



Anaconda
Mining

Condensed Consolidated Interim Financial Statements
Three and Six Months Ended
November 30, 2016 and November 30, 2015
(Expressed in Canadian Dollars)

Management's responsibility for financial reporting

The accompanying financial statements (the "Financial Statements") of Anaconda Mining Inc. ("Anaconda" or the "Company") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the Financial Statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 of the audited annual consolidated Financial Statements for the year ended May 31, 2016.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the Financial Statements, and (ii) the Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the Financial Statements.

The Board of Directors is responsible for reviewing and approving the Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the Financial Statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the Financial Statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these Financial Statements, they must be accompanied by a notice indicating that the Financial Statements have not been reviewed by an auditor.

The accompanying Financial Statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of Interim Financial Statements by an entity's auditor.

Management's assessment of internal control over financial reporting ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the Financial Statements.

"Dustin Angelo"
President and Chief Executive Officer
January 12, 2017

"Errol Farr"
Chief Financial Officer
January 12, 2017

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Financial Position

(Canadian Dollars)

As at	November 30 2016	May 31 2016
	\$	\$
Assets		
Current assets		
Cash (note 2)	480,210	1,636,161
Trade and other receivables (note 3)	424,038	27,593
HST recoverable	255,081	463,481
Prepaid expenses and deposits	316,298	286,345
Inventory (note 4)	4,798,727	3,143,601
	6,274,354	5,557,181
Restricted cash (note 2)	27,500	27,500
Deferred income tax asset	4,680,000	4,833,000
Exploration and evaluation assets (note 5)	6,658,688	4,636,737
Production stripping assets (note 6)	3,940,252	2,891,722
Property, mill and equipment (note 7)	11,682,094	12,924,772
	33,262,888	30,870,912
Liabilities		
Current liabilities		
Trade and other payables (note 8)	4,307,236	4,109,877
Unearned revenue (note 9)	-	512,790
Current portion of loans (note 10)	214,758	115,192
	4,521,994	4,737,859
Loans (note 10)	719,359	409,447
Decommissioning liability (note 11)	1,888,961	1,867,899
	7,130,314	7,015,205
Shareholders' equity		
Share capital, warrants and share based compensation (note 12)	35,821,037	33,898,136
Deficit	(9,688,463)	(10,042,429)
	26,132,574	23,855,707
	33,262,888	30,870,912

Approved by the Board of Directors on January 12, 2017.

"Maruf Raza"
Director

"Lewis Lawrick"
Director

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(Canadian Dollars)

	For the three months ended		For the six months ended	
	November 30	November 30	November 30	November 30
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue				
Gold sales	7,411,279	6,798,075	12,331,016	12,583,876
Cost of sales				
Mill operations	2,137,677	1,803,834	3,887,486	3,483,614
Mining costs	2,360,262	2,077,855	3,969,227	4,477,153
Logistics	26,495	83,065	48,071	112,601
Project administration	256,621	238,470	508,441	453,229
Depletion and depreciation	1,397,619	1,259,081	2,321,571	2,312,509
	6,178,674	5,462,305	10,734,796	10,839,106
Gross margin	1,232,605	1,335,770	1,596,220	1,744,770
Expenses and other revenue				
Corporate administration	665,659	546,286	1,321,603	1,043,430
Other revenue (note 3)	(398,856)	-	(398,856)	-
Other expenses	3,820	16,487	30,664	41,794
Share-based compensation (note 12)	65,881	86,581	135,858	167,390
Finance expense	18,359	3,111	68,573	3,111
Foreign exchange (gain) loss	5	(20,312)	(4)	(17,461)
Unrealized gain on forward sales contract derivative (note 15)	(32,444)	(29,423)	(58,234)	(26,615)
	322,424	602,730	1,099,604	1,211,649
Income before income taxes	910,181	733,040	496,616	533,121
Deferred income tax expense (recovery)	187,000	(33,000)	153,000	(48,000)
Net income and comprehensive income for the period	723,181	766,040	343,616	581,121
Net loss per share - basic	0.00	0.00	0.00	0.00
Net loss per share - fully diluted	0.00	0.00	0.00	0.00
Weighted average number of shares outstanding				
- basic	209,259,124	179,878,963	200,339,789	179,878,963
- fully diluted	215,014,367	179,878,963	210,915,204	179,878,963

Anaconda Mining Inc.

