Anaconda Mining

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited - expressed in Canadian Dollars)

	Notes	**Three months ended June 30, 2020 $**	Three months ended June 30, 2019 $	**Six months ended June 30, 2020 $**	Six months ended June 30, 2019 $
Gold		**8,347,651**	5,483,433	**18,871,290**	14,255,476
Silver		**8,437**	2,262	**19,819**	6,922
Total revenue		**8,356,088**	5,485,695	**18,891,109**	14,262,398
Cost of operations					
Operating expenses	2	**5,101,316**	4,337,552	**11,040,917**	9,224,166
Royalty expense	3	**-**	145,436	**49,196**	393,731
Depletion and depreciation		**825,045**	878,403	**1,737,847**	2,198,188
		5,926,361	5,361,391	**12,827,960**	11,816,085
Mine operating income		**2,429,727**	124,304	**6,063,149**	2,446,313
Expenses and other income					
Corporate administration		**771,640**	1,065,942	**1,631,819**	2,079,122
Gain on partial sale of a subsidiary	12	**(1,902,894)**	-	**(1,902,894)**	-
Share of loss from equity accounted investments	12	**114,237**	-	**114,237**	-
Share-based compensation expense	16	**113,908**	308,736	**218,584**	419,501
Write-down of exploration and evaluation assets	10	**15,310**	-	**15,310**	-
Finance expense		**52,521**	156,346	**124,561**	192,502
Other income	4	**(226,859)**	197,744	**(280,259)**	35,638
		(1,062,137)	1,728,768	**(78,642)**	2,726,763
Income before income taxes		**3,491,864**	(1,604,464)	**6,141,791**	(280,450)
Current income tax expense (recovery)	18	**235,000**	(20,000)	**587,528**	248,163
Deferred income tax expense (recovery)	18	**1,275,000**	54,000	**2,101,000**	(48,000)
		1,510,000	34,000	**2,688,528**	200,163
Net income (loss) and comprehensive income (loss) for the period		**1,981,864**	(1,638,464)	**3,453,263**	(480,613)
Net income (loss) per share - basic and fully diluted	17	**0.01**	(0.01)	**0.03**	(0.00)
Weighted average number of shares outstanding					
- basic		**136,999,026**	118,891,671	**136,529,805**	118,833,446
- fully diluted		**137,934,148**	118,891,671	**137,313,087**	118,833,446

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

As at	Notes	**June 30, 2020** $	December 31, 2019 $
Assets			
Current assets			
Cash and cash equivalents		**5,534,687**	4,351,588
Restricted cash	5	**208,838**	208,838
Trade and other receivables	6	**290,692**	310,065
Inventory	7	**5,747,083**	5,576,343
Prepaid expenses and deposits		**491,019**	485,863
Marketable securities	8	**179,130**	316,480
Assets held for sale	9	**2,281,120**	-
		14,732,569	11,249,177
Non-current assets			
Restricted cash		**79,790**	71,790
Property, mill and equipment	11	**6,478,388**	7,053,657
Exploration and evaluation assets	10	**42,936,944**	42,754,341
Equity accounted investments	12	**1,533,850**	-
Deferred income tax asset		**1,321,000**	2,629,000
		67,082,541	63,757,965
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	13	**4,236,248**	5,134,304
Current portion of loans	14	**2,128,650**	2,311,210
Current portion of decommissioning liability	15	**78,789**	79,726
Flow-through premium	16	**139,952**	404,632
Advances	19	**384,850**	37,646
Current taxes payable	18	**1,141,126**	553,598
Liabilities held for sale	9	**844,000**	-
		8,953,615	8,521,116
Non-current liabilities			
Loans	14	**1,589,329**	2,382,001
Deferred income tax liability		**1,702,000**	1,753,000
Decommissioning liability	15	**2,732,425**	2,768,273
		14,977,369	15,424,390
Shareholders' equity			
Share capital, warrants and equity reserves	16	**62,429,934**	62,742,455
Accumulated deficit		**(10,324,762)**	(14,408,880)
		52,105,172	48,333,575
		67,082,541	63,757,965

Approved by the Board of Directors on July 29, 2020

"Mary-Lynn Oke"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 23)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - expressed in Canadian Dollars)

	Notes	**Three months ended June 30, 2020 $**	Three months ended June 30, 2019 $	**Six months ended June 30, 2020 $**	Six months ended June 30, 2019 $
Operating activities					
Net income		**1,981,864**	(1,638,464)	**3,453,263**	(480,613)
Adjustments to reconcile net income to cash flow from operating activities:					
Depletion and depreciation		**825,045**	878,403	**1,737,847**	2,198,188
Gain on partial sale of a subsidiary	12	**(1,902,894)**	-	**(1,902,894)**	-
Share of loss from equity accounted investments	12	**114,237**	-	**114,237**	-
Write down of exploration assets	10	**15,310**	-	**15,310**	-
Share-based compensation expense	16	**113,908**	308,736	**218,584**	419,501
Taxes paid		**-**	(932,261)	**-**	(932,261)
Current income tax expense (recovery)	18	**235,000**	(20,000)	**587,528**	248,163
Deferred income tax expense (recovery)	18	**1,275,000**	54,000	**2,101,000**	(48,000)
Deferred premium on flow-through shares	16	**(97,004)**	-	**(264,680)**	-
Interest accretion of decommissioning liability	15	**1,005**	10,052	**4,071**	21,211
Site closure and reclamation costs paid	15	**-**	(44,054)	**-**	(44,054)
Change in fair value of marketable securities	8	**(115,340)**	(19,646)	**(46,181)**	(41,006)
Change in non-cash working capital	20	**(1,002,267)**	(1,367,494)	**(194,096)**	23,217
Cash flow provided from (used in) operating activities		**1,443,864**	(2,770,728)	**5,823,989**	1,364,346
Investing activities					
Additions of property, mill and equipment	11	**(530,983)**	(1,235,873)	**(1,190,325)**	(1,525,050)
Additions of exploration and evaluation assets	10	**(1,391,057)**	(2,538,791)	**(2,487,687)**	(6,896,181)
Proceeds from sale of marketable securities	8	**113,570**	2,241	**183,531**	18,096
Increase in restricted cash		**(8,000)**	(249,913)	**(8,000)**	(261,955)
Cash flow used in investing activities		**(1,816,470)**	(4,022,336)	**(3,502,481)**	(8,665,090)
Financing activities					
Net proceeds from exercise of stock options	16	**87,500**	33,750	**87,500**	33,750
Proceeds from loans	14	**-**	-	**-**	5,000,000
Repayment of loans	14	**(610,415)**	(778,937)	**(1,225,909)**	(1,040,097)
Cash flow (used in) provided from financing activities		**(522,915)**	(745,187)	**(1,138,409)**	3,993,653
Net increase in cash		**(895,521)**	(7,538,251)	**1,183,099**	(3,307,091)
Cash at beginning of period		**6,430,208**	10,656,289	**4,351,588**	6,425,129
Cash at end of period		**5,534,687**	3,118,038	**5,534,687**	3,118,038

