



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three month periods ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

# Anaconda Mining Inc.

## Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
Gold		10,523,639	8,772,043
Silver		11,382	4,660
<b>Total revenue</b>		<b>10,535,021</b>	<b>8,776,703</b>
<b>Cost of operations</b>			
Operating expenses	2	5,939,601	4,886,614
Royalty expense	3	49,196	248,295
Depletion and depreciation		912,802	1,319,785
		<b>6,901,599</b>	<b>6,454,694</b>
<b>Mine operating income</b>		<b>3,633,422</b>	<b>2,322,009</b>
<b>Expenses and other income</b>			
Corporate administration		860,179	1,013,180
Share-based compensation expense	14	104,676	110,765
Deferred premium on flow-through shares	14	(167,676)	-
Research and development	15	52,720	(129,558)
Finance expense		72,040	36,156
Other expenses (income)	4	61,556	(32,548)
		<b>983,495</b>	<b>997,995</b>
<b>Income before income taxes</b>		<b>2,649,927</b>	<b>1,324,014</b>
Current income tax expense	16	352,528	268,163
Deferred income tax expense (recovery)		826,000	(102,000)
		<b>1,178,528</b>	<b>166,163</b>
<b>Net income and comprehensive income for the period</b>		<b>1,471,399</b>	<b>1,157,851</b>
Net income per share - basic and fully diluted	15	<b>0.01</b>	0.01
Weighted average number of shares outstanding			
- basic		<b>136,060,584</b>	118,774,575
- fully diluted		<b>136,552,655</b>	119,535,964



# Anaconda Mining Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

As at		March 31, 2020	December 31, 2019
	Notes	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,430,208	4,351,588
Restricted cash	5	208,838	208,838
Trade and other receivables	6	326,436	310,065
Inventory	7	5,161,704	5,576,343
Prepaid expenses and deposits		436,975	485,863
Marketable securities	8	177,360	316,480
		<b>12,741,521</b>	<b>11,249,177</b>
<b>Non-current assets</b>			
Restricted cash		71,790	71,790
Property, mill and equipment	10	6,865,343	7,053,657
Exploration and evaluation assets	9	44,068,947	42,754,341
Deferred income tax asset		2,021,000	2,629,000
		<b>65,768,601</b>	<b>63,757,965</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	11	5,630,969	5,134,304
Current portion of loans	12	2,246,733	2,311,210
Current portion of decommissioning liability	13	117,532	79,726
Flow-through premium	14	236,956	404,632
Advances	17	37,646	37,646
Current taxes payable	16	906,126	553,598
		<b>9,175,962</b>	<b>8,521,116</b>
<b>Non-current liabilities</b>			
Loans	12	1,972,061	2,382,001
Deferred income tax liability		1,971,000	1,753,000
Decommissioning liability	13	2,726,686	2,768,273
		<b>15,845,709</b>	<b>15,424,390</b>
<b>Shareholders' equity</b>			
Share capital, warrants and equity reserves	14	62,748,390	62,742,455
Accumulated deficit		(12,825,498)	(14,408,880)
		<b>49,922,892</b>	<b>48,333,575</b>
		<b>65,768,601</b>	<b>63,757,965</b>

Approved by the Board of Directors on May 12, 2020

"Mary-Lynn Oke"  
Director

"Jonathan Fitzgerald"  
Director

Commitments (Note 21)