Condensed Consolidated Interim Statement of Changes in Equity

(Canadian Dollars)

	Share capital		Share-based compensation	Warrants	Subtotal	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
Balance at May 31, 2015	179,878,963	33,133,525	1,098,384	-	34,231,909	(10,836,688)	23,395,221
Share-based compensation							
from issuance of options	-	-	167,390	-	167,390	-	167,390
Net income for the period	-	-	-	-	-	581,121	581,121
Balance at November 30, 2015	179,878,963	33,133,525	1,265,774	-	34,399,299	(10,255,567)	24,143,732
Share-based compensation							
from issuance of options	-	-	73,562	-	73,562	-	73,562
Expiry of stock options							
transferred to deficit	-	-	(598,810)	-	(598,810)	598,810	-
Issuance of shares							
for property acquisition	250,000	12,500	-	-	12,500	-	12,500
Issuance of warrants							
for property acquisition	-	-	-	11,585	11,585	-	11,585
Net loss for the period	-	-	-	-	-	(385,672)	(385,672)
Balance at May 31, 2016	180,128,963	33,146,025	740,526	11,585	33,898,136	(10,042,429)	23,855,707
Share-based compensation							
from issuance of options	-	-	135,858	-	135,858	-	135,858
Expiry of stock options							
transferred to deficit	-	-	(10,350)	-	(10,350)	10,350	-
Common shares issued							
for cash	29,103,787	2,037,265	-	-	2,037,265	-	2,037,265
Issuance of shares							
for property acquisition	100,000	6,500	-	-	6,500	-	6,500
Share issuance expense	-	(328,553)	-	82,181	(246,372)	-	(246,372)
Net income for the period	-	-	-	-	-	343,616	343,616
Balance at November 30, 2016	209,332,750	34,861,237	866,034	93,766	35,821,037	(9,688,463)	26,132,574

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Canadian Dollars)

For the six months ended	November 30 2016 \$	November 30 2015 \$
Operations		
Net income	343,616	581,121
Adjustments to reconcile net income to cash flow from operating activities:		
Depletion and depreciation	2,306,209	2,286,342
Depreciation of stripping assets	235,326	37,258
Share-based compensation expense	135,858	167,390
Deferred income tax expense (recovery)	153,000	(48,000)
Finance expense	30,166	-
Interest accretion of decommissioning liability	21,062	30,030
Unrealized gain on forward sales contract derivative	(58,234)	(26,615)
Net change in non-cash working capital items:		
Trade and other receivables	(396,445)	(1,000,125)
HST recoverable	208,400	(230,575)
Prepaid expenses and deposits	(60,119)	(148,205)
Inventory	(1,222,164)	(119,362)
Trade and other payables	197,359	458,838
Cash flow provided from operating activities	1,894,034	1,988,097
Financing		
Proceeds from flow-through financing agreement	2,037,265	-
Change in unearned revenue	(454,556)	-
Proceeds from government loans	450,000	132,739
Repayment of bank loan	(3,862)	(3,863)
Issuance costs	(246,372)	-
Repayment of capital leases	(19,860)	(14,292)
Repayment of government loans	(16,800)	-
Cash flow provided from financing activities	1,745,815	114,584
Investments		
Purchase of property, mill and equipment	(1,496,493)	(1,804,419)
Additions to production stripping assets	(1,283,856)	(414,397)
Purchase of exploration and evaluation assets	(2,015,451)	(814,090)
Restricted cash	-	467,544
Cash flow used in investing activities	(4,795,800)	(2,565,362)
Net decrease in cash	(1,155,951)	(462,681)
Cash at beginning of period	1,636,161	1,435,160
Cash at end of period	480,210	972,479
Supplemental cash flow information:		
Interest paid	28,384	5,481
Taxes paid	-	-

Anaconda Mining Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended November 30, 2016 and November 30, 2015

General

Corporate

The Company's principal business activities are gold mining and mineral exploration with operations in Canada. It is incorporated 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 registered office is located at 150 York Street, Suite 410, Toronto, Ontario, M5H 3S5.

