby it issued 7,275,947 flow-through units of the Company (the "Units") at a price of $0.28 per Unit for aggregate gross proceeds of $2,037,265. Each Unit consists of one flow-through common share and one-half of one common share purchase warrant issued on a non flow-through basis. Each warrant entitled the holder thereof to purchase one common share of the Company at a price of $0.40 until July 27, 2017. On a per-Unit basis, the Company allocated $0.2796 of the price per Unit to each flow-through common share and $0.0004 of the price per Unit to the warrant. An amount equal to the gross proceeds from the flow-through common shares ($0.2796 per flow-through common share) have been used to incur Canadian exploration expenses, as defined under the Income Tax Act (Canada), that was renounced by the Company in favour of the purchasers of Units with an effective date of no later than December 31, 2016. A cash commission of 6% of certain proceeds from the issuance of the Units, for a total cost of $162,036, and 344,140 broker warrants were issued to the broker of the private placement. As at May 31, 2017, the total proceeds of flow-through funds were spent on eligible exploration expenses.

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

Warrants

A summary of the Company's warrant activities for the year ended December 31, 2018, the seven month period ended December 31, 2017, and the year ended May 31, 2017 is presented below:

	Warrants	Weighted average exercise price
	#	$
Outstanding, May 31, 2016	**87,500**	**0.40**
Warrants issued in financing	3,637,972	0.40
Broker warrants issed	344,140	0.40
Warrants assumed on acquisition of Orex Exploration Inc.	8,410,750	0.28
Outstanding, May 31, 2017	**12,480,362**	**0.33**
Warrants issued in financing	2,077,828	0.42
Expired/forfeited	(3,982,112)	0.40
Outstanding, December 31, 2017	**10,576,078**	**0.32**
Granted	6,038,993	0.55
Exercised	(255,000)	0.34
Outstanding, December 31, 2018	**16,360,071**	**0.40**

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

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

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

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

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

As at December 31, 2018, the following warrants were outstanding and exercisable:

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

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

Subsequent to December 31, 2018, 87,500 warrants expired unexercised.

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 December 31, 2018, 11,876,664 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 December 31, 2018, 5,494,750 options under the Company's Stock Option Plan were outstanding with 4,227,917 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 December 31, 2018, 2,815,625 replacement stock options were outstanding and exercisable.

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

The following summary sets out the activity in the Stock Option Plan, along with the replacement stock options, over the periods:

	Options \#	Weighted average exercise price $
Outstanding, May 31, 2016	**4,498,750**	**0.28**
Granted	125,000	0.28
Assumed on acquisition of Orex Exploration Inc.	3,453,125	0.28
Exercised	(143,750)	0.20
Expired/forfeited	(537,500)	0.36
Outstanding, May 31, 2017	**7,395,625**	**0.25**
Granted	1,012,500	0.25
Exercised	(25,000)	0.22
Expired/forfeited	(343,750)	0.36
Outstanding, December 31, 2017	**8,039,375**	**0.25**
Granted	1,708,500	0.43
Exercised	(787,500)	0.24
Expired/forfeited	(650,000)	0.32
Outstanding, December 31, 2018	**8,310,375**	**0.28**
Options exercisable, December 31, 2018	**7,043,541**	**0.26**

During the year ended December 31, 2018, 787,500 options were exercised (seven months ended December 31, 2017 – 25,000, year ended May 31, 2017 – 143,750). The corresponding fair value of $27,420 (seven months ended December 31, 2017 – $3,895, year ended May 31, 2017 – $22,243) was reclassified from equity reserves to issued capital.

During the year ended December 31, 2018, 1,708,500 options were granted to directors, officers, employees, and consultants of the Company at an average exercise price of $0.43 (seven months ended December 31, 2017 – 1,012,500 options at an average exercise price of $0.25, year ended May 31, 2017 – 125,000 options at an average exercise price of $0.28). The vesting terms of these options are as follows: 1,412,500 options vest over an 18 month period in 3 equal instalments, 250,000 options vest over a 12 month period in 2 equal instalments, and 46,000 options vest over an 8 month period in 1 instalment.