The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

# Anaconda Mining Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
<b>Operating activities</b>			
Net income		1,471,399	1,157,851
Adjustments to reconcile net income to cash flow from operating activities:			
Depletion and depreciation		912,802	1,319,785
Share-based compensation expense	14	104,676	110,765
Current income tax expense	16	352,528	268,163
Deferred income tax expense (recovery)		826,000	(102,000)
Deferred premium on flow-through shares	14	(167,676)	-
Interest accretion of decommissioning liability	13	3,066	11,159
Change in fair value of marketable securities	8	69,159	(21,360)
Change in non-cash working capital	18	808,171	1,390,711
<b>Cash flow provided from operating activities</b>		<b>4,380,125</b>	<b>4,135,074</b>
<b>Investing activities</b>			
Additions of property, mill and equipment	10	(659,342)	(289,177)
Additions of exploration and evaluation assets	9	(1,096,630)	(4,357,390)
Proceeds from sale of marketable securities	8	69,961	15,855
Increase in restricted cash		-	(12,042)
<b>Cash flow used in investing activities</b>		<b>(1,686,011)</b>	<b>(4,642,754)</b>
<b>Financing activities</b>			
Proceeds from loans	12	-	5,000,000
Repayment of loans	12	(615,494)	(261,160)
<b>Cash flow (used in) provided from financing activities</b>		<b>(615,494)</b>	<b>4,738,840</b>
<b>Net increase in cash</b>		<b>2,078,620</b>	<b>4,231,160</b>
<b>Cash at beginning of period</b>		<b>4,351,588</b>	<b>6,425,129</b>
<b>Cash at end of period</b>		<b>6,430,208</b>	<b>10,656,289</b>

Supplemental cash flow information (Note 18)



The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

# Anaconda Mining Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

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

	Notes	Share capital		Equity	Warrants	Accumulated	Total
		Number of shares	Issued capital	reserves		deficit	
			\$	\$	\$	\$	\$
<b>Balance at December 31, 2018</b>		<b>118,766,635</b>	<b>53,935,351</b>	<b>1,817,540</b>	<b>2,224,068</b>	<b>(14,914,639)</b>	<b>43,062,320</b>
Share-based compensation from issuance of options	14	-	-	47,380	-	-	47,380
Share-based compensation from issuance of share units	14	-	-	84,760	-	-	84,760
Expiry of stock options transferred to deficit		-	-	(9,027)	-	9,027	-
Issuance of shares for property acquisition	9	27,483	7,500	-	-	-	7,500
Net income for the period		-	-	-	-	1,157,851	1,157,851
<b>Balance at March 31, 2019</b>		<b>118,794,118</b>	<b>53,942,851</b>	<b>1,940,653</b>	<b>2,224,068</b>	<b>(13,747,761)</b>	<b>44,359,811</b>
<b>Balance at December 31, 2019</b>		<b>135,216,962</b>	<b>57,810,013</b>	<b>2,270,867</b>	<b>2,661,575</b>	<b>(14,408,880)</b>	<b>48,333,575</b>
Share-based compensation from issuance of share units	14	-	-	95,216	-	-	95,216
Redemption of share units	14	460,750	131,034	(131,034)	-	-	-
Share-based compensation from issuance of options	14	-	-	10,702	-	-	10,702
Expiry of stock options transferred to deficit		-	-	(111,983)	-	111,983	-
Issuance of shares for property acquisition	9	52,724	12,000	-	-	-	12,000
Net income for the period		-	-	-	-	1,471,399	1,471,399
<b>Balance at March 31, 2020</b>		<b>135,730,436</b>	<b>57,953,047</b>	<b>2,133,768</b>	<b>2,661,575</b>	<b>(12,825,498)</b>	<b>49,922,892</b>

# Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2020 and 2019

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

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## 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.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 12, 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), and Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly “La Veta”). The business and mineral properties of La Veta were sold during fiscal 2012. In 2019, the Company incorporated Novamera Inc. (“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. As at December 31, 2019 and March 31, 2020, the Company held an 80% interest of Novamera, with the non-controlling interest of 20% being held equally by an employee of the Company and another investor. As at March 31, 2020, the carrying value of non-controlling interest is \$nil (December 31, 2019 - \$nil). 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.

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, and the exploration program at the Tilt Cove Project has been suspended (noting all related licenses remain in good standing). The Company has prepared contingency plans in the event that certain scenarios

# Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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

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 and did not note any indicators as of March 31, 2020. Based on management's judgment, as at the date of these condensed interim consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgements in the future.

## 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. 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"). As at March 31, 2020, the proposed sale was contingent on Magna Terra completing a financing for minimum gross proceeds of \$1.5 million, among other requirements. Accordingly, the exploration and evaluation assets that are proposed for sale (the Great Northern Project in Newfoundland and the Cape Spencer Project in New Brunswick) have not been classified as held-for-sale in the condensed interim consolidated financial statement of financial position as at March 31, 2020 (note 9).