Point Rouse Project – Baie Verte Mining District, Newfoundland, Canada

The Company owns 100% of the Point Rouse Project ("Point Rouse"), covering 6,316 hectares on the Ming's Bight Peninsula, which is situated within the larger Baie Verte Peninsula on the north-central part of Newfoundland. Point Rouse includes open pit mining operations (the "Pine Cove Pit" and "Stog'er Tight") and complete mill infrastructure capable of processing approximately 400,000 tonnes of ore and producing approximately 16,000 ounces of gold in dore bars annually. Mill throughput is currently approximately 1,300 tonnes per day with a recovery rate of 85-87%.

The Point Rouse Project originally included approximately 660 hectares of mining rights. In 2012, 2013 and 2015, the Company entered into option agreements to acquire a 100%-undivided interest in seven additional exploration properties and staked five other properties (as described in note 5). The agreements and staked claims increased the Company's land package at Point Rouse almost ten-fold to approximately 6,316 hectares.

Viking Project – Newfoundland, Canada

Anaconda also controls the Viking Project ("Viking"), which has approximately 6,225 hectares of property in White Bay, Newfoundland, located approximately 100 km by water (180 km via road) from Point Rouse and its operating mill. Viking contains the Thor Gold Deposit ("Thor Deposit") and other gold prospects and showings.

Aggregates Venture – Newfoundland, Canada

The Company entered into an agreement with Shore Line Aggregates ("SLA"), a subsidiary of the Company's local contract miner, Guy J. Bailey Ltd., where Anaconda has granted a right to SLA to mine, crush and ship an aggregates product made from Anaconda's surplus stockpiled rock and in-situ rock for \$0.60 per tonne, from the Pine Cove Pit at the Point Rouse Project. SLA is working with a dry bulk ship owner/operator, Phoenix Bulk Carriers (BVI) Ltd. ("Phoenix"), a subsidiary of Pangaea Logistics Solutions Ltd., to fulfill a 3,500,000-tonne aggregates contract (the "Aggregates Venture") for a project located on the eastern seaboard of the United States. SLA and Phoenix began shipping the aggregates product at the end of September 2016 and expect it will take up to approximately 14 months to fulfill the contract.

The Great Northern Project – Newfoundland, Canada

On the Northern Peninsula, Anaconda optioned 1,325 hectares of property (the "Jackson's Arm Property") and staked 5,050 hectares of contiguous mineral lands totaling 6,375 hectares, collectively referred to as the Great Northern Project.

Tilt Cove Property – Newfoundland, Canada

The Company also optioned 350 hectares referred to as the Tilt Cove Property located 60 kilometres east of the Company's Point Rouse Project within the Baie Verte Mining District.

1. Basis of preparation

Statement of compliance

The Company's Financial Statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of Interim Financial Statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. The Financial Statements should be read in conjunction with

Anaconda Mining Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended November 30, 2016 and November 30, 2015

the Audited Annual Consolidated Financial Statements for the year ended May 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

Recent accounting pronouncements

At the date of authorization of these Financial Statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods:

- **IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")** was issued in May 2014 when the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15 to establish principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- **IFRS 9 - Financial Instruments ("IFRS 9")** was issued by the IASB on July 24, 2014, and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018.
- **IFRS 16 - Leases ("IFRS 16")** was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of these pronouncements on its Consolidated Financial Statements.

2. Cash and restricted cash

The Company's cash balances consist of cash on deposit with Canadian chartered banks totaling \$480,210 (May 31, 2016 - \$1,636,161).

Restricted cash balance consists of cash collateral of \$27,500 to secure authorized limits for corporate credit cards.

Anaconda Mining Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

3. Trade and other receivables

The Company's trade and other receivables arise from four main sources: gold sales, other revenue, accrued interest and other receivables. The details of the Company's trade and other receivables are set out below:

As at	November 30 2016 \$	May 31 2016 \$
Gold sales receivable	1,386	1,386
Other revenue receivable	398,856	-
Accrued interest	586	523
Other	2,465	2,365
Due from related parties	20,745	23,319
	424,038	27,593

Below is an aged analysis of the Company's trade and other receivables:

As at	November 30 2016 \$	May 31 2016 \$
Less than 1 month	-	1,386
30-60 days	401,321	2,365
60+ days	22,717	23,842
	424,038	27,593

Other revenue receivable of \$398,856 (November 30, 2015 - \$nil) relates to the Aggregates Venture.