During the year ended December 31, 2018, 650,000 options expired unexercised (seven months ended December 31, 2017 – 343,750, year ended May 31, 2017 – 537,500). The corresponding fair value of $181,160 (seven months ended December 31, 2017 – $108,825, year ended May 31, 2017 - $108,825) 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 December 31, 2018. The weighted average exercise price for the outstanding stock options was $0.28 as at December 31, 2018.

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

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
475,000	475,000	0.44 years	$0.32	June 10, 2019
75,000	75,000	1.35 years	$0.20	May 4, 2020
487,500	487,500	1.42 years	$0.20	June 1, 2020
25,000	-	1.53 years	$0.36	July 9, 2020
21,000	-	1.65 years	$0.28	August 23, 2020
250,000	-	1.72 years	$0.27	September 17, 2020
756,250	756,250	2.15 years	$0.24	February 22, 2021
2,125,000	2,125,000	2.27 years	$0.24	April 6, 2021
867,500	867,500	2.41 years	$0.24	May 26, 2021
265,625	265,625	2.79 years	$0.24	October 11, 2021
425,000	425,000	2.97 years	$0.24	December 15, 2021
125,000	125,000	3.40 years	$0.28	May 23, 2022
850,000	850,000	3.48 years	$0.24	June 21, 2022
87,500	58,333	4.77 years	$0.28	October 5, 2022
12,500	12,500	3.88 years	$0.26	November 13, 2022
50,000	50,000	3.99 years	$0.32	December 22, 2022
1,375,000	458,333	4.07 years	$0.46	January 19, 2023
37,500	12,500	4.48 years	$0.385	June 20, 2023
8,310,375	**7,043,541**	**2.62 years**	**$0.28**	

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

The following table sets out the details of the valuation of stock option grants for the year ended December 31, 2018, the seven month period ended December 31, 2017, and the year ended May 31, 2017:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
May 19, 2017*	9,775,000	0.85%	Nil	105.1%	
May 19, 2017*	1,062,500	0.85%	Nil	103.0%	
May 19, 2017*	2,550,000	0.95%	Nil	102.0%	
May 19, 2017*	425,000	0.95%	Nil	101.8%	
May 23, 2017	500,000	0.97%	Nil	100.9%	5 years
June 21, 2017	862,500	1.15%	Nil	100.7%	5 years
October 5, 2017	87,500	1.75%	Nil	99.8%	5 years
November 13, 2017	12,500	1.68%	Nil	100.2%	5 years
December 22, 2017	50,000	1.84%	Nil	101.0%	5 years
January 19, 2018	1,375,000	2.02%	Nil	108.3%	5 years
June 20, 2018	37,500	2.03%	Nil	107.5%	5 years
July 9, 2018	25,000	1.94%	Nil	86.5%	2 years
August 23, 2018	21,000	2.13%	Nil	84.9%	2 years
September 17, 2018	250,000	2.15%	Nil	84.3%	2 years

*May 19, 2017 reflects the date of acquisition of Orex Exploration Inc. with expected life between 3 and 5 years

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

The fair value of the stock options granted for the year ended December 31, 2018 was $545,853 (seven month period ended December 31, 2017 – $202,515, year ended May 31, 2017 – $26,150). The fair value of options vested for the year ended December 31, 2018 was $544,560 (seven month period ended December 31, 2017 – $131,676, year ended May 31, 2017 – $181,225), an amount which has been expensed as share-based compensation in the consolidated statement of comprehensive (loss) income.

Share Unit Plan

In December 2018, the Company's Board of Directors approved the adoption of the Share Unit Plan, subject to approval of the shareholders of the Company. The 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 in 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 of December 31, 2018, there were no share units issued.

Subsequent to December 31, 2018, 85,500 share units were granted to certain directors of the Company, fully vesting upon the approval of the Share Unit Plan by shareholders of the Company.

18. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended December 31, 2018	Seven months ended December 31, 2017	Year ended May 31, 2017
Net (loss) income for the period	**$ (1,693,413)**	$ 904,635	$ (3,602,188)
Weighted average basic number of shares outstanding	**113,263,230**	98,463,116	52,730,475
Weighted average dilutive shares adjustment:			
Stock options	**-**	383,658	-
Warrants	**-**	40,426	-
Weighted average diluted number of shares outstanding	**113,263,230**	98,887,200	52,730,475
Net (loss) income per share			
Basic and diluted	**$ (0.01)**	$ 0.01	$ (0.07)

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.

	Year ended December 31, 2018	Seven months ended December 31, 2017	Year ended May 31, 2017
Stock options	**8,310,375**	7,655,718	7,395,625
Warrants	**16,360,071**	10,535,652	12,480,362
	24,670,446	18,191,370	19,875,987

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

19. INCOME TAXES

Income tax expense
The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate.

The Canadian statutory income tax rate of 29.8% (December 31, 2017 – 29.7%, May 31, 2017 – 29.6%) is comprised of the federal income tax rate at approximately 15.0% (May 31, 2017 and December 31, 2017 – 15.0%) and the provincial income tax rate of approximately 14.8% (December 31, 2017 – 14.7%, May 31, 2017 – 14.6%). A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
Income tax recovery at statutory rates	**(20,439)**	(162,144)	(334,000)
Change in tax rates	**(14,246)**	(13,229)	(152,818)
Flow through share expenditures	**1,163,057**	169,055	603,000
Mining tax deduction	**113,652**	91,998	(67,192)
Newfoundland mining taxes	**(382,000)**	(310,000)	226,640
Flow through share premium	**(75,431)**	(28,663)	-
Other	**(26,623)**	393,546	(374,630)
Non-deductible expenses for tax purposes:			
Share-based compensation	**162,016**	39,077	54,000
Change in unrecognized temporary differences	**704,459**	(1,630,640)	2,520,000
Income taxes expense (recovery)	**1,624,445**	(1,451,000)	2,475,000

The primary differences which give rise to the deferred income tax balances at December 31, 2018, December 31, 2017 and May 31, 2017 are as follows:

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
Deferred income tax assets			
Temporary timing differences on non-current assets	**248,000**	1,335,000	2,336,000
Deductible financing fees	**158,000**	116,000	78,000
Capital loss carried forward	**220,000**	220,000	219,000
Asset retirement obligation	**853,000**	791,000	792,000
Advances	**26,000**	46,000	-
Non-capital loss carried forward	**2,943,000**	4,952,000	1,729,000
	4,448,000	7,460,000	5,154,000
Less: deferred tax assets not recognized	**(1,820,000)**	(3,833,000)	(2,786,000)
Net deferred tax assets	**2,628,000**	3,627,000	2,368,000

	December 31, 2018	December 31, 2017	May 31, 2017
	$	$	$
Deferred income tax liability - Newfoundland mining tax			
Temporary timing differences on non-current assets	**1,793,000**	2,175,000	2,485,000

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

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company recognized deferred tax assets as at December 31, 2018 of $2,628,000 (December 31, 2017 - $3,627,000, May 31, 2017 - $2,368,000) as projections of income support the conclusion that the realizability of these deferred tax assets is probable.

The Company also has cumulative Canadian exploration and development expenditures of $36,765,820 (December 31, 2017 - $34,940,034, May 31, 2017 - $38,469,754) that may be carried forward indefinitely.

