CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(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, 2021 and 2020 and its financial performance and its cash flows for the years then ended 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 years ended December 31, 2021 and 2020;
- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of exploration and evaluation assets *Refer to note 2 – Significant accounting policies, note 3 – Critical accounting judgments, estimates and assumptions and note 11 – Exploration and evaluation assets to the consolidated financial statements.* The book value of exploration and evaluation (E&E) assets amounted to $59 million as at December 31, 2021. At each reporting period, management assesses whether there is an indication of impairment relating to E&E assets. If any indication of impairment exists, then an impairment test is performed by management over the asset(s) to which the indicator relates. In undertaking this assessment, management is required to apply critical judgment in assessing whether certain external and internal factors would be considered an indicator of impairment. Internal and external factors, such as (i) evidence indicating that licences required to advance the projects may be revoked; (ii) negative information in respect of the potential commercial viability of the projects; and (iii) the Company's continued ability and plans to further develop the projects, are evaluated by management in determining whether there are any indicators of impairment. No impairment indicators were identified by management as at December 31, 2021.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of indicators of impairment, which included the following: – Obtained, by reference to government registries, evidence that the licences required to advance the projects have not expired. – Read board minutes, obtained budget approvals and considered evidence obtained in other areas of the audit to assess the Company's continued ability and plans to further develop the projects and the potential commercial viability of the projects.

Key audit matter	How our audit addressed the key audit matter
We considered this to be a key audit matter due to (i) the significance of the E&E assets and (ii) the high degree of subjectivity in performing procedures to evaluate management's assessment of whether the internal and external factors are considered impairment indicators, which required critical management judgment.	
Impairment assessment of property, mill and equipment (PME) assets for the Point Rousse cash generating unit (CGU) *Refer to note 2 – Significant accounting policies, note 3 – Critical accounting judgments, estimates and assumptions and note 12 – Property, mill and equipment to the consolidated financial statements.* As at December 31, 2021, the total net book value of PME assets amounted to $14 million, of which a significant portion related to the Point Rousse CGU. When impairment indicators of PME assets exist, an impairment assessment is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. As at March 31, 2021, management identified impairment indicators due to a decrease in mined grade in comparison to the mine plan due to higher mining dilution, which resulted in a downward adjustment to the top-cut parameter to better reflect the actual results from mining at the Argyle mine and the resulting mill reconciliation. As a result, management performed an impairment assessment of the Point Rousse CGU, which included the Argyle mine, as at March 31, 2021. The recoverable amount of the Point Rousse CGU was based on a value in use method using a discounted cash flow model.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the Point Rousse CGU, which included the following: – Tested the appropriateness of the value in use method used by management. – Tested underlying data used in the discounted cash flow model. – Evaluated the reasonableness of significant assumptions such as future metal prices, capital and operating costs by (i) comparing future metal prices with actual and external market data; (ii) comparing capital and operating costs to current and past performance of the CGU; and (iii) assessing whether these assumptions were consistent with evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the estimates associated with the quantities of recoverable reserves and resources. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by

Key audit matter	How our audit addressed the key audit matter
The determination of the recoverable amount included the following significant assumptions: quantities of recoverable reserves and resources, future metal prices, capital and operating costs and discount rate. Management's estimates of the quantity of recoverable reserves and resources are based on information compiled by qualified persons (management's experts). No impairment charge was required for the Point Rousse CGU because its recoverable amount exceeded the carrying amount. We considered this a key audit matter due to the significant audit effort and subjectivity in performing procedures to test significant assumptions used by management in determining the recoverable amount, which involved critical judgment by management. We were also assisted by professionals with specialized skill and knowledge in the field of valuation.	management's experts, tests of the data used by management's experts and an evaluation of their findings. – Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the reasonableness of the discount rate used within the discounted cash flow model. • Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regard to the impairment assessment.

Other information

Management is responsible for the other information. The other information comprises the Management's 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 23, 2022

Anaconda Mining Inc.

Consolidated Statements of Comprehensive (Loss) Income

(Canadian Dollars)

	Notes	**Year ended December 31, 2021 $**	Year ended December 31, 2020 $
Gold		**27,627,604**	41,495,843
Silver		**23,773**	48,988
Aggregates		**147,181**	38,159
Total revenue		**27,798,558**	41,582,990
Cost of operations			
Operating expenses	5	**25,895,606**	20,953,142
Royalty expense	6	**566,075**	49,196
Depletion and depreciation		**4,072,408**	3,758,697
		30,534,089	24,761,035
Mine operating (loss) income		**(2,735,531)**	16,821,955
Expenses and other income			
Corporate administration		**3,665,659**	3,581,921
Gain on loss of significant influence on equity accounted investment	13	**(1,020,432)**	
Share of loss from equity accounted investments	13,14	**435,149**	247,203
Gain on partial or full sale of a subsidiary	13,14	**-**	(1,355,247)
Share-based compensation expense	19	**777,906**	380,733
Finance expense		**147,801**	211,669
Other income	7	**(306,740)**	(629,405)
Write-down of exploration and evaluation assets		**-**	15,310
		3,699,343	2,452,184
(Loss) income before income taxes		**(6,434,874)**	14,369,771
Current income tax expense	21	**30,345**	1,872,528
Deferred income tax expense	21	**671,000**	4,269,000
		701,345	6,141,528
Net (loss) income and comprehensive (loss) income for the year		**(7,136,219)**	8,228,243
Net (loss) income per share - basic and fully diluted	20	**(0.04)**	0.06
Weighted average number of shares outstanding			
- basic		**172,002,625**	142,618,926
- fully diluted		**172,002,625**	146,209,439

Anaconda Mining Inc.

Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	**December 31, 2021** $	December 31, 2020 $
Assets			
Current assets			
Cash and cash equivalents		**10,121,724**	14,634,595
Restricted cash	8	**-**	208,838
Trade and other receivables	9	**1,287,219**	585,580
Inventory	10	**5,641,435**	6,830,360
Prepaid expenses and deposits		**792,816**	705,503
		17,843,194	22,964,876
Non-current assets			
Restricted cash		**198,790**	79,790
Property, mill and equipment	12	**14,397,393**	10,398,054
Exploration and evaluation assets	11	**59,376,373**	44,804,280
Investments	13	**2,156,615**	-
Equity accounted investments	14	**1,578,639**	3,149,971
		95,551,004	81,396,971
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	15	**9,528,294**	4,796,494
Current portion of loans	17	**1,363,383**	1,889,080
Current portion of decommissioning liability	18	**-**	101,107
Flow-through premium	19	**432,235**	186,874
Advances	22	**122,169**	189,850
Unearned revenue	16	**5,000,000**	-
Current taxes payable	21	**-**	1,863,000
		16,446,081	9,026,405
Non-current liabilities			
Loans	17	**235,570**	753,675
Deferred income tax liability	21	**4,064,000**	3,393,000
Decommissioning liability	18	**3,936,423**	3,382,965
		24,682,074	16,556,045
Shareholders' equity			
Share capital, warrants and equity reserves	19	**83,506,597**	70,386,480
Accumulated deficit		**(12,637,667)**	(5,545,554)
		70,868,930	64,840,926
		95,551,004	81,396,971

Approved by the Board of Directors on February 23, 2022

"Mary-Lynn Oke"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 26)

Anaconda Mining Inc.

Consolidated Statements of Cash Flows

(Canadian Dollars)

	Notes	**Year ended December 31, 2021 $**	Year ended December 31, 2020 $
Operating activities			
Net (loss) income		**(7,136,219)**	8,228,243
Adjustments to reconcile net (loss) income to cash flow from operating activities:			
Depletion and depreciation		**4,072,408**	3,758,697
Gain on loss of significant influence on equity accounted investment	13	**(1,020,432)**	-
Share of loss from equity accounted investments	13,14	**333,709**	247,203
Dilution loss from equity accounted investments	14	**101,440**	-
Gain on partial or full sale of a subsidiary	13,14	**-**	(1,368,874)
Write-down of inventory to net realizable value	5	**2,597,000**	-
Share-based compensation expense	19	**777,906**	380,733
Taxes paid	21	**-**	(563,126)
Current income tax expense	21	**30,345**	1,872,528
Deferred income tax expense	21	**671,000**	4,269,000
Deferred premium on flow-through shares	19	**(505,552)**	(594,569)
Interest accretion of decommissioning liability	18	**19,651**	7,921
Write down of exploration assets	11	**-**	15,310
Change in fair value of marketable securities		**-**	(83,191)
Change in working capital	23	**4,547,505**	(2,082,008)
Cash flow provided from operating activities		**4,488,761**	14,087,867
Investing activities			
Additions of property, mill and equipment	12	**(7,108,391)**	(2,960,787)
Additions of exploration and evaluation assets	11	**(13,020,554)**	(7,152,794)
Decrease (increase) in restricted cash		**89,838**	(8,000)
Proceeds from sale of marketable securities		**-**	399,671
Cash disposed of through sale of subsidiary		**-**	(13,627)
Cash flow used in investing activities		**(20,039,107)**	(9,735,537)
Financing activities			
Proceeds from financing agreement	19	**8,500,030**	5,463,763
Issuance costs	19	**(709,312)**	-
Proceeds from exercise of warrants	19	**4,346,737**	2,340,346
Proceeds from exercise of stock options	19	**948,525**	427,701
Repayment of loans	17	**(2,048,505)**	(2,301,133)
Cash flow provided from financing activities		**11,037,475**	5,930,677
Net (decrease) increase in cash		**(4,512,871)**	10,283,007
Cash at beginning of year		**14,634,595**	4,351,588
Cash at end of year		**10,121,724**	14,634,595

Supplemental cash flow information (Note 23)

Anaconda Mining Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, except share information)

		Share capital					
		Number of shares	Issued capital	Equity reserves	Warrants	Accumulated deficit	Total
	Notes		$	$	$	$	$
Balance at December 31, 2019		**135,216,962**	**57,810,013**	**2,270,867**	**2,661,575**	**(14,408,880)**	**48,333,575**
Common shares issued for cash	19	9,500,000	5,510,000	-	-	-	5,510,000
Share issuance expense, net of tax	19	-	(46,237)	-	-	-	(46,237)
Flow-through share premium	19	-	(376,811)	-	-	-	(376,811)
Share-based compensation from issuance of share units	19	-	-	299,775	-	-	299,775
Redemption of share units	19	1,380,208	410,410	(410,410)	-	-	-
Share-based compensation from issuance of options	19	-	-	82,334	-	-	82,334
Exercise of stock options	19	1,804,124	750,345	(322,644)	-	-	427,701
Expiry of stock options transferred to deficit	19	-	-	(126,051)	-	126,051	-
Exercise of warrants	19	5,945,957	2,908,672	-	(568,326)	-	2,340,346
Expiry of warrants transferred to deficit	19	-	-	-	(509,032)	509,032	-
Issuance of shares for property acquisition	11	106,547	42,000	-	-	-	42,000
Net income for the year		-	-	-	-	8,228,243	8,228,243
Balance at December 31, 2020		**153,953,798**	**67,008,392**	**1,793,871**	**1,584,217**	**(5,545,554)**	**64,840,926**
Common shares issued for cash	19	10,241,000	8,500,030	-	-	-	8,500,030
Share issuance expense, net of tax	19	-	(709,312)	-	-	-	(709,312)
Flow-through share premium	19	-	(750,913)	-	-	-	(750,913)
Share-based compensation from issuance of share units	19	-	-	524,195	-	-	524,195
Redemption of share units	19	495,870	186,178	(186,178)	-	-	-
Share-based compensation from issuance of options	19	-	-	214,961	-	-	214,961
Exercise of stock options	19	3,766,250	1,741,887	(793,362)	-	-	948,525
Expiry of stock options transferred to deficit	19	-	-	(26,372)	-	26,372	-
Exercise of warrants	19	11,725,665	5,913,220	-	(1,566,483)	-	4,346,737
Expiry of warrants transferred to deficit	19	-	-	-	(17,734)	17,734	-
Issuance of shares for property acquisition	11	124,074	90,000	-	-	-	90,000
Net loss for the year		-	-	-	-	(7,136,219)	(7,136,219)
Balance at December 31, 2021		**180,306,657**	**81,979,482**	**1,527,115**	**-**	**(12,637,667)**	**70,868,930**

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Anaconda Mining Inc. (individually, or collectively with its subsidiaries, as applicable, "Anaconda" or the "Company") is a gold mining, development, and exploration company, operating in the top-tier Canadian mining jurisdictions of Newfoundland and Nova Scotia. The Company is advancing the Goldboro Gold Project in Nova Scotia, a significant development project which is now subject to a definitive feasibility study. The Company also operates mining and milling operations in the prolific Baie Verte Mining District of Newfoundland which includes the fully-permitted Pine Cove Mill, tailings facility and deep-water port, as well as approximately 15,000 hectares of highly prospective mineral property, including those adjacent to the past producing, high-grade Nugget Pond Mine at its Tilt Cove Gold Project.