Supplemental cash flow information (Note 20)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - 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, 2018		**118,766,635**	**53,935,351**	**1,817,540**	**2,224,068**	**(14,914,639)**	**43,062,320**
Share-based compensation from issuance of options	16	-	-	76,635	-	-	76,635
Share-based compensation from issuance of share units	16	-	-	385,241	-	-	385,241
Exercise of stock options	16	125,000	49,300	(15,550)	-	-	33,750
Expiry of stock options transferred to deficit		-	-	(121,127)	-	121,127	-
Expiry of warrants transferred to deficit		-	-	-	(11,585)	11,585	-
Issuance of shares for property acquisition	10	86,204	25,000	-	-	-	25,000
Net loss for the period		-	-	-	-	(480,613)	(480,613)
Balance at June 30, 2019		**118,977,839**	**54,009,651**	**2,142,739**	**2,212,483**	**(15,262,540)**	**43,102,333**
Balance at December 31, 2019		**135,216,962**	**57,810,013**	**2,270,867**	**2,661,575**	**(14,408,880)**	**48,333,575**
Share-based compensation from issuance of share units	16	-	-	189,559	-	-	189,559
Redemption of share units	16	560,750	162,534	(162,534)	-	-	-
Share-based compensation from issuance of options	16	-	-	29,275	-	-	29,275
Exercise of stock options	16	437,500	146,040	(58,540)	-	-	87,500
Expiry of stock options transferred to deficit		-	-	(121,823)	-	121,823	-
Expiry of warrants transferred to deficit		-	-	-	(509,032)	509,032	-
Issuance of shares for property acquisition	10	52,724	12,000	-	-	-	12,000
Net income for the period		-	-	-	-	3,453,263	3,453,263
Balance at June 30, 2020		**136,267,936**	**58,130,587**	**2,146,804**	**2,152,543**	**(10,324,762)**	**52,105,172**

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Anaconda Mining Inc. (individually, or collectively with its subsidiaries, as applicable, "Anaconda" or the "Company") is a gold mining, development, and exploration company focused in Atlantic Canada. The Company operates mining and milling operations in the prolific Baie Verte Mining District of Newfoundland, which includes the fully-permitted Pine Cove Mill, tailings facility and deep-water port, as well as ~11,000 hectares of highly prospective mineral lands including those adjacent to the past-producing, high-grade Nugget Pond Mine at its Tilt Cove Gold Project. Anaconda is also developing the Goldboro Gold Project in Nova Scotia, a high-grade resource, and the subject of an on-going feasibility study.

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

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Since the condensed interim consolidated financial statements do not include all disclosure required by IFRS for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2019.

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

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on July 29, 2020.

These condensed interim consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), 2647102 Ontario Inc. (Canada), Colorado Minerals Inc. (Canada), Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"), and the Company's interest in Novamera Inc. ("Novamera") as described below. The business and mineral properties of La Veta were sold during fiscal 2012. All inter-company transactions and balances are eliminated on consolidation.

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2019, except as described below.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The significant accounting judgments, estimates, and assumptions in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in note 3 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2019, except for the following:

COVID-19 Pandemic

The 2019 novel coronavirus ("COVID-19") was characterized as a global pandemic by the World Health Organization on March 11, 2020. Point Rousse continues to operate and to the Company's knowledge, no employees, contractors, or consultants directly involved with Anaconda, whether at corporate or at site, have been diagnosed with COVID-19. Strict health and safety protocols, including social distancing, remain in place and are continually reviewed based on recommendations from medical authorities. The Company's corporate office remains closed for the foreseeable future, with corporate staff working from home. The Company has prepared contingency plans in the event that certain scenarios should occur, such as a temporary shutdown, and has proactively maintained financial flexibility during this period of unprecedented uncertainty.

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company's condensed interim consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern, life of mine estimates, and the carrying values of the Company's property, mill, and equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company's property, mill, and equipment assets and exploration and evaluation assets in relation to the COVID-19 pandemic and did not note any indicators as of June 30, 2020 other than as explained in relation to the termination of an option agreement as disclosed in note 10. Based on management's judgment, as at the date of these condensed interim consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize any further impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgements in the future.

Sale of 2647102 Ontario Inc. ("ExploreCo")

Non-current assets and disposal groups are classified as assets held-for-sale in the condensed interim consolidated statement of financial position if it is determined to be highly probable that the value of these assets will be recovered primarily through the sale rather than through continuing use. For a proposed sale to be considered highly probable, the asset or disposal group must be available for immediate sale in its present condition, management must be committed to the plan of sale, the sale should be expected to be completed within one year from the date of classification, and actions required to complete the sale should indicate that it is unlikely that significant changes to the plan of sale will be made or that the plan of sale will be withdrawn. Judgment is required to determine whether a proposed sale is highly probable. Assets held-for-sale are required to be recognized at the lower of cost and net realizable value.

On October 15, 2019, the Company announced that it had entered into a definitive Share Purchase Agreement with Magna Terra Minerals Inc. ("Magna Terra"), whereby Magna Terra proposes to acquire all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, 2647102 Ontario Inc. ("ExploreCo")(the "Transaction"). On July 13, 2020, Magna Terra announced that it had been granted approval by the TSX Venture Exchange to increase the financing required prior to the close of the Transaction and that the closing of the Transaction is expected to occur on July 30, 2020.