## 2. OPERATING EXPENSES

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Mining costs	2,472,545	2,062,710
Processing costs (including refining and transport)	2,465,836	2,334,734
Mine support costs	363,896	395,838
Inventory adjustment	637,324	93,332
	<b>5,939,601</b>	<b>4,886,614</b>

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

## 3. ROYALTY EXPENSE

During the three months ended March 31, 2020, a royalty expense of \$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 months ended March 31, 2019 – \$248,295).

# Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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

## 4. OTHER EXPENSES (INCOME)

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Change in fair value of marketable securities	69,159	(21,360)
Interest income	(9,720)	(11,552)
Foreign exchange loss	2,117	364
	<b>61,556</b>	<b>(32,548)</b>

## 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 March 31, 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 March 31, 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 will be filing a Statement of Defense against each claim.

## 6. TRADE AND OTHER RECEIVABLES

	March 31, 2020	December 31, 2019
	\$	\$
HST receivable	326,436	310,065
	<b>326,436</b>	<b>310,065</b>

## 7. INVENTORY

	March 31, 2020	December 31, 2019
	\$	\$
Gold dore	18,000	712,000
Gold-in-circuit	1,923,000	1,717,000
Ore in stockpiles	1,452,000	1,686,000
Supplies and consumables	1,768,704	1,461,343
	<b>5,161,704</b>	<b>5,576,343</b>

As at March 31, 2020, gold dore, gold-in-circuit, and ore in stockpiles were recorded at cost.



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

## 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 months ended March 31, 2020, the Company sold 1,000,000 common shares of the junior mining company for net proceeds of \$69,961 (no shares were sold in three months ended March 31, 2019) and recorded a loss on the change in fair value of marketable securities of \$69,159, 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 months ended March 31, 2019 – gain of \$21,360).

## 9. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2019 \$	Payments under option agreements*	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at March 31, 2020 \$
Goldboro Project, Nova Scotia	32,238,426	-	384,351	-	-	32,622,777
Point Rouse Project, Newfoundland	6,951,675	-	331,196	-	-	7,282,871
Tilt Cove Project, Newfoundland	1,296,781	52,000	547,059	-	-	1,895,840
Great Northern Project, Newfoundland	2,100,758	-	-	-	-	2,100,758
Cape Spencer, New Brunswick	166,701	-	-	-	-	166,701
	<b>42,754,341</b>	<b>52,000</b>	<b>1,262,606</b>	<b>-</b>	<b>-</b>	<b>44,068,947</b>

\* As at March 31, 2020, \$922,447 of expenditures/payments were in trade payables and accrued liabilities.

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 Rouse 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
	<b>35,062,525</b>	<b>286,000</b>	<b>7,790,430</b>	<b>(377,815)</b>	<b>(6,799)</b>	<b>42,754,341</b>

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

As at March 31, 2020, the Company had met all required property option commitments and accordingly the properties were in good standing, with the exception of the Lower Seal Harbour Property as noted below. Royalty obligations on the Company's various mineral properties are outlined in note 22. 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.

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 proposes to acquire all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, 2647102 Ontario Inc. ("ExploreCo"), along with 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. During the three months ended March 31, 2020, the shareholders of Magna

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Terra approved the Transaction subject to the completion of a financing for minimum gross proceeds of \$1.5 million. The deadline for the final condition has been mutually extended to July 25, 2020, due to the impact of the COVID-19 pandemic.

*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 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. To earn a 100%-undivided interest, the Company is required to make aggregate payments of \$100,000 (of which \$15,000 has been paid) in cash and \$27,500 in common shares of Anaconda (of which no common shares have been issued) over a four-year period.
- 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 \$85,000 (of which \$25,000 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. As at March 31, 2020, the Company had incurred \$10,000 of the \$25,000 required qualified exploration expenditures for the first year of the agreement, but anticipates that it will incur sufficient expenditures in the second year of the agreement such that it will meet the aggregate minimum requirements for both the first and second year of the agreement.