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

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 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 23, 2022.

Principles of consolidation
These consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), Colorado Minerals Inc. (Canada), and Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"), and the Company's equity accounted investment in Magna Terra Minerals Inc. ("Magna Terra"). The Company also included its equity accounted investment in Novamera Inc. ("Novamera") up to July 21, 2021, after which date the Company's interest in Novamera was diluted to 19% and the Company no longer retained a seat on the Board of Directors, and therefore the Company no longer held significant influence over Novamera for accounting purposes (note 13). All inter-company transactions and balances are eliminated on consolidation.

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.

Restricted cash
Restricted cash is cash held in banks that is not available for general corporate use.

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.

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.

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.

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, including net costs associated with the bulk sample from the Goldboro Project; 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. 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.

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

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

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

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

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

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

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

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 capitalization.

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

Financial instruments

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("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 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 income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income. The Company recognizes marketable securities at FVTPL.

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

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. The Company recognizes cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, and loans at amortized cost.

(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 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, 2021 (December 31, 2020 - $nil).

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.

Leases
At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in net income on a straight-line basis over the term of the lease.
The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property, mill and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are presented as property, mill and equipment and the lease liabilities are presented as loans on the consolidated statement of financial position.

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 when it is reasonably assured that the conditions of the assistance will be complied with. 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 per share
Basic income per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted 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 income per share calculation. The diluted 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 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 tonnes 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. For exploration and evaluation assets, the Company considers indicators including the Company's continued ability and plans to further develop the projects, the potential commercial viability of the projects, evidence indicating that licenses required to advance the projects have expired, and whether exploration results have not led to the discovery of commercially viable quantities of mineral resources. For property, mill and equipment assets, the Company considers changes in estimated future production, gold prices, operating cost and capital expenditure estimates, and estimates of recoverable reserves and the Company's ability to convert resources to reserves. 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.
- The 2019 novel coronavirus ("COVID-19") was characterized as a global pandemic by the World Health Organization on March 11, 2020. Point Rousse continues to operate under strict health and safety protocols, which are continually reviewed based on recommendations from medical authorities. The Company has prepared contingency plans should certain scenarios occur, such as a temporary shutdown, and has proactively maintained financial flexibility during this period of uncertainty. Management exercised significant judgment in determining the impact of COVID-19 on the Company's consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern, life of mine estimates, and the carrying values of the Company's property, mill, and equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company's property, mill, and equipment assets and exploration and evaluation assets in relation to the COVID-19 pandemic and did not note any indicators as of December 31, 2021. Based on management's judgment, as at the date of these consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize any impairment.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been issued that are not mandatory for reporting periods ending December 31, 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

5. OPERATING EXPENSES

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Mining costs	**11,446,874**	10,458,651
Processing costs (including refining and transport)	**11,250,316**	9,928,022
Mine support costs	**1,952,391**	1,697,152
Inventory adjustment	**(1,350,975)**	(1,130,683)
Write-down of inventory to net realizable value	**2,597,000**	-
	25,895,606	20,953,142

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

During the year ended December 31, 2021, the Company recorded insurance proceeds of $512,000 regarding a business interruption claim pertaining to the failure of a jaw crusher in the mill during 2021. The proceeds have been included as a reduction in processing costs in the period.

6. ROYALTY EXPENSE

During the year ended December 31, 2021, a royalty expense of $566,075, reflecting the net smelter return of 3% payable to a third party on gold sold from the Argyle Property was recorded on the consolidated statement of comprehensive (loss) income (year ended December 31, 2020 – $49,196).

7. OTHER INCOME

	Notes	**Year ended December 31, 2021 $**	Year ended December 31, 2020 $
Deferred premium on flow-through shares		**(505,552)**	(594,570)
Research and development		**73,178**	81,417
Interest income		**(39,666)**	(29,779)
Foreign exchange loss (gain)		**11,178**	(3,282)
Unrealized loss on derivatives	16	**154,122**	-
Change in fair value of marketable securities		**-**	(83,191)
		(306,740)	(629,405)

8. RESTRICTED CASH

In July 2019, the Company began shipping bulk sample material from Goldboro to the Point Rousse Complex in Newfoundland, to be processed at the Pine Cove Mill. Anaconda had engaged with NIL Group Limited ("NIL") to ship the bulk sample. On July 23, 2019, the Company announced that NIL filed a Statement of Claim (the "Claim"), alleging that the Company is responsible for certain additional costs in relation to the shipment. As a result of the Claim, NIL issued and served an arrest warrant with respect to approximately 1,000 tonnes ("Arrested Ore") which were yet to be discharged from the barge at the time of filing of the Claim, from a total initial delivery of 3,900 tonnes. On August 16, 2019, the Company filed its Statement of Defense and Counterclaim against NIL and its principals, alleging, among other things, contractual

breach, negligent and/or fraudulent misrepresentation, and fraudulent deceit. In October 2019, the Company obtained a court order in order to process the Arrested Ore on condition that the proportional gross proceeds would be deposited into an escrow account pending further court proceedings. As a result, a deposit of $208,838 was placed into escrow with the Federal Court of Canada. In March 2020, the Company was named as a third-party defendant in a separate claim filed by a supplier which was engaged by NIL.

During the year ended December 31, 2021, the Company, NIL, and the third-party supplier, through a mediation process with the Federal Court of Canada, agreed to a settlement whereby the Company would make a settlement payment of $415,000, inclusive of the $208,838 held in escrow. As part of the settlement agreement, all claims related to the bulk sample were discontinued by all parties and each party was indemnified against any potential claim related to the bulk sample. During the year ended December 31, 2021, the settlement agreement was executed and the Company discharged the settlement amount of $415,000.