As at June 30, 2020, the Company classified the exploration and evaluation assets proposed for sale (the Great Northern Project in Newfoundland and the Cape Spencer Project in New Brunswick), and the associated deferred tax liabilities, as held-for-sale in the condensed interim consolidated financial statements as Magna Terra had received subscriptions in excess of the minimum gross proceeds of $1.5 million required for completion of the Transaction and the sale of ExploreCo was considered highly probable (note 9).

Narrow Vein Mining Project (the "Project")

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

On April 9, 2020, the Company completed a $2.0 million financing with a venture capital firm to further the advancement of the Project through Novamera. As part of the funding arrangement, the technology and the Company's related agreements with the Atlantic Innovation Fund, Research & Development Company, and the Industrial Research Assistance Program (note 12) were transferred to Novamera. In exchange for a $2.0 million investment in Novamera, the venture capital firm received a 41% interest in Novamera, in the form of preferred shares. Two of the Company's former executives received a 25% interest in the form of common shares and the Company retained a 34% interest in Novamera on closing.

Equity accounted investments are investments over which the Company has significant influence, but not control. Generally, the Company is considered to have the ability to exert significant influence when it holds more than a 20% interest in an entity. However, determining significant influence is a matter of judgment and specific circumstances. As at June 30, 2020, the Company had significant influence over Novamera. The fair value of the Company's 34% retained investment in the common shares of Novamera was determined with reference to the venture capital firm's investment in its preferred shares. The features of the preferred shares include priority over the common shares in the event of liquidation or dilution events. Judgment was applied in determining that the differences between the preferred and common shares would not give rise to a significant difference in value on initial recognition of the Company's equity accounted investment in Novamera. As a result of recognizing the Company's retained investment in Novamera at fair value, as well as the assumption of certain liabilities by Novamera upon closing, the Company recognized a gain of $1,902,894 during the three and six months ended June 30, 2020.

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

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

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

2. OPERATING EXPENSES

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
	$	$	**$**	$
Mining costs	**2,589,012**	1,550,012	**5,061,557**	3,612,722
Processing costs (including refining and transport)	**2,466,037**	1,997,799	**4,931,873**	4,332,533
Mine support costs	**444,536**	282,739	**808,432**	678,577
Inventory adjustment	**(398,269)**	507,002	**239,055**	600,334
	5,101,316	4,337,552	**11,040,917**	9,224,166

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

3. ROYALTY EXPENSE

During the three and six months ended June 30, 2020, a royalty expense of $nil and $49,196, reflecting the net smelter return of 3% payable to a third party on gold sold from the Stog'er Tight Property was recorded on the condensed interim consolidated statement of comprehensive income (three and six months ended June 30, 2019 – $145,436 and $393,731).

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

4. OTHER INCOME

	Notes	**Three months ended June 30, 2020 $**	Three months ended June 30, 2019 $	**Six months ended June 30, 2020 $**	Six months ended June 30, 2019 $
Deferred premium on flow-through shares	16	**(97,004)**	-	**(264,680)**	-
Research and development		**(5,042)**	255,179	**47,678**	125,621
Change in fair value of marketable securities		**(115,340)**	(19,646)	**(46,181)**	(41,006)
Interest income		**(5,507)**	(37,804)	**(15,227)**	(49,356)
Foreign exchange (gain) loss		**(3,966)**	15	**(1,849)**	379
		(226,859)	197,744	**(280,259)**	35,638

5. RESTRICTED CASH

In July 2019, the Company began shipping bulk sample material from Goldboro to the Point Rousse Complex in Newfoundland, to be processed at the Pine Cove Mill. Anaconda had engaged with NIL Group Limited (“NIL”) to ship the bulk sample. On July 23, 2019, the Company announced that NIL filed a Statement of Claim (the “Claim”), alleging that the Company is responsible for certain additional costs in relation to the shipment. As a result, NIL has issued and served an arrest warrant with respect to approximately 1,000 tonnes (“Arrested Ore”) which were yet to be discharged from the barge at the time of filing of the Claim, from a total initial delivery of 3,900 tonnes. The Company considers the Claim to be without merit and on August 16, 2019, the Company filed its Statement of Defense and Counterclaim against NIL and its principals, alleging, among other things, contractual breach, negligent and/or fraudulent misrepresentation, and fraudulent deceit. In October 2019, the Company obtained a court order in order to process the Arrested Ore on condition that the proportional gross proceeds would be deposited into an escrow account. As at June 30, 2020, $208,838 was recorded as restricted cash on the condensed interim consolidated statement of financial position representing the proportional gross proceeds related to the Arrested Ore, which is being held in an escrow account pending further court proceedings. As at June 30, 2020, the Company had been named as a third-party defendant in separate claims filed by two suppliers which were engaged by NIL. The Company had no contractual relationship with either plaintiff and consequently the Company considers both claims to be without merit and has filed a Statement of Defense against each claim.

6. TRADE AND OTHER RECEIVABLES

	June 30, 2020 $	December 31, 2019 $
HST receivable	**290,692**	310,065
	290,692	310,065

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

7. INVENTORY

	June 30, 2020	December 31, 2019
	$	$
Gold dore	**1,041,000**	712,000
Gold-in-circuit	**1,646,000**	1,717,000
Ore in stockpiles	**1,170,000**	1,686,000
Supplies and consumables	**1,890,083**	1,461,343
	5,747,083	5,576,343

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

8. MARKETABLE SECURITIES

In September 2018, the Company purchased common shares of a publicly traded junior mining company at a total purchase price of $372,625. In the three and six months ended June 30, 2020, the Company sold 1,250,000 and 2,250,000 common shares of the junior mining company, respectively, for net proceeds of $113,570 and $183,531, respectively (proceeds of $2,241 and $18,096 in the three and six months ended June 30, 2019, respectively). For the three and six months ended June 30, 2020, the Company recorded a gain on the change in fair value of marketable securities of $115,340 and $46,181, respectively, as a result of the sale and revaluation of marketable securities, which was included in other income on the condensed interim consolidated statement of comprehensive income (three and six months ended June 30, 2019 – gain of $19,646 and $41,006). Subsequent to period end, the Company sold its remaining shares for net proceeds of $216,140.