At November 30, 2016, the Company anticipates full recovery of the amount due from related parties therefore no impairment has been recorded. The credit risk on the receivables has been further discussed in note 16. The Company holds no collateral for any receivable amounts outstanding as at November 30, 2016.

4. Inventory

As at	November 30 2016 \$	May 31 2016 \$
Gold dore	430,412	-
Ore in stock piles	2,428,459	1,015,698
Raw materials	315,330	459,410
Work in progress	1,005,859	892,626
Parts inventory	618,667	775,867
	4,798,727	3,143,601

Cost of sales for the six months ended November 30, 2016 of \$10,734,796 (November 30, 2015 - \$10,839,106) includes a credit of \$14,278 (November 30, 2015 - \$17,812) relating to the sale of silver by-product.

Anaconda Mining Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

5. Exploration and evaluation assets

Properties	Interest %	Balance as at May 31 2016 \$	Option of mining property \$	Expenditures \$	Transfers to PME \$	Balance as at November 30 2016 \$
Newfoundland						
Point Rouse Project						
Pine Cove Lease Area	100	2,394,468	-	17,962	-	2,412,430
Tenacity	100	635,851	-	390,486	-	1,026,337
Fair Haven	100	270,179	-	241,259	-	511,438
Froude	100	64,651	-	138,143	-	202,794
Duffitt and Strong	100	72,893	-	932	-	73,825
Stog'er Tight	100	482,486	-	95,218	-	577,704
Deer Cove	100	543,383	25,000	3,928	-	572,311
Corkscrew	100	68,533	25,000	3,913	-	97,446
		4,532,444	50,000	891,841	-	5,474,285
Viking Project						
Viking Option	100	60,990	25,000	959,123	-	1,045,113
Kramer	100	35,040	-	27,314	-	62,354
Other	100	6,815	-	769	-	7,584
		102,845	25,000	987,206	-	1,115,051
Great Northern Project						
Jackson's Arm	100	-	23,250	-	-	23,250
Other	100	1,448	-	21,404	-	22,852
		1,448	23,250	21,404	-	46,102
Tilt Cove Property						
		-	23,250	-	-	23,250
		4,636,737	121,500	1,900,451	-	6,658,688

Anaconda Mining Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

Properties	Interest %	Balance as at May 31 2015 \$	Option of mining property \$	Expenditures \$	Transfers to PME \$	Balance as at May 31 2016 \$
Newfoundland						
Point Rouse Project						
Pine Cove Lease Area	100	2,011,586	-	382,882	-	2,394,468
Tenacity	100	508,430	50,000	77,421	-	635,851
Fair Haven	100	233,389	-	36,790	-	270,179
Froude	100	58,026	-	6,625	-	64,651
Duffitt and Strong	100	50,839	-	22,054	-	72,893
Stog'er Tight	100	700,273	50,000	691,829	(959,616)	482,486
Deer Cove	100	451,464	50,000	41,919	-	543,383
Corkscrew	100	2,350	25,000	41,183	-	68,533
		4,016,357	175,000	1,300,703	(959,616)	4,532,444
Viking Project						
Viking Option	100	-	46,050	14,940	-	60,990
Kramer	100	-	34,465	575	-	35,040
Other	100	-	-	8,263	-	8,263
		-	80,515	23,778	-	104,293
		4,016,357	255,515	1,324,481	(959,616)	4,636,737

Point Rouse Project

The Company owns 100% of the Point Rouse Project, which contains five mining leases totaling 1,053 hectares and 28 mining licenses totaling approximately 5,263 hectares not accounted for within the mining leases. The mining leases were optioned from Tenacity Gold Mining Company Ltd. ("Tenacity") and 1512513 Alberta Ltd. ("Alberta"), a subsidiary of Coordinates Capital Corporation ("Coordinates") and Seaside Realty Ltd. ("Seaside"), while the mining licenses were optioned from several different parties including Tenacity, Alberta, Fair Haven Resources Inc. ("Fair Haven"), Herb Froude ("Froude"), and Messrs Alexander Duffitt and Paul Strong ("Duffitt and Strong"). Five of the licenses are owned by Anaconda.