9. TRADE AND OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
	$	$
HST receivable	**641,985**	448,082
Insurance proceeds receivable (note 5)	**512,000**	-
Other receivables	**75,808**	55,886
Due from related parties	**57,426**	81,612
	1,287,219	585,580

As of December 31, 2021, included in trade and other receivables is $57,426 (December 31, 2020 - $81,612) of amounts charged under a service level agreement with Magna Terra (note 25).

10. INVENTORY

	December 31, 2021	December 31, 2020
	$	$
Gold dore	**50,000**	681,000
Gold-in-circuit	**3,112,000**	1,648,000
Ore in stockpiles	**920,000**	3,024,000
Supplies and consumables	**1,559,435**	1,477,360
	5,641,435	6,830,360

As of December 31, 2021, gold dore, gold-in-circuit, and ore in stockpiles were recorded at cost.

11. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2020	Payments under option agreements	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at December 31, 2021
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	36,948,906	45,000	10,055,242	-	-	47,049,148
Point Rousse Project, Newfoundland	4,935,236	-	2,869,035	-	-	7,804,271
Tilt Cove Project, Newfoundland	2,920,138	157,500	1,445,316	-	-	4,522,954
	44,804,280	**202,500**	**14,369,593**	**-**	**-**	**59,376,373**

* As at December 31, 2021, $2,795,259 of expenditures were in trade payables and accrued liabilities.

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

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

As at December 31, 2021, the Company had met all required property option commitments and accordingly the properties were in good standing. Royalty obligations on the Company's various mineral properties are outlined in note 26. As at December 31, 2020, the Company had transferred the Argyle exploration and evaluation assets to property, mill and equipment ("PME") as the Company commenced development of Argyle in the year ended December 31, 2020.

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

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

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

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

- During the year ended December 31, 2020, the Company entered into an option agreement with local prospectors to acquire a 100%-undivided interest in a total of 76 claims, collectively the "Nippers Harbour Property", which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of $135,000 (of which $30,000 has been paid) in cash and $85,000 in common shares of Anaconda (of which $15,000 in common shares have been issued) over a four-year period.
- During the year ended December 31, 2020, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in a total of 10 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospector of $30,000 (of which $10,000 has been paid) in cash and $45,000 in common shares of Anaconda (of which $25,000 in common shares have been issued) over a two-year period.
- During the year ended December 31, 2019, the Company entered into option agreements with local prospectors to acquire a 100%-undivided interest in a total of 93 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of $271,000 (of which $121,000 has been paid) in cash and $169,500 in common shares of Anaconda (of which $72,000 in common shares have been issued) over a four-year period.

12. PROPERTY, MILL AND EQUIPMENT

For the year ended December 31, 2021

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	36,130,956	12,569,927	3,550,735	368,205	52,619,823
Additions*	6,714,856	493,745	253,338	609,698	8,071,637
Transfers	-	178,832	252,791	(431,623)	-
Disposals	(72,393)	-	(37,119)	-	(109,512)
	42,773,419	**13,242,504**	**4,019,745**	**546,280**	**60,581,948**
Accumulated depreciation					
Beginning of year	30,658,313	9,395,783	2,167,673	-	42,221,769
Depreciation/depletion	2,872,053	823,064	363,722	-	4,058,839
Disposals	(58,934)	-	(37,119)	-	(96,053)
	33,471,432	**10,218,847**	**2,494,276**	**-**	**46,184,555**
Net book value	**9,301,987**	**3,023,657**	**1,525,469**	**546,280**	**14,397,393**

* As at December 31, 2021, $334,352 of additions were in trade payables and accrued liabilities. During the year ended December 31, 2021, $386,099 of PME additions were financed through leases.

For the year ended December 31, 2020

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

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

Indicators of impairment

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

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

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

Key assumptions

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

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

At December 31, 2021, the Company assessed that there were not any additional indicators of impairment that would require the Company to perform a further impairment test. Accordingly, no impairment was recorded as at December 31, 2021.

Right-of-use assets

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

	Property	Mill and Infrastructure	Equipment	Total
	$	$	$	$
As at January 1, 2020	44,468	319,845	517,079	881,392
Additions	-	-	123,390	123,390
Depreciation	(22,352)	(113,620)	(143,851)	(279,823)
As at December 31, 2020	22,116	206,225	496,618	724,959
Additions	348,099	-	38,000	386,099
Depreciation	(90,799)	(76,513)	(120,881)	(288,193)
Net book value as at December 31, 2021	**279,416**	**129,712**	**413,737**	**822,865**

13. INVESTMENTS

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

Investment in Novamera

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

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

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

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

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

Prior to the completion of the financing, the Company had significant influence over Novamera from an accounting perspective and recorded a loss of $287,278 for the Company's share of Novamera's net loss for the year ended December 31, 2021 (year ended December 31, 2020 – $224,626).

14. EQUITY ACCOUNTED INVESTMENTS

	Magna Terra $	Novamera (note 13) $	Total $
Balance as at December 31, 2019	**-**	**-**	**-**
Acqusitions/recognition of retained investment	1,749,087	1,648,087	3,397,174
Share of equity loss	(22,577)	(224,626)	(247,203)
Balance as at December 31, 2020	**1,726,510**	**1,423,461**	**3,149,971**
Share of equity loss	(46,431)	(287,278)	(333,709)
Dilution loss	(101,440)	-	(101,440)
Transfer to investments upon discontinuation of equity method	-	(1,136,183)	(1,136,183)
Balance as at December 31, 2021	**1,578,639**	**-**	**1,578,639**

The following tables provide a summary of the consolidated financial information of Magna Terra for the year ended December 31, 2021 and the period from the date of acquisition (July 30, 2020), and Novamera for the period up to the discontinuation of the equity method (July 21, 2021) and the period from the recognition of the retained investment (April 9, 2020):

	Magna Terra		Novamera	
	As at December 31, 2021 $	As at December 31, 2020 $	As at July 21, 2021* $	As at December 31, 2020 $
Total current assets	546,457	2,535,137	222,766	1,296,900
Total non-current assets	7,466,262	5,086,796	3,197,870	3,112,556
Total current liabilities	(526,129)	(1,191,840)	(72,562)	(214,839)
Total non-current liabilities	-	-	-	-
Total net assets	**7,486,590**	**6,430,093**	**3,348,074**	**4,194,617**

* The Novamera balances are based on available July 21, 2021 financial information (the date that the Company discontinued use of the equity method for its investment in Novamera.