As at December 31, 2018, the Company has non-capital loss carry-forwards expiring as follows:

	Canada	**Chile**	**Total**
	$	**$**	**$**
2026-2030	3,424,338	-	3,424,338
2031-2035	2,982,736	-	2,982,736
2036-2040	3,301,051	-	3,301,051
Indefinite	-	6,905,463	6,905,463
	9,708,125	**6,905,463**	**16,613,588**

20. ADVANCES

Narrow Vein Mining Project

In June 2017, the Company commenced a research and development project to develop, prototype, and optimize a new technology to mine steeply-dipping narrow gold veins that cannot be mined cost-effectively with existing technologies (the "Narrow Vein Mining Project" or the "Project"). The Company has secured funding of over $2,000,000 for the Project, including $1,500,000 from the Atlantic Innovation Fund ("AIF"), more than $520,000 through the Research & Development Corporation ("RDC"), and up to $50,000 from the Industrial Research Assistance Program ("IRAP"). As at December 31, 2018, a total of $260,717, $50,000, and $nil have been received from RDC, IRAP, and the AIF, respectively.

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

As at December 31, 2018, $86,200 (December 31, 2017 – $155,682, May 31, 2017 – $nil) related to amounts received from RDC for future Project expenditures was included as an advance in the consolidated statement of financial position. During the year ended December 31, 2018, $514,609 (seven month period ended December 31, 2017 – $59,288, year ended May 31, 2017 – $nil) of non-reimbursable expenditures were recorded as research and development in the consolidated statement of comprehensive (loss) income.

Anaconda Internal Training Program

In March 2018, the Company secured funding of $199,620 from the province of Newfoundland's Advanced Education, Skills and Labour Agency for an internal training program under the province's Labour Market Partnerships program. As at December 31, 2018, a total of $150,000 has been received from the province of Newfoundland. Funding through the province is a non-repayable grant and will be credited against eligible costs incurred.

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended December 31, 2018	Seven months ended December 31, 2017	Year ended May 31, 2017
	$	$	$
Change in non-cash working capital:			
Trade and other receivables	**(486,226)**	142,203	6,971
Prepaid expenses and deposits	**286,870**	224,878	126,362
Inventory	**963,598**	(1,712,928)	(1,381,711)
Unearned revenue	**-**	(121,287)	(391,503)
Advances	**(69,482)**	155,682	-
Trade payables and accrued liabilities	**984,336**	(465,035)	(678,929)
Current taxes payable	**(124,445)**	-	-
	1,554,651	(1,776,487)	(2,318,810)
Supplemental cash flow information:			
Interest paid	**38,943**	15,643	47,524
Taxes paid	**124,445**	-	-
Property, mill and equipment acquired through capital leases	**266,155**	512,973	54,380
Insurance premiums financed through loans	**303,077**	145,283	154,517

22. FINANCIAL INSTRUMENTS

Classifications

Fair values of cash and restricted cash are based on quoted prices in active markets for identical assets, resulting in a level-one valuation. Marketable securities are classified as level one and call option derivative liabilities are classified as level two. The carrying amount of the Company's financial instruments that are measured at amortized cost approximates fair value due to their short-term nature and market conditions and amount involved.

Capital management

The capital of the Company consists of common shares, warrants, and stock options.

The Company's capital structure is adjusted based on management's and the Board of Directors' decision to fund expenditures with the issuance of debt or equity such that it may complete the acquisition, exploration, development and operation of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's mining operations are currently producing cash flow to fund ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements, and other contractual obligations. The Company has previously and may supplement its cash flow and raise such funds as and when required to complete its projects or fund working capital as the needs arise.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2018. Unless otherwise noted (i.e. restricted cash), the Company is not subject to externally-imposed capital requirements.

Financial risk factors
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
The Company's credit risk is primarily attributable to trade and other amounts receivable, which consist primarily of goods and services tax due from the Federal Government of Canada. The maximum exposure of credit risk is best represented by the carrying amount of financial instruments. The Company considers credit risk negligible.

The Company's cash and restricted cash are held with an established Tier-1 Canadian financial institution, and consequently management believes that the credit risk with respect to this financial instrument is low and that the Company has no significant concentration of credit risk arising from operations.

Liquidity risk
The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables that are outstanding past their due dates. A maturity analysis was performed for all other financial liabilities in note 24.