The current operating area of the Point Rouse Project comprises two contiguous mining leases (the "**Pine Cove Property**") acquired from Tenacity totaling 660 hectares that contains the operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility. It is subject to two royalty agreements, the first with Tenacity, whereby the Company was required to pay Tenacity a net smelter royalty ("NSR") of 3% of the metal sales from the mining lease to a maximum of \$3 million. The Company fulfilled this obligation in fiscal 2015. The second is a Net Profits Interest ("NPI") agreement with Royal Gold, Inc. ("Royal") whereby the Company is required to pay Royal a royalty of 7.5% of the net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At November 30, 2016, the Company has determined it has approximately \$36 million in expenditures deductible against future receipts.

Option Agreements

On May 7, 2012, the Company entered into a five-year property option agreement (the "Tenacity Agreement") with Tenacity to acquire a 100%-undivided interest in 4 mineral exploration licenses (the "**Tenacity Property**") totaling 63 claims or approximately 1,540 hectares. The Tenacity Agreement requires the Company to pay to Tenacity \$25,000 at closing (paid), an additional \$275,000 in cash payments over the option period (of which \$175,000 has been paid) and incur \$750,000 in expenditures over the life of the option. At the Company's option, 50% of the cash payments can be settled with the issuance of common shares, with value determined based on a weighted average of the 30 trading days preceding payment. The Tenacity Agreement also entitles Tenacity to an

Anaconda Mining Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

NSR of 3% when the average price of gold is less than US\$2,000 per ounce for the calendar quarter, or at 4% when the average price of gold is more than US\$2,000 per ounce for the calendar quarter, with a cap on the NSR of \$3 million.

On July 19, 2012, the Company entered into a five-year property option agreement (the “Fair Haven Agreement”) with Fair Haven to acquire a 100%-undivided interest in 11 exploration licenses (the “**Fair Haven Property**”) totaling 71 claims or approximately 1,775 hectares. The Fair Haven Property runs adjacent to the optioned Tenacity Property. The Fair Haven Agreement requires the Company to pay to Fair Haven \$10,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of \$750,000. The Fair Haven Agreement also entitles Fair Haven to an NSR of 2% to an aggregate sum of \$3 million; following this and after 200,000 ounces of gold has been sold from the Fair Haven Property, Fair Haven is then entitled to a 1% NSR.

On November 13, 2012, the Company entered into a five-year property option agreement (the “Froude Agreement”) with Froude to acquire a 100%-undivided interest in 1 exploration license (the “**Froude Property**”) totaling 11 claims or approximately 275 hectares. The Froude Property is contiguous and inclusive in the Point Rouse Project. The Froude Agreement requires the Company to pay to Froude \$10,000 on January 1, 2013, (paid) and to fund expenditures over the life of the option to a minimum of \$125,000. The Froude Agreement also entitles Froude to an NSR of 3% to an aggregate sum of \$3 million; following this and after 200,000 ounces of gold has been sold from the Froude Property, Froude is then entitled to a 1% NSR.

On November 19, 2012, the Company entered into a five-year property option agreement (the “DS Agreement”) with Duffitt and Strong to acquire a 100%-undivided interest in 2 exploration licenses (the “**Duffitt and Strong Property**”) totaling 7 claims or approximately 175 hectares. The Duffitt and Strong Property is contiguous with and now inclusive in the Point Rouse Project. The DS Agreement requires the Company to pay to Duffitt and Strong \$20,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of \$125,000. The DS Agreement also entitles Duffitt and Strong to an NSR of 3% to an aggregate sum of \$3 million; following this and after 200,000 ounces of gold has been sold from the Duffitt and Strong Property, Duffitt and Strong is then entitled to a 1% NSR.

On November 13, 2013, the Company entered into a three-year property option agreement (the “Deer Cove Agreement”) with Alberta, a subsidiary of Coordinates, to acquire a 100%-undivided interest in one mining lease, a surface lease and three exploration licenses (the “**Deer Cove Property**”) totaling 48 claims or approximately 1,200 hectares contiguous to the Point Rouse Project. The Deer Cove Agreement requires the Company to pay to Alberta \$25,000 at closing (paid), an additional \$175,000 in cash payments over the option period (of which \$100,000 has been paid) and to incur \$500,000 in expenditures over the life of the option. The Deer Cove Agreement also entitles Alberta to an NSR of 3%. The Company has the right to buy back 1.8% of the NSR for \$1 million.