9. ASSETS AND LIABILITIES HELD FOR SALE

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 ExploreCo, which holds the Company's interests in the Great Northern Project in Newfoundland and the Cape Spencer Project in New Brunswick. Under the SPA, Magna Terra will acquire ExploreCo by issuing an aggregate number of Magna Terra common shares equal to 100% of the outstanding Magna Terra common shares on the closing date of the Transaction, prior to the completion of a financing to be closed concurrently by Magna Terra. In February 2020, the shareholders of Magna Terra approved the Transaction subject to the completion of the financing for minimum gross proceeds of $1.5 million. On July 13, 2020, Magna Terra announced that it had been granted approval by the TSX Venture Exchange to upsize the financing and raise gross proceeds of $4.965 million and that the closing of the Transaction is expected to occur on July 30, 2020. Upon completion of the Transaction, Anaconda will hold approximately 27% of Magna Terra's common shares and will be entitled to designate one individual for nomination to serve as a director of Magna Terra.

As at June 30, 2020, the Company recorded cash of $13,661 and exploration and evaluation assets of $2,267,459 as assets held for sale, and deferred tax liabilities of $844,000 as liabilities held for sale on the condensed interim consolidated statement of financial position in relation to the sale of ExploreCo.

Great Northern Project – The Great Northern Project comprises two mineral deposits, collectively referred to as the Great Northern Project ("Great Northern").

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

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

- On November 8, 2016, Anaconda entered an option agreement with MEK to acquire a 100%-undivided interest in the "Jackson's Arm Property" and contiguous mineral. To earn a 100%-undivided interest in the Jackson's Arm Property, the Company is required to make aggregate payments to MEK of $140,000 (of which $120,000 has been paid) in cash, 125,000 common shares of Anaconda (all of which have been issued), and $70,000 in common shares (of which no common shares have been issued) over a four-year period.
- On February 5, 2016, the Company entered into an option agreement with Spruce Ridge Resources Ltd. ("Spruce Ridge"), to acquire a 100%-undivided interest in the Viking Property, which contains the Thor Deposit. Under this agreement, the Company is required to make aggregate payments to Spruce Ridge of $300,000 over a five-year period, based on milestones to production, including a final payment of $175,000 upon commencement of commercial production. The Company has paid $50,000 to date. In addition, the Company granted warrants to Spruce Ridge to purchase 87,500 common shares of Anaconda at an exercise price of $0.40 per share, which expired in February 2019.
- On February 5, 2016, the Company also entered into a second option agreement with Spruce Ridge to acquire a 100%-undivided interest in the Kramer Property, which is contiguous to the Viking Property and contains numerous gold prospects and showings similar in geological character and setting to the Thor Deposit. To earn a 100%-undivided interest in the Kramer Property, the Company is required to make aggregate payments to Spruce Ridge of $132,500 over a five-year period, beginning with an initial payment of $12,500, paid on closing, with increasing payments on the anniversary of the date of the agreement. The Company has paid $67,500 to date. In addition, the Company issued 62,500 common shares to Spruce Ridge under the agreement.

Cape Spencer – On August 9, 2018, Anaconda entered into an option agreement to acquire a 100%-undivided interest in Cape Spencer, an early stage exploration project located 15 kilometres east of Saint John, New Brunswick. To earn a 100%-undivided interest in Cape Spencer, the Company is required to make aggregate payments of $300,000 (of which $100,000 has been paid) in cash and $145,000 in cash or equivalent value shares (of which $10,000 has been paid in cash) over a five-year period. The Company is also required to spend a total of $400,000 in qualified exploration expenditures on Cape Spencer within the first four years of the option period.

10. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2019	Payments under option agreements*	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at June 30, 2020
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	32,238,426	10,000	1,162,892	-	(15,310)	33,396,008
Point Rousse Project, Newfoundland	6,951,675	-	605,396	-	-	7,557,071
Tilt Cove Project, Newfoundland	1,296,781	79,500	607,584	-	-	1,983,865
Great Northern Project, Newfoundland	2,100,758	-	-	(2,100,758)	-	-
Cape Spencer, New Brunswick	166,701	-	-	(166,701)	-	-
	42,754,341	**89,500**	**2,375,872**	**(2,267,459)**	**(15,310)**	**42,936,944**

* As at June 30, 2020, $682,156 of expenditures/payments were in trade payables and accrued liabilities.

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

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

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

As at June 30, 2020, the Company had met all required property option commitments and accordingly the properties were in good standing. Royalty obligations on the Company's various mineral properties are outlined in note 23. As at June 30, 2020, the Company had transferred the Great Northern Project and Cape Spencer to assets held for sale, as the Transaction with Magna Terra is expected to occur on July 30, 2020. As at December 31, 2019, the Company had transferred Pine Cove Pond pushback exploration and evaluation assets to property, mill and equipment ("PME"), as the Company commenced development of the pushback in the year ended December 31, 2019.

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

- During the year ended December 31, 2019, the Company processed the bulk sample material from the Goldboro Project at the Point Rousse Complex. As at December 31, 2019, $1,773,091 of net proceeds from the sale of processed materials, was credited against the bulk sample costs.
- On February 27, 2019, the Company entered into an option agreement with Crosby Gold Ltd. ("Crosby") to acquire a 100%-undivided interest in the Lower Seal Harbour Property, which is located 5 kilometres southeast of the Company's Goldboro deposit. To earn a 100%-undivided interest, the Company is required to make aggregate payments to Crosby of $95,000 (of which $35,000 has been paid) in cash and $85,000 in common shares of Anaconda (of which $25,000 in common shares has been issued) over a three-year period. The Company is also required to spend a total of $150,000 in qualified exploration expenditures on the Lower Seal Harbour Property during the option period.
- On May 17, 2019, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in the Country Harbour Property, which is located 15 kilometres northwest of the Company's Goldboro deposit. During the six months ended June 30, 2020, the Company terminated the option agreement and recorded a write-down of $15,310 on the Country Harbour Property.