	Magna Terra		Novamera	
	Year ended December 31, 2021	Period ended December 31, 2020	Period ended July 21, 2021*	Period ended December 31, 2020
	$	$	$	$
Revenue	-	-	-	-
Net loss	(169,075)	(82,782)	(846,543)	(661,923)
Comprehensive loss	(169,075)	(82,782)	(846,543)	(661,923)

* The Novamera balances are based on available July 21, 2021 financial information (the date that the Company discontinued use of the equity method for its investment in Novamera.

The following table provides a reconciliation of the summarized financial information for Magna Terra to the Company's carrying value for its equity accounted investment in Magna Terra.

	As at December 31, 2021	As at December 31, 2020
	$	$
Net assets of Magna Terra - beginning of period	6,430,093	6,400,375
Net loss	(169,075)	(82,782)
Share issuance proceeds	1,148,980	-
Common shares issued for exploration and evaluation assets	76,592	112,500
Net assets of Magna Terra - end of period	**7,486,590**	**6,430,093**
Anaconda ownership interest	21.1%	27.0%
Anaconda share of net assets	1,579,670	1,736,125
Other adjustments	(1,031)	(9,615)
Investment in Magna Terra - end of period	**1,578,639**	**1,726,510**

The following table provides a reconciliation of the summarized financial information for Novamera to the Company's carrying value for Novamera up to July 21, 2021, the date that the Company discontinued use of the equity method for its investment in Novamera (note 13).

	As at July 21, 2021	As at December 31, 2020
	$	$
Net assets of Novamera - beginning of period	4,194,617	4,856,540
Net loss	(846,543)	(661,923)
Net assets of Novamera - end of period	**3,348,074**	**4,194,617**
Anaconda ownership interest	33.9%	33.9%
Anaconda share of net assets	1,134,997	1,421,975
Other adjustments	1,186	1,486
Investment in Novamera - end of period	**1,136,183**	**1,423,461**

Investment in Magna Terra

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

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

As of December 31, 2021, the Company had significant influence over Magna Terra from an accounting perspective and recorded a loss of $46,431 for the Company's share of Magna Terra's net loss for the year ended December 31, 2021 (year ended December 31, 2020 – $22,577).

15. TRADE PAYABLES AND ACCRUED LIABILITIES

	Notes	**December 31, 2021** $	December 31, 2020 $
Trade payables		**6,732,898**	3,325,545
Accrued liabilities		**2,040,845**	733,149
Accrued payroll costs		**600,429**	737,800
Derivative liability	16	**154,122**	-
		9,528,294	4,796,494

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

16. GOLD PREPAYMENT AGREEMENT

On December 23, 2021, the Company executed a prepayment agreement with Auramet International LLC ("Auramet"), whereby the Company received $5,000,000, less fees, for 2,273 ounces of gold ($2,315 per ounce; finance expense of $262,000), to be delivered in 9 monthly deliveries from January 2022 to September 2022. As part of the agreement, the Company also granted Auramet European style call options to purchase 4,000 ounces of gold, with the following expiry dates: 1,300 ounces on July 29, 2022, 1,300 ounces on August 31, 2022, and 1,400 ounces on September 30, 2022. As of December 31, 2021, the Company recognized a derivative liability of $154,122 (December 31, 2020 – $nil) associated with the outstanding call options, with a corresponding expense recognized in other income in the consolidated statement of comprehensive (loss) income. The agreement is subject to a minimum liquidity covenant whereby the Company shall maintain a minimum of $3,000,000 in cash, cash equivalents, and undrawn lines of credit at all times while the prepayment is outstanding.

17. LOANS AND REVOLVING CREDIT FACILITY

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

	December 31, 2021 $	December 31, 2020 $
RBC loan	**505,688**	1,981,519
Provincial government loan	**63,912**	140,064
Federal government loan	**46,400**	147,200
Lease liabilities	**419,472**	373,972
Other loans	**563,481**	-
	1,598,953	2,642,755

	December 31, 2021	December 31, 2020
	$	$
Current portion		
RBC loan	**505,688**	1,475,831
Provincial government loan	**63,912**	83,180
Federal government loan	**46,400**	100,800
Lease liabilities	**183,902**	229,269
Other loans	**563,481**	-
	1,363,383	1,889,080
Non-current portion		
RBC loan	**-**	505,688
Provincial government loan	**-**	56,884
Federal government loan	**-**	46,400
Lease liabilities	**235,570**	144,703
	235,570	753,675

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

As at December 31, 2021, the Company did not fulfill the debt service coverage ratio as required in the Facility, of which the Company has an outstanding amount of $505,688 with the amortization period to April 2022. Subsequent to year end, the Company has agreed with RBC to waive any potential non-compliance with the Facility through the end of the amortization period, by when the Facility will be fully repaid by the Company. RBC agreed to remove the debt service coverage ratio covenant after the Facility is repaid. The breach does not impact the Company’s other financing facilities with RBC.

The Company has financed the acquisition of certain equipment through the assumption of lease obligations. These obligations are secured by the acquired equipment, which has a net book value of $822,865 as at December 31, 2021 (December 31, 2020 – $724,959). The leases bear interest at rates ranging from 0.0% and 7.7% per annum with maturity dates between October 31, 2023 and January 1, 2026. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

The Company has financed insurance premiums through a loan, which bears interest at a rate of 4.8% per annum with a maturity date of October 31, 2022. As at December 31, 2021, $563,481 was outstanding in relation to this financing arrangement.

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.