*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, 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 \$55,000 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.
- 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 \$160,000 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.

*Great Northern Project* – The Great Northern Project is comprised of 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 Kermod 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

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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.

- 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. PROPERTY, MILL AND EQUIPMENT

For the period ended March 31, 2020

Cost	Mill and			Work in	Total
	Property	Infrastructure	Equipment	Progress	
Beginning of year	30,115,869	11,290,205	3,201,605	805,100	45,412,779
Additions*	387,637	41,568	78,381	139,366	646,952
Transfers	-	269,449	-	(269,449)	-
	<b>30,503,506</b>	<b>11,601,222</b>	<b>3,279,986</b>	<b>675,017</b>	<b>46,059,731</b>
<b>Accumulated depreciation</b>					
Beginning of year	28,006,703	8,506,470	1,845,949	-	38,359,122
Depreciation/depletion	495,371	245,709	94,186	-	835,266
	<b>28,502,074</b>	<b>8,752,179</b>	<b>1,940,135</b>	<b>-</b>	<b>39,194,388</b>
<b>Net book value</b>	<b>2,001,432</b>	<b>2,849,043</b>	<b>1,339,851</b>	<b>675,017</b>	<b>6,865,343</b>

\* As at March 31, 2020, \$110,646 of additions were in trade payables and accrued liabilities. During the three months ended March 31, 2020, \$67,902 of PME additions were financed through leases.

# Anaconda Mining Inc.

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## 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)
	<b>30,115,869</b>	<b>11,290,205</b>	<b>3,201,605</b>	<b>805,100</b>	<b>45,412,779</b>
<b>Accumulated depreciation</b>					
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)
	<b>28,006,703</b>	<b>8,506,470</b>	<b>1,845,949</b>	<b>-</b>	<b>38,359,122</b>
<b>Net book value</b>	<b>2,109,166</b>	<b>2,783,735</b>	<b>1,355,656</b>	<b>805,100</b>	<b>7,053,657</b>

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

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

	Property \$	Mill and Infrastructure \$	Equipment \$	Total \$
As at January 1, 2019	65,812	514,800	336,836	917,448
Additions	-	-	337,298	337,298
Depreciation	(21,344)	(194,955)	(157,055)	(373,354)
As at December 31, 2019	44,468	319,845	517,079	881,392
Additions	-	-	67,902	67,902
Depreciation	(5,336)	(39,930)	(36,396)	(81,662)
<b>Net book value as at March 31, 2020</b>	<b>39,132</b>	<b>279,915</b>	<b>548,585</b>	<b>867,632</b>

## 11. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2020 \$	December 31, 2019 \$
Trade payables	<b>4,197,947</b>	3,270,984
Accrued liabilities	<b>869,326</b>	1,257,281
Accrued payroll costs	<b>563,696</b>	606,039
	<b>5,630,969</b>	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.

# Anaconda Mining Inc.

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## 12. LOANS AND REVOLVING CREDIT FACILITY

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

	March 31, 2020	December 31, 2019
	\$	\$
RBC loan	3,037,875	3,384,124
Provincial government loan	140,064	160,473
Federal government loan	147,200	172,400
Lease liabilities	595,898	644,616
Other loans	297,757	331,598
	<b>4,218,794</b>	<b>4,693,211</b>
<b>Current portion</b>		
RBC loan	1,423,329	1,407,853
Provincial government loan	83,180	82,559
Federal government loan	100,800	100,800
Lease liabilities	341,667	388,400
Other loans	297,757	331,598
	<b>2,246,733</b>	<b>2,311,210</b>
<b>Non-current portion</b>		
RBC loan	1,614,546	1,976,271
Provincial government loan	56,884	77,914
Federal government loan	46,400	71,600
Lease liabilities	254,231	256,216
	<b>1,972,061</b>	<b>2,382,001</b>

\* During the three months ended March 31, 2020, the Company recognized \$nil and \$881 of expenses in the condensed interim consolidated statement of operations relating to short-term leases and leases of low value assets, respectively (three months ended March 31, 2019 - \$13,642 and \$881, 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 \$867,632 as at March 31, 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.