On November 13, 2013, the Company entered into a three-year property option agreement (the “Stog'er Tight Agreement”) with Alberta to acquire a 100%-undivided interest in one mining lease and one surface lease (the “**Stog'er Tight Property**”) totaling approximately 35 hectares contiguous to the Point Rouse Project. The Stog'er Tight Agreement requires the Company to pay to Alberta \$25,000 at closing (paid), an additional \$175,000 in cash payments over the option period (of which \$100,000 has been paid) and to incur \$500,000 in expenditures over the life of the option. The Stog'er Tight Agreement also entitles Alberta to an NSR of 3%. The Company has the right to buy back 1.8% of the NSR for \$1 million.

On July 29, 2015, the Company entered into an option agreement with Seaside to acquire a 100%-undivided interest in one mining lease (the “**Corkscrew Property**”), totaling 346 hectares contiguous with the Point Rouse Project and is required to make aggregate payments to Seaside of \$75,000 (of which \$50,000 has been paid) over a two-year period. Any future gold production from the Corkscrew Property will be subject to a 2% NSR, capped at \$2,000,000.

Anaconda Mining Inc.

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The Viking Project

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. 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.

On January 29, 2016, Anaconda also staked an additional 2,200 hectares of prospective mineral lands contiguous to the Viking Property and Kramer Property. In total, the Company now controls approximately 6,225 hectares of property in White Bay, Newfoundland, now called the Viking Project, similar in size to Point Rouse.

Option Agreements

To earn a 100%-undivided interest in the Viking Property, 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 and can pay all remaining option payments at any time during the option period to earn its 100% interest. In addition, the Company granted, at closing, warrants to Spruce Ridge to purchase 350,000 common shares of Anaconda at an exercise price of \$0.10 per share, expiring three years from the date of the agreement. Further, the Viking Agreement provides for a 0.5% NSR to Spruce Ridge on the sale of gold from the Viking Property.

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 the five-year period, beginning with an initial payment of \$12,500, paid on closing, with increasing payments on the anniversary of the date of the agreement. The Company also issued 250,000 common shares, at closing, to Spruce Ridge and a 2% NSR to Spruce Ridge on the sale of gold from the Kramer Property. The NSR is capped at \$2,500,000, after which the NSR will be reduced to 1%. Anaconda is required to spend a total of \$750,000 in qualified exploration expenditures on the Kramer Property during the option period.

Two previous NSR agreements held by Altius Resources Inc. ("Altius") and a prospector, Paul Crocker, in relation to Viking, will be terminated upon Anaconda earning its 100% interest in the Viking Property and/or the Kramer Property. These agreements will be replaced by new NSR agreements that stipulate that the Company will pay Altius a 2.5% NSR granted on the Viking Property, a 1% NSR granted on the Kramer Property and a 1.5% NSR granted on an area of interest within 3 km of the combined Viking and Kramer Properties.

The Great Northern Project

On November 8, 2016, Anaconda entered into an option agreement (the "Jackson's Arm Agreement") with Metals Creek Resources Corp. ("MEK") to acquire a 100%-undivided interest in 1,325 hectares (the "**Jackson's Arm Property**") and has staked 5,050 hectares of contiguous mineral lands totaling 6,375 hectares (collectively, the "Great Northern Project").

Option Agreement

To earn a 100%- undivided interest in the Jackson's Arm Property (within the Great Northern Project), the Company is required to make aggregate payments to MEK of \$200,000 (of which \$20,000 has been paid) in cash and 500,000 common shares of Anaconda (of which 50,000 have been issued) over a three-year period, with increasing payments on the anniversary of the date of the agreement. The Jackson's Arm Agreement provides for a 2% NSR to MEK on the sale of gold-bearing mineral products from the Jackson's Arm Property. The NSR is capped at \$1,500,000, after which, the NSR will be reduced to 1%. Anaconda is required to spend a total of \$750,000 in qualified exploration expenditures on the Jackson's Arm Property during the option period.