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

Revolving Credit Facility and Revolving Equipment Lease Line of Credit

In June 2016, the Company obtained a Line of Credit Agreement with the RBC for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the “Agreement”). In November 2018, the revolving equipment lease line of credit was increased to $750,000. In March 2020, the revolving credit facility was amended to $275,000 and a $725,000 revolving demand facility was included in the Agreement. In August 2020, the revolving credit facility was removed from the Agreement and the revolving demand facility was increased to $1,000,000. Under the terms of the Agreement, RBC maintains a first-ranking general security agreement including a specific security interest in the Company’s ball mill and cone crushers. As at December 31, 2021, an irrevocable letter of credit in the amount of $908,119 as collateral for the Company’s surety bonds (note 18) has been issued under the revolving demand facility (December 31, 2020 – $908,119). In July 2021, the Company obtained an additional $3,000,000 revolving demand facility with RBC (the “Facility”). The Facility is subject to the existing general security agreement with RBC and a debt service coverage ratio covenant to be measured on an annual basis. The Facility was arranged with the support of EDC, which has provided a performance guarantee over 75% of the Facility limit. The interest rate is calculated as the Royal Bank Prime rate plus 1.50% inclusive of EDC guarantee fees. As at December 31, 2021, the Facility was undrawn.

On November 20, 2018, the Company entered into an agreement with RBC to drawdown $197,930 of the revolving equipment lease line of credit, to finance certain mill equipment. The draw down was repayable in 36 monthly payments of $5,924 commencing on November 23, 2018, bearing interest at 4.9%. The Company made the final payment relating to the agreement in November 2021.

On July 9, 2019, the Company entered into an agreement with RBC to drawdown $115,115 of the revolving equipment lease line of credit, to finance certain mill equipment. The draw down was repayable in 24 monthly payments of $5,003 commencing on July 12, 2019, bearing interest at 4.1%. The Company made the final payment relating to the agreement in July 2021.

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

The following summary sets out the movement in loans over the years ended December 31, 2021 and 2020:

	RBC Loan	Provincial Government Loan	Federal Government Loan	Lease Liabilities	Other Loans	Total
	$	$	$	$	$	$
As at December 31, 2020	**1,981,519**	**140,064**	**147,200**	**373,972**	**-**	**2,642,755**
Changes from financing cash flows:						
Repayments of loans/leases	(1,475,831)	(76,152)	(100,800)	(340,599)	(55,123)	(2,048,505)
Interest paid	(70,147)	(2,905)	-	(21,735)	(2,469)	(97,256)
	435,541	61,007	46,400	11,638	(57,592)	496,994
Other changes:						
Insurance premiums financed through loans	-	-	-	-	618,604	618,604
Property, mill, and equipment acquired through leases	-	-	-	386,099	-	386,099
Interest expense	70,147	2,905	-	21,735	2,469	97,256
As at December 31, 2021	**505,688**	**63,912**	**46,400**	**419,472**	**563,481**	**1,598,953**

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

18. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	December 31, 2021	December 31, 2020
	$	$
Opening balance	**3,484,072**	2,847,999
Interest accretion	**19,651**	7,921
Additions/change in estimates	**357,343**	609,098
Change in inflation/discount rates	**75,357**	19,053
Closing balance	**3,936,423**	3,484,072
Current portion	**-**	101,107
Non-current portion	**3,936,423**	3,382,965

The provisions for reclamation are provided against the Company's operations at the Point Rousse Project in Newfoundland and the Goldboro Project in Nova Scotia, and are based on the project plan submitted to the Newfoundland and Labrador government and the Goldboro bulk sample program plan submitted to the Nova Scotia government, respectively. The Company expects to incur the majority of its reclamation costs between 2022 and 2030, based on existing life of mine assumptions. During the year ended December 31, 2021, the Company recognized $357,343 of additions to the provision for asset retirement obligations in relation to the commencement of Argyle development as well as updated cost estimates.

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

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

security for the bulk sample program is maintained through a combination of security held by the Nova Scotia government and a surety bond.

During the year ended December 31, 2020, the Company changed insurance companies which provide the surety bonds to backstop its performance obligations with respect to the Company's reclamation obligations. Under the terms of the replacement surety bonds, the Company was required to provide collateral of $908,119, equivalent to 25% of the value of the bonds, which was provided in the form of an irrevocable letter of credit from the Royal Bank of Canada.

19. 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, 2021, the Company had 180,306,657 (December 31, 2020 – 153,953,798) common shares outstanding.

On May 28, 2021, the Company completed a non-brokered private placement for aggregate gross proceeds of $8,500,030, whereby it issued 10,241,000 flow-through common shares of the Company at a price of $0.83 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares ($8,500,030) will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2021. As at December 31, 2021, $3,607,308 of the flow-through funds were spent on eligible exploration expenses, with $4,892,722 remaining to be spent. A flow-through liability of $750,913 was recorded upon closing, representing the difference between the market price of the Company's shares on May 28, 2021 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at December 31, 2021, the Company derecognized a cumulative amount of $318,677 of the flow-through liability and recognized a corresponding income amount, representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

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

On July 10, 2019, the Company completed a non-brokered private placement for aggregate gross proceeds of $4,690,646, whereby it issued 7,515,701 flow-through units of the Company (the "FT Units") at a price of $0.35 per FT unit, and 7,630,185 units of the Company (the "Units") at a price of $0.27 per Unit. Each FT Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Unit consists of one common share and one-half of one Warrant. Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.45 until January 10, 2021. A flow-through liability of $579,651 was recorded upon closing, representing the difference between the market price of the Company's shares on July 10, 2019 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. During the year ended December 31, 2020, the Company derecognized the flow-through liability and recognized a corresponding income amount, as the liability had been fulfilled by incurring qualifying exploration expenditures.

Warrants

A summary of the Company's warrant activities for the years ended December 31, 2021 and 2020 is presented below:

	Warrants	Weighted average exercise price
	#	$
Outstanding, December 31, 2019	**23,795,615**	**0.42**
Exercised	(5,945,957)	0.39
Expired/forfeited	(6,038,993)	0.55
Outstanding, December 31, 2020	**11,810,665**	**0.37**
Exercised	(11,725,665)	0.37
Expired/forfeited	(85,000)	0.28
Outstanding, December 31, 2021	**-**	**-**

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

During the year ended December 31, 2021, 85,000 warrants expired unexercised (year ended December 31, 2020 – 6,038,993). The corresponding grant date fair value of $17,734 (year ended December 31, 2020 – $509,032) was reclassified from warrants to accumulated deficit.