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

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

- During the 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 $48,500 has been paid) in cash and $169,500 in common shares of Anaconda (of which $22,000 in common shares have been issued) over a four-year period.
- During the year ended December 31, 2018, Anaconda entered into option agreements with three local prospectors to acquire a 100%-undivided interest in a total of 48 claims, collectively the "Betts Cove Property", which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest in the Betts Cove Property, the Company is required to make aggregate payments to the prospectors of $100,000 (of which $62,500 has been paid) in cash and $15,000 in common shares of Anaconda (of which $5,000 in common shares have been issued) over a two-year period.

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

- On November 8, 2016, Anaconda entered into an option agreement with Metals Creek Resources Corp. ("MEK ") to acquire a 100%-undivided interest in the Tilt Cove Property located 60 kilometres east of the Company's Point Rousse Project. To earn a 100%-undivided interest in the Tilt Cove Property, the Company is required to make aggregate payments to MEK of $200,000 (of which $180,000 has been paid) in cash and 175,000 common shares of Anaconda (all of which have been issued) over a four-year period. The Company is also required to spend a total of $150,000 in qualified exploration expenditures on the Tilt Cove Property during the option period.

11. PROPERTY, MILL AND EQUIPMENT

For the period ended June 30, 2020

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	30,115,869	11,290,205	3,201,605	805,100	45,412,779
Additions*	603,832	65,513	136,725	342,971	1,149,041
Transfers	-	296,367	-	(296,367)	-
	30,719,701	**11,652,085**	**3,338,330**	**851,704**	**46,561,820**
Accumulated depreciation					
Beginning of year	28,006,703	8,506,470	1,845,949	-	38,359,122
Depreciation/depletion	1,071,005	479,167	174,138	-	1,724,310
	29,077,708	**8,985,637**	**2,020,087**	**-**	**40,083,432**
Net book value	**1,641,993**	**2,666,448**	**1,318,243**	**851,704**	**6,478,388**

* As at June 30, 2020, $60,273 of additions were in trade payables and accrued liabilities. During the six months ended June 30, 2020, $123,390 of PME additions were financed through leases.

For the year ended December 31, 2019

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

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

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

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

	Property	Mill and Infrastructure	Equipment	Total
	$	$	$	$
As at January 1, 2019	65,812	514,800	336,836	917,448
Additions	-	-	337,298	337,298
Depreciation	(21,344)	(194,955)	(157,055)	(373,354)
As at December 31, 2019	44,468	319,845	517,079	881,392
Additions	-	-	123,390	123,390
Depreciation	(10,924)	(62,983)	(73,719)	(147,626)
Net book value as at June 30, 2020	**33,544**	**256,862**	**566,750**	**857,156**

12. EQUITY ACCOUNTED INVESTMENTS

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

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

The Company recognized a gain of $1,902,894 during the three and six months ended June 30, 2020 as a result of recognizing the Company's retained investment in Novamera at fair value ($1,648,087), as well as the assumption of certain liabilities by Novamera ($254,807). As at June 30, 2020, the Company had significant influence over Novamera from an accounting perspective and recorded a loss of $114,237 for the Company's share of Novamera's net loss for the period ended June 30, 2020.

13. TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30, 2020	December 31, 2019
	$	$
Trade payables	**3,089,824**	3,270,984
Accrued liabilities	**826,552**	1,257,281
Accrued payroll costs	**319,872**	606,039
	4,236,248	5,134,304

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

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

14. LOANS AND REVOLVING CREDIT FACILITY

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

	June 30, 2020	December 31, 2019
	$	$
RBC loan	**2,693,749**	3,384,124
Provincial government loan	**140,064**	160,473
Federal government loan	**147,200**	172,400
Lease liabilities	**529,489**	644,616
Other loans	**207,477**	331,598
	3,717,979	4,693,211
Current portion		
RBC loan	**1,444,874**	1,407,853
Provincial government loan	**83,180**	82,559
Federal government loan	**100,800**	100,800
Lease liabilities	**292,319**	388,400
Other loans	**207,477**	331,598
	2,128,650	2,311,210
Non-current portion		
RBC loan	**1,248,875**	1,976,271
Provincial government loan	**56,884**	77,914
Federal government loan	**46,400**	71,600
Lease liabilities	**237,170**	256,216
	1,589,329	2,382,001

* During the six months ended June 30, 2020, the Company recognized $nil and $1,762 of expenses in the condensed interim consolidated statement of operations relating to short-term leases and leases of low value assets, respectively (six months ended June 30, 2019 - $13,642 and $1,762, respectively).

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

The Company has financed the acquisition of certain equipment through the assumption of lease obligations. These obligations are secured by the acquired equipment, which has a net book value of $857,156 as at June 30, 2020 (December 31, 2019 – $881,459). The leases bear interest at rates ranging from 0.0% and 7.7% per annum with maturity dates between July 14, 2020 and January 3, 2026. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

The Company has financed insurance premiums through a loan, which bears interest at a rate of 5.1% per annum with a maturity date of October 31, 2020. As at June 30, 2020, $207,477 was outstanding in relation to these financing arrangements (December 31, 2019 – $331,598).

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

On April 7, 2015, the Company entered into an agreement with the federal government to receive a loan of $500,000, also related to the mill automation project. The loan is non-interest bearing and is repayable in 60 equal installments commencing on October 1, 2016.

Revolving Credit Facility, Revolving Demand Facility, and Revolving Equipment Lease Line of Credit

In June 2016, the Company obtained a Line of Credit Agreement with the RBC for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the "Agreement"). In November 2018, the revolving equipment lease line of credit was increased to $750,000. In March 2020, the revolving credit facility was amended to $275,000 and a $725,000 revolving demand facility was included in the Agreement. 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 June 30, 2020, there was no outstanding balance on the revolving credit facility (December 31, 2019 – $nil). As at June 30, 2020, an irrevocable letter of credit in the amount of $713,048 as collateral for the Company's surety bonds (note 15) has been issued under the revolving demand facility (December 31, 2019 – $nil).