# Anaconda Mining Inc.

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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 March 31, 2020, \$297,757 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 March 31, 2020, there was no outstanding balance on the revolving credit facility (December 31, 2019 – \$nil). As at March 31, 2020, an irrevocable letter of credit in the amount of \$713,048 as collateral for the Company’s surety bonds (note 13) 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 March 31, 2020, there was an outstanding balance of \$265,636 on the revolving equipment lease line of credit (December 31, 2019 - \$358,699).

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

	RBC Loan \$	Provincial Government Loan \$	Federal Government Loan \$	Lease Liabilities \$	Other Loans \$	Total \$
<b>As at December 31, 2019</b>	3,384,124	160,472	172,400	644,617	331,598	4,693,211
Changes from financing cash flows:						
Repayments of loans/leases	(346,249)	(20,408)	(25,200)	(116,622)	(107,015)	(615,494)
Interest paid	(37,023)	(1,153)	-	(5,502)	(4,131)	(47,809)
	3,000,852	138,911	147,200	522,493	220,452	4,029,908
Other changes:						
Insurance premiums financed through loans	-	-	-	-	73,175	73,175
Property, mill, and equipment acquired through leases	-	-	-	67,902	-	67,902
Interest expense	37,023	1,153	-	5,502	4,131	47,809
<b>As at March 31, 2020</b>	<b>3,037,875</b>	<b>140,064</b>	<b>147,200</b>	<b>595,897</b>	<b>297,758</b>	<b>4,218,794</b>

	RBC Loan \$	Provincial Government Loan \$	Federal Government Loan \$	Lease Liabilities \$	Other Loans \$	Total \$
<b>As at December 31, 2018</b>	-	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 (note 4)	-	-	-	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
<b>As at December 31, 2019</b>	<b>3,384,124</b>	<b>160,472</b>	<b>172,400</b>	<b>644,617</b>	<b>331,598</b>	<b>4,693,211</b>

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## 13. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	March 31, 2020	December 31, 2019
	\$	\$
Opening balance	2,847,999	2,868,364
Interest accretion	3,066	44,557
Additions/change in estimates	-	(39,000)
Site closure and reclamation costs paid	-	(44,054)
Change in inflation/discount rates	(6,847)	18,132
Closing balance	2,844,218	2,847,999
Current portion	117,532	79,726
Non-current portion	2,726,686	2,768,273

The provisions for reclamation are provided against the Company's operations at the Point Rouse Project in Newfoundland and the Goldboro Project in Nova Scotia, and are based on the project plan submitted to the Newfoundland and Labrador government and the Goldboro bulk sample program plan submitted to the Nova Scotia government, respectively. As at March 31, 2020, the estimated future cash flows have been discounted using a risk-free rate of 0.42% and an inflation rate of 0.90% was used to determine future expected costs (December 31, 2019 – discount rate of 1.69% and an inflation rate of 2.20%). The Company expects to incur the majority of its reclamation costs between 2020 and 2027, based on existing life of mine assumptions.

As at March 31, 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 three months ended March 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 \$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 12).

## 14. 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 March 31, 2020, the Company had 135,730,436 (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



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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 March 31, 2020, \$1,555,678 of the flow-through funds were spent on eligible exploration expenses, with \$1,074,817 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 March 31, 2020, the Company derecognized a cumulative amount of \$342,807 of the flow-through liability and recognized a corresponding income amount (for the three months ended March 31, 2020 – \$167,676), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

## Warrants

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

	Warrants #	Weighted average exercise price \$
<b>Outstanding, December 31, 2018</b>	<b>16,360,071</b>	<b>0.40</b>
Granted	7,837,544	0.45
Exercised	(17,000)	0.24
Expired/forfeited	(385,000)	0.28
<b>Outstanding, December 31, 2019</b>	<b>23,795,615</b>	<b>0.42</b>
<i>No activity</i>	-	-
<b>Outstanding, March 31, 2020</b>	<b>23,795,615</b>	<b>0.42</b>

During the three months ended March 31, 2020, no warrants expired unexercised (three months ended March 31, 2019 – 87,500).