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, 2021, 18,030,666 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, 2021, 2,489,584 options under the Company's Stock Option Plan were outstanding with 2,184,584 exercisable.

The following summary sets out the activity in the Stock Option Plan, over the years ended December 31, 2021 and 2020:

	Options #	Weighted average exercise price $
Outstanding, December 31, 2019	**7,772,875**	**0.28**
Granted	578,750	0.40
Exercised	(1,804,124)	0.24
Expired/forfeited	(616,667)	0.26
Outstanding, December 31, 2020	**5,930,834**	**0.30**
Granted	545,000	0.72
Exercised	(3,766,250)	0.25
Expired/forfeited	(220,000)	0.61
Outstanding, December 31, 2021	**2,489,584**	**0.43**
Options exercisable, December 31, 2021	**2,184,584**	**0.39**

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

During the year ended December 31, 2021, 3,766,250 options were exercised (year ended December 31, 2020 – 1,804,124). The corresponding grant date fair value of $793,362 (year ended December 31, 2020 – $322,644) was reclassified from equity reserves to issued capital. Subsequent to December 31, 2021, 283,750 options were exercised and the Company received proceeds of $108,588.

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

The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the assumptions below.

The following table sets out the details of the stock options granted and outstanding as at December 31, 2021. The weighted average exercise price for the outstanding stock options was $0.43 as at December 31, 2021.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
100,000	100,000	0.11 years	$0.60	February 10, 2022
125,000	125,000	0.39 years	$0.28	May 23, 2022
495,000	495,000	0.47 years	$0.24	June 21, 2022
62,500	62,500	0.76 years	$0.28	October 5, 2022
12,500	12,500	0.87 years	$0.26	November 13, 2022
50,000	50,000	0.98 years	$0.32	December 22, 2022
900,000	900,000	1.05 years	$0.46	January 19, 2023
214,584	214,584	3.18 years	$0.21	March 3, 2025
125,000	83,333	3.72 years	$0.58	September 14, 2025
20,000	13,333	3.86 years	$0.61	November 6, 2025
260,000	86,667	4.17 years	$0.77	February 26, 2026
125,000	41,667	4.36 years	$0.67	May 6, 2026
2,489,584	**2,184,584**	**1.69 years**	**$0.43**	

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 years ended December 31, 2021 and 2020:

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

The fair value of the stock options granted for the year ended December 31, 2021 was $242,496 (year ended December 31, 2020 – $156,911). Share-based compensation expense recognized in relation to stock options during the year ended December 31, 2021 was $214,961 (year ended December 31, 2020 – $82,334).

Share Unit Plan

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 at the discretion of the Board of Directors on the date of grant. In granting share units, the Board of Directors may include other terms, conditions, and/or vesting criteria which are not inconsistent with the Share Unit Plan. Share units are settled by way of issuance of common shares from treasury as soon as practicable following the maturity date in accordance with the Share Unit Plan.

As at December 31, 2021, 750,798 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the years ended December 31, 2021 and 2020:

	Share units #	Weighted average fair value $
Outstanding, December 31, 2019	**1,967,256**	**0.31**
Granted	1,019,520	0.23
Redeemed	(1,380,208)	0.29
Forfeited	(140,001)	0.30
Outstanding, December 31, 2020	**1,466,567**	**0.27**
Granted	803,435	0.76
Redeemed	(495,870)	0.38
Forfeited	(23,334)	0.77
Outstanding, December 31, 2021	**1,750,798**	**0.46**

During the year ended December 31, 2021, 803,435 share units (year ended December 31, 2020 – 1,019,520) were granted to directors, officers, employees, and consultants of the Company at an average fair value of $0.76 (year ended December 31, 2020 – $0.23). The vesting terms of these share units were as follows: 129,435 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, and 674,000 share units vest over an 18 month period in three equal instalments.

During the year ended December 31, 2021, 495,870 share units were redeemed (year ended December 31, 2020 – 1,380,208). The corresponding grant date fair value of $186,178 (year ended December 31, 2020 – $410,410) was reclassified from equity reserves to issued capital. Subsequent to December 31, 2021, 236,945 share units were redeemed.

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

The share units, when granted, are accounted for at their fair value determined by the share price upon the grant of the share units. The fair value of the share units granted for the year ended December 31, 2021 was $610,606 (year ended December 31, 2020 – $235,420). Share-based compensation expense recognized in relation to share units during the year ended December 31, 2021 was $562,945 (year ended December 31, 2020 – $298,399).

20. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended December 31, 2021	Year ended December 31, 2020
Net (loss) income for the year	**$ (7,136,219)**	$ 8,228,243
Weighted average basic number of shares outstanding	**172,002,625**	142,618,926
Weighted average dilutive shares adjustment:		
Stock options	**-**	1,669,613
Warrants	**-**	1,553,290
Share units	**-**	367,610
Weighted average diluted number of shares outstanding	**172,002,625**	146,209,439
Net (loss) income per share:		
Basic and diluted	**$ (0.04)**	$ 0.06

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, 2021	Year ended December 31, 2020
Stock options	**2,489,584**	4,261,221
Share units	**426,002**	76,835
Warrants	**-**	11,443,055
	2,915,586	15,781,111

21. 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, 2020 – 29.7%) is comprised of the federal income tax rate at approximately 15.0% (December 31, 2020 – 15.0%) and the provincial income tax rate of approximately 14.8% (December 31, 2020 – 14.7%). A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	December 31, 2021	December 31, 2020
	$	$
Income tax (recovery) expense at statutory rates	**(1,887,376)**	4,274,194
Change in tax rates	**(2,138)**	11,915
Flow through share expenditures	**1,889,305**	1,372,299
Mining tax deduction	**(138,869)**	(625,821)
Newfoundland mining taxes	**466,000**	2,104,000
Partial or full sale of a subsidiary	**-**	133,543
Prior period true-up	**30,345**	9,528
Flow through share premium	**(150,655)**	(176,851)
Other	**(143,084)**	(132,149)
Non-deductible expenses for tax purposes:		
Share-based compensation	**231,818**	113,247
Change in unrecognized temporary differences	**406,000**	(942,375)
Income taxes expense	**701,345**	6,141,528