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

On November 20, 2018, the Company entered into an agreement with RBC to drawdown $197,930 of the revolving equipment lease line of credit, to finance certain mill equipment. The draw down is repayable in 24 monthly payments of $5,924 commencing on November 23, 2018, bearing interest at 4.9%.

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

As at June 30, 2020, there was an outstanding balance of $171,542 on the revolving equipment lease line of credit (December 31, 2019 - $358,699).

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

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

	RBC Loan	Provincial Government Loan	Federal Government Loan	Lease Liabilities	Other Loans	Total
	$	$	$	$	$	$
As at December 31, 2019	3,384,124	160,472	172,400	644,617	331,598	4,693,211
Changes from financing cash flows:						
Repayments of loans/leases	(690,375)	(20,408)	(25,200)	(238,518)	(251,408)	(1,225,909)
Interest paid	(76,169)	(1,153)	-	(10,759)	(7,872)	(95,953)
	2,617,580	138,911	147,200	395,340	72,318	3,371,349
Other changes:						
Insurance premiums financed through loans	-	-	-	-	127,287	127,287
Property, mill, and equipment acquired through leases	-	-	-	123,390	-	123,390
Interest expense	76,169	1,153	-	10,759	7,872	95,953
As at June 30, 2020	**2,693,749**	**140,064**	**147,200**	**529,489**	**207,477**	**3,717,979**

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

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

15. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	June 30, 2020	December 31, 2019
	$	$
Opening balance	**2,847,999**	2,868,364
Interest accretion	**4,071**	44,557
Additions/change in estimates	**70,054**	(39,000)
Site closure and reclamation costs paid	**-**	(44,054)
Change in inflation/discount rates	**(110,910)**	18,132
Closing balance	**2,811,214**	2,847,999
Current portion	**78,789**	79,726
Non-current portion	**2,732,425**	2,768,273

The provisions for reclamation are provided against the Company's operations at the Point Rousse Project in Newfoundland and the Goldboro Project in Nova Scotia, and are based on the project plan submitted to the Newfoundland and Labrador government and the Goldboro bulk sample program plan submitted to the Nova Scotia government, respectively. The Company expects to incur the majority of its reclamation costs between 2020 and 2027, based on existing life of mine assumptions.

As at June 30, 2020, the Company had entered an agreement with an insurance company to provide a surety bond for $2,700,963 (December 31, 2019 – $2,700,963) to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

During the year ended December 31, 2018, the Company obtained a permit from the Nova Scotia government to complete a bulk sample program at the Goldboro Project which requires the Company to maintain total reclamation security of $225,000 to cover related rehabilitation and closure costs. The reclamation security for the bulk sample program is maintained through a combination of security held by the Nova Scotia government and a surety bond.

During the six months ended June 30, 2020, the Company changed insurance companies which provide the surety bonds to backstop its performance obligations with respect to the Company's reclamation obligations. Under the terms of the replacement surety bonds, the Company was required to provide collateral of $713,048, equivalent to 25% of the value of the bonds. The collateral was provided in the form of an irrevocable letter of credit from the Royal Bank of Canada, which was carved out of the existing $1,000,000 undrawn revolving line of credit (note 14).

16. ISSUED CAPITAL AND EQUITY-BASED INSTRUMENTS

Issued Capital and Recent Issuances

The Company's authorized share capital consists of an unlimited number of common shares. As at June 30, 2020, the Company had 136,267,936 (December 31, 2019 – 135,216,962) common shares outstanding.

On July 10, 2019, the Company completed a non-brokered private placement for aggregate gross proceeds of $4,690,646, whereby it issued 7,515,701 flow-through units of the Company (the "FT Units") at a price of $0.35 per FT unit, and 7,630,185 units of the Company (the "Units") at a price of $0.27 per Unit. Each FT Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Unit consists of one common share and one-half of one Warrant. Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.45 until January 10, 2021. A cash commission of 6% of certain proceeds from the issuance of Units and FT Units, for a total cost of $74,499, and 264,600 non-transferable finder warrants were issued in connection to the private placement. Each finder warrant is exercisable for one common share of the Company at a price of $0.45 until January 10, 2021. An amount equal to the gross proceeds from the flow-through common shares ($2,630,495) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2019. As at June 30, 2020, $1,995,383 of the flow-through funds were spent on eligible exploration expenses, with $635,113 remaining to be spent. A flow-through liability of $579,651 was recorded upon closing, representing the difference between the market price of the Company's shares on July 10, 2019 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at June 30, 2020, the Company derecognized a cumulative amount of $439,699 of the flow-through liability and recognized a corresponding income amount (for the three and six months ended June 30, 2020 – $97,004 and $264,680), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

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

Warrants

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

	Warrants	Weighted average exercise price
	#	$
Outstanding, December 31, 2018	**16,360,071**	**0.40**
Granted	7,837,544	0.45
Exercised	(17,000)	0.24
Expired/forfeited	(385,000)	0.28
Outstanding, December 31, 2019	**23,795,615**	**0.42**
Expired/forfeited	(6,038,993)	0.55
Outstanding, June 30, 2020	**17,756,622**	**0.38**

During the six months ended June 30, 2020, 6,038,993 warrants expired unexercised (six months ended June 30, 2019 – 87,500). Subsequent to June 30, 2020, 404,583 warrants were exercised.

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

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

Date of grant	Number of warrants	Exercise price per share	Expiry date
October 31, 2017	2,077,828	$0.42	October 31, 2020
May 19, 2017*	1,381,250	$0.35	December 23, 2020
July 10, 2019	7,837,544	$0.45	January 10, 2021
May 19, 2017*	5,907,500	$0.28	September 15, 2021
May 19, 2017*	552,500	$0.28	October 11, 2021
	17,756,622	**$0.38**	

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

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

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 June 30, 2020, 13,626,794 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 June 30, 2020, 4,303,500 options under the Company's Stock Option Plan were outstanding with 3,878,083 exercisable.