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.

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As at March 31, 2020, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
June 22, 2018	4,856,293	\$0.55	June 22, 2020
June 26, 2018	1,182,700	\$0.55	June 26, 2020
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
	<b>23,795,615</b>	<b>\$0.42</b>	

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

## Incentive Plans

The Company has adopted a stock option plan (the "Stock Option Plan") and a share unit plan (the "Share Unit Plan" and together with the Stock Option Plan, the "Incentive Plans"). The Incentive Plans are each a "rolling evergreen" plan and provide that the number of common shares of the Company available for issuance from treasury under the Incentive Plans shall not exceed 10% of the issued and outstanding common shares of the Company at the time of grant. Any increase in the issued and outstanding common shares of the Company will result in an increase in the available number of common shares issuable under the Incentive Plans. Any issuance of common shares from treasury pursuant to the settlement of stock options or share units granted pursuant to the Incentive Plans shall automatically replenish the number of common shares issuable under the Incentive Plans. When each stock option or share unit is exercised, cancelled, or terminated, a common share shall automatically be made available for the grant of a stock option or share unit under the Incentive Plans. As at March 31, 2020, 13,573,044 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 March 31, 2020, 4,816,000 options under the Company's Stock Option Plan were outstanding with 4,390,583 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 March 31, 2020, 2,815,625 replacement stock options were outstanding and exercisable.

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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 \$
<b>Outstanding, December 31, 2018</b>	<b>8,310,375</b>	<b>0.28</b>
Granted	225,000	0.28
Exercised	(125,000)	0.27
Expired/forfeited	(637,500)	0.32
<b>Outstanding, December 31, 2019</b>	<b>7,772,875</b>	<b>0.28</b>
Granted	308,750	0.21
Expired/forfeited	(450,000)	0.30
<b>Outstanding, March 31, 2020</b>	<b>7,631,625</b>	<b>0.27</b>
<b>Options exercisable, March 31, 2020</b>	<b>7,206,209</b>	<b>0.27</b>

During the three months ended March 31, 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 three months ended March 31, 2020, nil options were exercised (year ended December 31, 2019 – 125,000). The corresponding grant date fair value of \$nil (year ended December 31, 2019 – \$15,550) was reclassified from equity reserves to issued capital. Subsequent to period end, 125,000 options were exercised.

During the three months ended March 31, 2020, 450,000 options expired unexercised or were forfeited (year ended December 31, 2019 – 637,500). The corresponding grant date fair value of \$111,983 (year ended December 31, 2019 – \$121,127) was reclassified from equity reserves to accumulated deficit.

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

The following table sets out the details of the stock options granted and outstanding as at March 31, 2020. The weighted average exercise price for the outstanding stock options was \$0.27 as at March 31, 2020.

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Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
75,000	75,000	0.09 years	\$0.20	May 4, 2020
437,500	437,500	0.17 years	\$0.20	June 1, 2020
25,000	25,000	0.27 years	\$0.36	July 9, 2020
21,000	21,000	0.40 years	\$0.28	August 23, 2020
756,250	756,250	0.90 years	\$0.24	February 22, 2021
2,125,000	2,125,000	1.02 years	\$0.24	April 6, 2021
742,500	742,500	1.16 years	\$0.24	May 26, 2021
265,625	265,625	1.54 years	\$0.24	October 11, 2021
425,000	425,000	1.71 years	\$0.24	December 15, 2021
125,000	125,000	2.15 years	\$0.28	May 23, 2022
750,000	750,000	2.23 years	\$0.24	June 21, 2022
87,500	87,500	2.52 years	\$0.28	October 5, 2022
12,500	12,500	2.63 years	\$0.26	November 13, 2022
50,000	50,000	2.74 years	\$0.32	December 22, 2022
1,162,500	1,162,500	2.81 years	\$0.46	January 19, 2023
37,500	37,500	3.23 years	\$0.385	June 19, 2023
100,000	66,667	3.88 years	\$0.25	February 11, 2024
125,000	41,667	4.30 years	\$0.31	July 15, 2024
308,750	-	4.94 years	\$0.21	March 3, 2025
<b>7,631,625</b>	<b>7,206,209</b>	<b>1.72 years</b>	<b>\$0.27</b>	

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 three months ended March 31, 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 months ended March 31, 2020 was \$44,213 (year ended December 31, 2019 – \$46,368). Share-based compensation expense recognized in relation to stock options during the three months ended March 31, 2020 was \$10,702 (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.