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Notes to the Condensed Consolidated Interim Financial Statements

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The Tilt Cove Property

On November 8, 2016, Anaconda entered into an option agreement (the "Tilt Cove Agreement") with MEK to acquire a 100% undivided interest in 350 hectares (the "**Tilt Cove Property**") located 60 kilometres east of the Company's Point Rouse Project within the Baie Verte Mining District.

Option Agreement

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 \$20,000 has been paid) in cash and 500,000 common shares of Anaconda (of which 50,000 have been issued) over a three-year period, with increasing payments on the anniversary of the date of the agreement. The Tilt Cove Agreement provides for a 1% NSR to MEK on the sale of gold-bearing mineral products from the Tilt Cove Property. Anaconda is also assuming an existing 2% NSR (the "Existing NSR") on one of the two licenses that comprises the Tilt Cove Property. 1% of the Existing NSR is purchasable for \$1,250,000. Anaconda is required to spend a total of \$750,000 in qualified exploration expenditures on the Tilt Cove Property during the option period.

As at November 30, 2016, and the Financial Statement report date, the Company had met all required property option commitments and accordingly the properties were in good standing.

6. Production stripping assets

As at	November 30 2016 \$	May 31 2016 \$
Opening balance	2,891,722	1,045,958
Additions	1,283,856	1,883,022
Depreciation	(235,326)	(37,258)
Closing balance	3,940,252	2,891,722

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

7. Property, mill and equipment

For the six months ended November 30, 2016

	Cost beginning of period \$	Additions \$	Disposals/ transfers \$	Cost end of period \$
Property	18,140,050	608,191	-	18,748,241
Mill	8,865,411	163,037	(71,781)	8,956,667
Equipment	1,713,339	40,345	(2,791)	1,750,893
Marine facility	-	84,712		84,712
Property, mill and equipment in progress	762,006	1,162,563	(487,783)	1,436,786
	29,480,806	2,058,848	(562,355)	30,977,299

	Accumulated depreciation beginning of period \$	Depreciation/ depletion \$	Accumulated depreciation end of period \$	Net book value \$
Property	10,676,289	2,155,604	12,831,893	5,916,348
Mill	4,856,683	401,650	5,258,333	3,698,334
Equipment	1,023,062	172,841	1,195,903	554,990
Marine facility	-	9,076	9,076	75,636
Property, mill and equipment in progress	-	-	-	1,436,786
	16,556,034	2,739,171	19,295,205	11,682,094

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

For the year ended May 31, 2016

	Cost beginning of year \$	Additions \$	Disposals/ transfers \$	Cost end of year \$
Property ¹	14,806,583	3,333,467	-	18,140,050
Mill	7,624,486	1,240,925	-	8,865,411
Equipment	1,325,053	426,684	(38,398)	1,713,339
Property, mill and equipment in progress	1,343,062	3,824,819	(4,405,875)	762,006
	25,099,184	8,825,895	(4,444,273)	29,480,806

	Accumulated depreciation beginning of year \$	Depreciation/ depletion \$	Accumulated depreciation end of year \$	Net book value \$
Property	8,170,632	2,505,657	10,676,289	7,463,761
Mill	3,838,549	1,018,134	4,856,683	4,008,728
Equipment	779,729	243,333	1,023,062	690,277
Property, mill and equipment in progress	-	-	-	762,006
	12,788,910	3,767,124	16,556,034	12,924,772

¹Property additions include a transfer from E&E assets totalling \$959,616 related to Stog'er Tight.

8. Trade and other payables

As at	November 30 2016 \$	May 31 2016 \$
Trade payables	3,788,065	3,004,629
Accrued liabilities	324,516	533,055
Accrued payroll costs	194,655	572,193
	4,307,236	4,109,877

The trade and other payables which arise from the Company's day-to-day operations have standard vendor trade terms and are typically due within 30 days.