The primary differences which give rise to the deferred income tax balances at December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021 $	December 31, 2020 $
Deferred income tax assets		
Temporary timing differences on non-current assets	**6,598,000**	5,507,000
Deductible financing fees	**222,000**	104,000
Asset retirement obligation	**1,173,000**	1,037,000
Derivative liability	**46,000**	-
Lease liabilities	**84,000**	-
Advances	**36,000**	56,000
Non-capital loss carried forward	**7,936,000**	3,899,000
	16,095,000	10,603,000
Less: deferred tax assets not recognized	**(461,000)**	(55,000)
Less: set-off against deferred income tax liabilities	**(15,634,000)**	(10,548,000)
Net deferred income tax assets	**-**	-

	December 31, 2021 $	December 31, 2020 $
Deferred income tax liabilities		
Temporary timing differences on non-current assets	**19,698,000**	13,941,000
Set-off of deferred income tax assets	**(15,634,000)**	(10,548,000)
Net deferred income tax liablities	**4,064,000**	3,393,000

During the year ended December 31, 2021, a net deferred income tax expense of $671,000 (year ended December 31, 2020 – $4,269,000) was recognized in the consolidated statement of comprehensive (loss) income.

The Company also has cumulative Canadian exploration and development expenditures of $32,404,505 (December 31, 2020 - $27,942,628) that may be carried forward indefinitely.

As at December 31, 2021, 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	9,267,078	-	9,267,078
2041-2045	10,772,654	-	10,772,654
Indefinite	-	6,905,463	6,905,463
	26,446,806	**6,905,463**	**33,352,269**

22. ADVANCES

In March 2020, the Company secured funding of $949,850 from the Government of Canada's Future Skills Centre (the "Centre") for a project entitled "Creating a Microlearning Model for the Canadian Mining Industry". Funding through the Centre is a non-repayable grant and will be credited against eligible costs incurred. During the year ended December 31, 2021, the Company received $320,015 as an advance from the Centre and $387,696 was credited against eligible costs incurred in relation to advances received from the Centre (December 31, 2020, $534,850 and $345,000 respectively). As at December 31, 2021, $122,169 (December 31, 2020 – $189,850) related to amounts received from the Centre for future project expenditures was included as an advance in the consolidated statement of financial position.

23. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
Change in non-cash working capital:		
Trade and other receivables	**(701,639)**	(275,515)
Prepaid expenses and deposits	**531,291**	(92,353)
Inventory	**(1,432,075)**	(1,141,017)
Unearned revenue	**5,000,000**	-
Advances	**(67,681)**	152,204
Trade payables and accrued liabilities	**3,110,954**	(725,327)
Current taxes payable	**(1,893,345)**	-
	4,547,505	(2,082,008)
Supplemental cash flow information:		
Interest paid	**97,256**	192,994
Property, mill and equipment acquired through leases	**386,099**	123,390
Insurance premiums financed through loans	**618,604**	127,287

24. 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. 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.

The Company designates its derivative liability and investments as financial assets and liabilities at fair value through profit and loss, which are classified as level two and level three fair value hierarchy, respectively. The valuation technique for level two is based on inputs which have a significant effect on fair value that are observable, either directly or indirectly from market data, and for level three is based on inputs which have a significant effect on fair value that are not observable from market data.

During the years ended December 31, 2021 and 2020, there were no transfers between level one and level two fair value measurements. The Company designated its investments during the year ended December 31, 2021 as level three measurements however there is no transfer out of level three fair value measurements.

The following table presents the changes in level three items for the years ended December 31, 2021 and December 31, 2020:

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Opening balance	**-**	-
Additions	**2,156,615**	-
Closing balance	**2,156,615**	-

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, 2021. 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.

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, 2021, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

The contractual cash flow obligations of the Company as at December 31, 2021 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	9,528,294	-	-	**9,528,294**
RBC loan	511,029	-	-	**511,029**
Provincial government loan	64,683	-	-	**64,683**
Federal government loan	46,400	-	-	**46,400**
Lease liabilities	201,032	235,161	10,183	**446,376**
Other loans	575,926	-	-	**575,926**
	10,927,364	235,161	10,183	**11,172,708**

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.

Commodity price risk
Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is exposed to commodity price risk with respect to gold prices. The Company closely monitors gold prices to determine the appropriate course of action to be taken by the Company.

25. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, the Chief Executive Officer, President, Chief Financial Officer, and the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the years ended December 31, 2021 and 2020:

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Salaries, bonuses, fees and short term benefits	**739,532**	890,364
Share based compensation	**368,860**	223,414
	1,108,392	1,113,778

As at December 31, 2021, included in trade and other payables is $112,250 (December 31, 2020 – $215,000) of amounts due for directors' fees, bonuses, and one-time severance costs.

Magna Terra Minerals Inc.

The Company and Magna Terra have certain key management personnel in common. As described in note 14, the Company completed a transaction with Magna Terra on July 30, 2020, whereby Magna Terra acquired all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, ExploreCo. The Company and Magna Terra have entered into a service level agreement whereby the Company provides certain services to Magna Terra, including technical geology services and exploration program management, corporate services, and finance and accounting support. As at December 31, 2021, included in trade and other receivables in note 9 is $57,426 (December 31, 2020 - $81,612) of amounts charged under the service level agreement.

26. COMMITMENTS

As at December 31, 2021, the Company has a commitment to spend a total of $4,892,722 of flow-through funds on eligible exploration expenses, related to the private placement completed in May 2021 (note 19).

In December 2021, the Company locked into forward sales on a delivery basis for a total of 1,743 ounces of its production for the first quarter of 2022. The gold price for the orders was locked in at an average of $2,295 per ounce with delivery in the first quarter of 2022.

As at December 31, 2021, the Company has a commitment to deliver a total of 2,273 ounces of gold in 9 monthly deliveries to Auramet in relation to a gold prepayment agreement (note 16).

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

- A net smelter return ("NSR") of 3% is payable to a third-party on gold sold from the Stog'er Tight Property.
- A $3,000,000 capped NSR on 4 mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle property, is calculated at 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter and is 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter.
- A $3,000,000 capped NSR of 3% on a property that forms part of the Argyle Property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.
- A net profits interest ("NPI") agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At December 31, 2021, the Company has determined it has approximately $17 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.