The Company undergoes an in-depth budgeting process each year which is supplemented by a continuous detailed cash forecasting process. Anaconda currently funds its obligations from the cash flow generated by the Point Rousse Project. If necessary, the Company may seek financing for capital projects or general working capital purposes. Such financing, if required, will depend on a number of unpredictable factors, which are often beyond the control of the Company. These would include the realized price of the actual gold produced from the Company's operating mines, and the expected expenditures for exploration and development.

At December 31, 2018, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices, and/or stock market movements ("price risk").

Foreign currency risk
The Company's functional currency is the Canadian Dollar. The Company sells its gold production and transacts business using the Canadian Dollar.

There are minimal operational expenses and expenditures incurred by the Company in US Dollars. The assets and liabilities of the Company are recorded in Canadian Dollars. As a result, management has assessed that fluctuations in the US Dollar against the Canadian Dollar is negligible to the financial results of the Company.

Interest rate risk
The Company has no interest-bearing assets and only fixed-interest debts. Anaconda invests excess cash, when available, in a cashable money market account. The Company reviews its interest rate exposure periodically, giving consideration to potential renewals of existing positions and alternative financial investments.

Equity securities risk
The Company is exposed to equity securities price risk because of investments held by the Company, which are concentrated in the Canadian junior mining sector. As at December 31, 2018, had the fair values of the investments at fair value through profit or loss increased or decreased by 10%, with all other variables held constant, net loss would have increased or decreased by approximately $37,000.

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

23. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel
Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, Chief Financial Officer, and starting on June 1, 2017, the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the year ended December 31, 2018 and the seven month period ended December 31, 2017:

	Year ended December 31, 2018	Seven months ended December 31, 2017	Year ended May 31, 2017
	$	$	$
Salaries, bonuses, fees and short term benefits	**1,028,636**	624,725	746,621
Share based compensation	**312,566**	86,341	100,829
	1,341,202	711,066	847,450

As at December 31, 2018, included in trade and other payables is $42,750 (December 31, 2017 – $16,250, May 31, 2017 – $48,000) of amounts due for directors' fees.

24. COMMITMENTS

Contractual obligations of the Company as at December 31, 2018 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	7,637,312	-	-	**7,637,312**
Provincial government loan	80,122	160,473	-	**240,595**
Federal government loan	100,800	172,400	-	**273,200**
Capital leases and other loans	623,848	328,438	28,091	**980,377**
Interest payable	35,111	12,914	-	**48,025**
	8,477,193	674,224	28,091	**9,179,508**

As at December 31, 2018, the Company has a commitment to spend a total of $2,051,435 of flow-through funds on eligible exploration expenses, related to the private placement completed in June 2018 (note 17).

In November and December 2018, the Company locked into forward sales on a delivery basis for 3,457 ounces of its production for the first quarter of 2019. The gold price for the orders was locked in at an average of $1,640.55 per ounce with delivery from January 9, 2019 to March 6, 2019.

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

the claims less all cumulative development and operating expenses. At December 31, 2018, the Company has determined it has approximately $34 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.

In June 2017, the Company commenced a research and development project to potentially develop new technology to mine steeply-dipping narrow gold veins (note 20). The total Project cost is estimated at $3,787,000, of which over $2,000,000 will be funded through agreements in place with various government agencies.

25. TAKEOVER BID OF MARITIME RESOURCES CORP.

On April 13, 2018, the Company announced that it had made a formal offer (the “Offer”) to acquire all of the issued and outstanding common shares (“Maritime Shares”) of Maritime Resources Corp. (“Maritime”), together with the associated rights (the “SRP Rights”) issued under the shareholder rights plan of Maritime dated March 15, 2018, in exchange for consideration of 0.390 of a common share of Anaconda for each Maritime Share. On July 12, 2018, the Company announced the withdrawal of the Offer. During the year ended December 31, 2018, the Company incurred $854,131 in expenditures related to the Offer that were recorded as transaction costs on the consolidated statement of comprehensive (loss) income.