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As at March 31, 2020, 2,262,822 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 \$
<b>Outstanding, December 31, 2018</b>	-	-
Granted	2,953,921	0.31
Redeemed	(861,665)	0.32
Forfeited	(125,000)	0.32
<b>Outstanding, December 31, 2019</b>	<b>1,967,256</b>	<b>0.31</b>
Granted	881,317	0.21
Redeemed	(460,750)	0.28
Forfeited	(125,001)	0.32
<b>Outstanding, March 31, 2020</b>	<b>2,262,822</b>	<b>0.27</b>

During the three months ended March 31, 2020, 881,317 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 \$0.21 (year ended December 31, 2019 – \$0.31). The vesting terms of these share units were as follows: 134,650 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 three months ended March 31, 2020, 460,750 share units were redeemed (year ended December 31, 2019 – 861,665). The corresponding grant date fair value of \$131,034 (year ended December 31, 2019 – \$271,425) was reclassified from equity reserves to issued capital. Subsequent to period end, 100,000 share units were redeemed.

During the three months ended March 31, 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 months ended March 31, 2020 was \$181,433 (year ended December 31, 2019 – \$919,507). Share-based compensation expense recognized in relation to share units during the three months ended March 31, 2020 was \$93,974 (year ended December 31, 2019 – \$670,927).

## 15. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended March 31, 2020	Three months ended March 31, 2019
Net income for the period	\$ 1,471,399	\$ 1,157,851
Weighted average basic number of shares outstanding	136,060,584	118,774,575
Weighted average dilutive shares adjustment:		
Stock options	13,080	729,398
Warrants	-	31,991
Share units	478,991	-
<b>Weighted average diluted number of shares outstanding</b>	<b>136,552,655</b>	<b>119,535,964</b>
Net income per share:		
Basic and diluted	\$ 0.01	\$ 0.01

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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.

	<b>Three months ended March 31, 2020</b>	Three months ended March 31, 2019
Stock options	<b>7,618,545</b>	7,568,477
Warrants	<b>23,316,624</b>	16,240,580
Share units	<b>869,344</b>	-
	<b>31,804,513</b>	23,809,057

## 16. INCOME TAXES

During the three months ended March 31, 2020, a current income tax expense of \$352,528 relating to provincial mining tax was recorded in the condensed interim consolidated statement of comprehensive income (three months ended March 31, 2019 – \$268,163).

## 17. ADVANCES

### Narrow Vein Mining Project

In June 2017, the Company commenced a research and development project to develop, prototype, and optimize a new technology to mine steeply-dipping narrow gold veins that cannot be mined cost-effectively with existing technologies (the "Narrow Vein Mining Project" or the "Project"). The Company has secured funding of over \$2,000,000 for the Project, including \$1,500,000 from the Atlantic Innovation Fund ("AIF"), more than \$520,000 through the Research & Development Corporation ("RDC"), and up to \$50,000 from the Industrial Research Assistance Program ("IRAP"). Funding through RDC and IRAP is a non-repayable grant, provided that the Company maintains compliance with the terms of the relevant agreements and is credited against eligible costs incurred. As at March 31, 2020, a total of \$498,308, \$432,755, and \$50,000 have been received from the AIF, RDC, and IRAP, respectively.

As at March 31, 2020, the existing terms of the agreements with the AIF and RDC require the Company to meet established project milestones and to fulfill ongoing reporting requirements in respect of the milestones. The AIF and RDC have the right to require the Company to repay all or part of the funding received if these requirements are not met. Funding through the AIF is also conditionally repayable based on revenues generated should the Project be successful. As at March 31, 2020, no amount was accrued for repayment of funds received to date from the AIF.