On May 19, 2017, the Company issued 3,453,125 replacement stock options pursuant to the acquisition of Orex Exploration Inc. The replacement stock options are not included in the calculation of the number of stock options left unallocated under the Company's Incentive Plans. As at June 30, 2020, 2,815,625 replacement stock options were outstanding and exercisable.

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

	Options #	Weighted average exercise price $
Outstanding, December 31, 2018	**8,310,375**	**0.28**
Granted	225,000	0.28
Exercised	(125,000)	0.27
Expired/forfeited	(637,500)	0.32
Outstanding, December 31, 2019	**7,772,875**	**0.28**
Granted	308,750	0.21
Exercised	(437,500)	0.20
Expired/forfeited	(525,000)	0.26
Outstanding, June 30, 2020	**7,119,125**	**0.28**
Options exercisable, June 30, 2020	**6,693,709**	**0.28**

During the six months ended June 30, 2020, 308,750 options were granted (year ended December 31, 2019 – 225,000) were granted to employees of the Company at a weighted average exercise price of $0.21 (year ended December 31, 2019 – $0.28). The options vest over an 18-month period in 3 equal instalments.

During the six months ended June 30, 2020, 437,500 options were exercised (year ended December 31, 2019 – 125,000). The corresponding grant date fair value of $58,540 (year ended December 31, 2019 – $15,550) was reclassified from equity reserves to issued capital. Subsequent to June 30, 2020, 208,500 options were exercised.

During the six months ended June 30, 2020, 525,000 options expired unexercised or were forfeited (year ended December 31, 2019 – 637,500). The corresponding grant date fair value of $121,823 (year ended December 31, 2019 – $121,127) was reclassified from equity reserves to accumulated deficit.

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

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 June 30, 2020. The weighted average exercise price for the outstanding stock options was $0.28 as at June 30, 2020.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
25,000	25,000	0.02 years	$0.36	July 9, 2020
21,000	21,000	0.15 years	$0.28	August 23, 2020
756,250	756,250	0.65 years	$0.24	February 22, 2021
2,125,000	2,125,000	0.77 years	$0.24	April 6, 2021
742,500	742,500	0.91 years	$0.24	May 26, 2021
265,625	265,625	1.29 years	$0.24	October 11, 2021
425,000	425,000	1.46 years	$0.24	December 15, 2021
125,000	125,000	1.90 years	$0.28	May 23, 2022
750,000	750,000	1.98 years	$0.24	June 21, 2022
87,500	87,500	2.27 years	$0.28	October 5, 2022
12,500	12,500	2.38 years	$0.26	November 13, 2022
50,000	50,000	2.49 years	$0.32	December 22, 2022
1,162,500	1,162,500	2.56 years	$0.46	January 19, 2023
37,500	37,500	2.98 years	$0.385	June 19, 2023
100,000	66,667	3.63 years	$0.25	February 11, 2024
125,000	41,667	4.05 years	$0.31	July 15, 2024
308,750	-	4.69 years	$0.21	March 3, 2025
7,119,125	**6,693,709**	**1.58 years**	**$0.28**	

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

The following table sets out the details of the valuation of stock option grants for the six months ended June 30, 2020 and the year ended December 31, 2019:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
February 11, 2019	100,000	1.82%	Nil	104.7%	5 years
July 15, 2019	125,000	1.51%	Nil	101.3%	5 years
March 3, 2020	308,750	0.88%	Nil	88.0%	5 years

The fair value of the stock options granted for the three and six months ended June 30, 2020 was $nil and $44,213, respectively (year ended December 31, 2019 – $46,368). Share-based compensation expense recognized in relation to stock options during the three and six months ended June 30, 2020 was $18,573 and $29,275, respectively (year ended December 31, 2019 – $107,253).

Share Unit Plan

The Company's Share Unit Plan provides for the issuance of share units to directors, officers, employees, and consultants of the Company. Share units are units representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined at the discretion of the Board of Directors on the date of grant. Share units are settled by way of issuance of common shares from treasury as soon as practicable following the maturity date in accordance with the Share Unit Plan.

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

As at June 30, 2020, 2,228,933 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the periods:

	Share units #	Weighted average fair value $
Outstanding, December 31, 2018	**-**	**-**
Granted	2,953,921	0.31
Redeemed	(861,665)	0.32
Forfeited	(125,000)	0.32
Outstanding, December 31, 2019	**1,967,256**	**0.31**
Granted	947,428	0.19
Redeemed	(560,750)	0.29
Forfeited	(125,001)	0.32
Outstanding, June 30, 2020	**2,228,933**	**0.26**

During the six months ended June 30, 2020, 947,428 share units (year ended December 31, 2019 – 2,953,921) were granted to directors, officers, employees, and consultants of the Company at an average fair value of $0.19 (year ended December 31, 2019 – $0.31). The vesting terms of these share units were as follows: 200,761 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, and 746,667 share units vest over an 18 month period in three equal instalments.

During the six months ended June 30, 2020, 560,750 share units were redeemed (year ended December 31, 2019 – 861,665). The corresponding grant date fair value of $162,534 (year ended December 31, 2019 – $271,425) was reclassified from equity reserves to issued capital.

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

The share units, when granted, are accounted for at their fair value determined by the share price upon the grant of the share units. The fair value of the share units granted for the three and six months ended June 30, 2020 was $14,875 and $196,308, respectively (year ended December 31, 2019 – $919,507). Share-based compensation expense recognized in relation to share units during the three and six months ended June 30, 2020 was $95,335 and $189,309, respectively (year ended December 31, 2019 – $670,927).

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

17. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Net income (loss) for the period	**$ 1,981,864**	$ (1,638,464)	**$ 3,453,263**	$ (480,613)
Weighted average basic number of shares outstanding	**136,999,026**	118,891,671	**136,529,805**	118,833,446
Weighted average dilutive shares adjustment:				
Stock options	**115,757**	-	**-**	-
Share units	**819,365**	-	**783,282**	-
Weighted average diluted number of shares outstanding	**137,934,148**	118,891,671	**137,313,087**	118,833,446
Net income (loss) per share:				
Basic and diluted	**$ 0.01**	$ (0.01)	**$ 0.03**	$ (0.00)

The following table lists the equity securities excluded from the computation of diluted earnings per share. The securities were excluded as the inclusion of the equity securities had an anti-dilutive effect on net income; or the exercise prices relating to the particular security exceed the weighted average market price of the Company's common shares.

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Stock options	**7,003,368**	7,647,875	**7,119,125**	7,647,875
Warrants	**17,756,622**	16,272,571	**16,973,340**	16,272,571
Share units	**428,970**	-	**465,053**	-
	25,188,960	23,920,446	**24,557,518**	23,920,446

18. INCOME TAXES

During the three and six months ended June 30, 2020, a current income tax expense of $235,000 and $587,528 relating to provincial mining tax was recorded in the condensed interim consolidated statement of comprehensive income (three and six months ended June 30, 2019 – recovery of $20,000 and expense of $248,163, respectively). Subsequent to June 30, 2020, the Company paid $563,126 relating to provincial mining tax for the year ended December 31, 2019.

During the three and six months ended June 30, 2020, a net deferred income tax expense of $1,275,000 and $2,101,000 relating to changes in the Company's recognized deferred income tax assets, including the use of certain tax pools to offset the Company's taxable income was recognized in the condensed interim consolidated statement of comprehensive income (three and six months ended June 30, 2019 - $54,000 and recovery of $48,000, respectively). The deferred tax expense for the three and six months ended June 30, 2020 included an expense of $379,000 relating to the recognition of a deferred tax liability arising as a result of the difference in the tax basis and the carrying value of the Company's investment in Novamera (note 12).

19. 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 six months ended June 30, 2020, the Company received $534,850 as an advance from the Centre and $150,000 was credited against eligible costs incurred in relation to advances received from the Centre. As at June 30, 2020, $384,850 related to amounts received from the Centre for future project expenditures was included as an advance in the condensed interim consolidated statement of financial position.

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

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
	$	$	**$**	$
Change in non-cash working capital:				
Trade and other receivables	**35,744**	(230,655)	**19,373**	(257,836)
Prepaid expenses and deposits	**68**	120,925	**122,131**	(124,058)
Inventory	**(521,379)**	633,034	**(189,740)**	569,596
Assets held for sale	**(13,661)**	-	**(13,661)**	-
Unearned revenue	**-**	(1,151,667)	**-**	575,833
Advances	**347,204**	(32,860)	**347,204**	(86,200)
Trade payables and accrued liabilities	**(850,243)**	(706,271)	**(479,403)**	(654,118)
	(1,002,267)	(1,367,494)	**(194,096)**	23,217
Supplemental cash flow information:				
Interest paid	**48,144**	76,777	**95,953**	91,389
Property, mill and equipment acquired through leases	**55,488**	-	**123,390**	165,393
Insurance premiums financed through loans	**54,112**	-	**127,287**	-

21. FINANCIAL INSTRUMENTS

The Company's financial instruments as at June 30, 2020 and December 31, 2019 are cash, restricted cash, marketable securities, accounts payable, accrued liabilities, and certain current and non-current loans. Marketable securities are classified as level one. The carrying amount of the Company's other financial instruments approximates fair value due to their short-term nature.

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

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	4,236,248	-	-	**4,236,248**
RBC loan	1,533,088	1,316,720	-	**2,849,808**
Provincial government loan	86,244	57,495	-	**143,739**
Federal government loan	100,800	46,400	-	**147,200**
Lease liabilities	303,280	186,588	55,721	**545,589**
Other loans	209,735	-	-	**209,735**
	6,469,395	1,607,203	55,721	**8,132,319**

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

22. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, and the Chief Financial Officer. Compensation of key management personnel (including directors) was as follows for the three and six months ended June 30, 2020 and June 30, 2019:

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
	$	$	**$**	$
Salaries, bonuses, fees and short term benefits	**175,187**	274,710	**391,325**	606,812
Share based compensation	**67,501**	256,160	**139,340**	344,516
	242,688	530,870	**530,665**	951,328

As at June 30, 2020, included in trade and other payables is $42,250 (December 31, 2019 – $442,750) of amounts due for directors' fees and one-time severance costs.

Subsequent to June 30, 2020, the Company purchased a warehouse building at the Goldboro Project from a director of the Company for $100,000.

Sale of 2647102 Ontario Inc. (ExploreCo)

The Company and Magna Terra have certain key management personnel in common. As described in note 9, the Company has entered into a definitive Share Purchase Agreement with Magna Terra, whereby Magna Terra proposes to acquire all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, ExploreCo.

23. COMMITMENTS

As at June 30, 2020, the Company has a commitment to spend a total of $635,113 of flow-through funds on eligible exploration expenses, related to the private placement completed in July 2019 (note 16).

In the second quarter of 2020, the Company locked into forward sales on a delivery basis for a total of 1,117 ounces of its production for the third quarter of 2020. The gold price for the orders was locked in at an average of $2,401 per ounce with delivery in the third quarter of 2020.

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

- A net smelter return ("NSR") of 3% is payable to a third-party on gold sold from the Stog'er Tight Property.
- A $3,000,000 capped NSR on 4 mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle property, is calculated at 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter and is 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter.
- A $3,000,000 capped NSR of 3% on a property that forms part of the Argyle Property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.
- A net profits interest ("NPI") agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. As at June 30, 2020, the Company has determined it has approximately $17.5 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.

24. SUBSEQUENT EVENTS

On July 16, 2020, the Company announced a non-brokered private placement for aggregate proceeds of up to $5,510,000, consisting of up to 9,500,000 flow-through common shares of the Company at a price of $0.58 per flow-through share. The proceeds of the financing will be used primarily for exploration and diamond drill programs at the Tilt Cove Project in Newfoundland, the Goldboro and Lower Seal Harbour Projects in Nova Scotia, as well as multiple targets at the Point Rousse Project. The financing is expected to close on or around July 31, 2020.

On July 13, 2020, Magna Terra announced that it had been granted approval by the TSX Venture Exchange to upsize the financing and raise gross proceeds of $4.965 million and that the closing of the Transaction is expected to occur on July 30, 2020 (note 9).