During the three months ended March 31, 2020, the Company received \$44,803 (year ended December 31, 2019 – \$453,505) from the AIF which was credited against eligible costs. As at March 31, 2020, \$37,646 (December 31, 2019 – \$37,646) related to amounts received from RDC for future Project expenditures was included as an advance in the condensed interim consolidated statement of financial position. During the three months ended March 31, 2020, \$nil was credited against eligible costs incurred in relation to advances and reimbursements received from RDC.

Subsequent to March 31, 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 related agreements were transferred to Novamera Inc., of which the Company retains a 34% undiluted interest and has no further financial obligations to advance the Project forward. Novamera has also 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.

### Future Skills Centre

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

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Centre is a non-repayable grant and will be credited against eligible costs incurred. Subsequent to period end, the Company received \$534,850 as an advance from the Centre.

## 18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
<b>Change in non-cash working capital:</b>		
Trade and other receivables	(16,371)	(27,181)
Prepaid expenses and deposits	122,063	(244,983)
Inventory	331,639	(63,438)
Unearned revenue	-	1,727,500
Advances	-	(53,340)
Trade payables and accrued liabilities	370,840	52,153
	<b>808,171</b>	<b>1,390,711</b>
<b>Supplemental cash flow information:</b>		
Interest paid	47,809	14,612
Property, mill and equipment acquired through leases	67,902	165,393
Insurance premiums financed through loans	73,175	-

## 19. FINANCIAL INSTRUMENTS

The Company's financial instruments as at March 31, 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 March 31, 2020 are as follows:

	1 year	1 - 3 years	More than 3 years	Total
	\$	\$	\$	\$
Trade payables and accrued liabilities	5,630,969	-	-	<b>5,630,969</b>
RBC loan	1,551,458	1,665,395	-	<b>3,216,853</b>
Provincial government loan	86,244	57,496	-	<b>143,740</b>
Federal government loan	100,800	46,400	-	<b>147,200</b>
Lease liabilities	355,439	217,445	43,212	<b>616,096</b>
Other loans	302,859	-	-	<b>302,859</b>
	<b>8,027,769</b>	<b>1,986,736</b>	<b>43,212</b>	<b>10,057,717</b>

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## 20. 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 months ended March 31, 2020 and March 31, 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Salaries, bonuses, fees and short term benefits	216,138	353,102
Share based compensation	71,839	67,356
	<b>287,977</b>	420,458

As at March 31, 2020, included in trade and other payables is \$240,266 (December 31, 2019 – \$442,750) of amounts due for directors' fees and one-time severance costs.

### 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.

### Novamera Inc.

As at March 31, 2020, an employee of the Company held a 10% interest in the Company's subsidiary, Novamera. Subsequent to period end, Novamera completed a \$2.0 million financing with a venture capital firm to further the advancement of the Narrow Vein Mining Project (note 17).

## 21. COMMITMENTS

As at March 31, 2020, the Company has a commitment to spend a total of \$1,074,817 of flow-through funds on eligible exploration expenses, related to the private placement completed in July 2019 (note 14).

In the first quarter of 2020, the Company locked into forward sales on a delivery basis for a total of 1,878 ounces of its production for the second quarter of 2020. The gold price for the orders was locked in at an average of \$2,128 per ounce with delivery in the second 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 Rouse 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 Rouse 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 March 31, 2020, the Company has determined it has approximately \$20 million in expenditures deductible against future receipts.



# Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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

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

In June 2017, the Company commenced a research and development project to potentially develop new technology to mine steeply-dipping narrow gold veins (note 17). The total Project cost is estimated at \$3,787,000, of which over \$2,000,000 will be funded through agreements in place with various government agencies.

## **22. SUBSEQUENT EVENTS**

On April 9, 2020, the Company completed a \$2.0 million financing with a venture capital firm to further the advancement of the Narrow Vein Mining Project (the "Project") through its subsidiary Novamera. As part of the funding arrangement, the technology and related agreements were transferred to Novamera, of which the Company retains a 34% undiluted interest and has no further financial obligations to advance the Project forward (note 17).