9. Gold financing agreement

On December 17, 2015, the Company entered into an agreement with Auramet International LLC ("Auramet") through which Auramet paid USD\$500,000 (USD\$980 per ounce) (the "Prepayment Amount"), less fees, to Anaconda in exchange for 510 ounces of gold. Anaconda will deliver these ounces to Auramet in 10 deliveries of 51 ounces per month from January to October 2016. The Prepayment Amount was priced based on a spot price at the date of the agreement of USD\$1,067 per ounce. Anaconda also agreed to sell 100% of its production through Auramet until December 18, 2016. The agreement was completed as at November 30, 2016. Over the six months ended November 30, 2016, an unrealized fair value gain of \$58,234 was recognized due to changes in the gold price and foreign exchange. Auramet also had the option to purchase 1,800 ounces at a strike price of USD\$1,250 on December 30, 2016, which was not exercised.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

10. Loans

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

As at	November 30 2016 \$	May 31 2016 \$
DBTCRD loan	400,000	-
ACOA loan	483,200	450,000
Bank loan	19,957	23,819
Capital leases	30,960	50,820
	934,117	524,639
Less: current portion	214,758	115,192
Non-current portion	719,359	409,447

The DBTCRD loan, due November 1, 2021, is repayable in 60 monthly payments of \$7,187 commencing on December 1, 2016. Net minimum loan payments are \$431,220 with total interest of \$31,220, resulting in a present value of net minimum loan payments of \$400,000.

The balance is made up as follows:

As at	November 30 2016 \$	May 31 2016 \$
Principal balance repayable	400,000	-
Less: current portion	75,273	-
Non-current portion	324,727	-

The ACOA loan of \$500,000 is non-interest bearing and will be repayable in 60 equal installments commencing October 1, 2016.

The balance is made up as follows:

As at	November 30 2016 \$	May 31 2016 \$
Principal balance repayable	483,200	450,000
Less: current portion	100,800	67,200
Non-current portion	382,400	382,800

The bank loan, due July 2019, is non-interest bearing and repayable in 72 monthly payments of \$644 commencing July 2013.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended November 30, 2016 and November 30, 2015

The balance is made up as follows:

As at	November 30 2016 \$	May 31 2016 \$
Principal balance repayable	19,957	23,819
Less: current portion	7,725	7,725
Non-current portion	12,232	16,094

The Company has two capital leases payable. The first, due October 1, 2017, is repayable in 39 monthly payments of \$1,242, commencing on July 4, 2014. Remaining net minimum lease payments are \$13,662 with total interest of \$1,122, resulting in a present value of net minimum capital lease payments of \$12,540. The second, due July 1, 2017, is repayable in 24 monthly payments of \$2,303 which commenced on August 1, 2015. Remaining net minimum lease payments are \$18,420 with total interest of \$nil.

The total balances are made up as follows:

As at	November 30 2016 \$	May 31 2016 \$
Principal balance repayable	30,960	50,820
Less: current portion	30,960	40,267
Non-current portion	-	10,553

On July 13, 2016, the Company announced that it entered into a Line of Credit Agreement with the Royal Bank of Canada ("RBC") for a \$1,000,000 revolving credit facility as well as a \$500,000 revolving equipment lease line of credit (together the "Financing"). As part of the terms and conditions of the Financing, RBC has a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers. The outstanding balances on either facility as at November 30, 2016 were \$nil.

11. Decommissioning liability

A reconciliation of the provision for asset retirement obligations is as follows:

As at	November 30 2016 \$	May 31 2016 \$
Opening balance	1,867,899	1,311,393
Interest accretion	21,062	60,062
Additions	-	496,444
Closing balance	1,888,961	1,867,899

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. Elements of uncertainty also exist in estimating the timing of incurring the liability which depends on the ultimate closure date of the operation. The provision for reclamation is provided against the Company's operations at Pine Cove and Stog'er Tight and is based on the project plan approved by the Newfoundland and Labrador government.

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During fiscal 2016, in concert with the Company's decommissioning liabilities, the Company entered into an agreement with an insurance company to provide a surety bond for \$1,942,840 to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan which may only be lifted by the Newfoundland and Labrador government. During the six months ended November 30, 2016, this surety bond was increased to \$2,280,995. As additional work is completed on the property, the Company will increase this bond as required by the Newfoundland and Labrador government.

12. Capital stock

Common shares

Anaconda's authorized share capital consists of an unlimited number of common shares.

On July 27, 2016, the Company announced that, pursuant to a brokered flow-through private placement, it has issued 29,103,787 flow-through units of the Company (the "Units") at a price of \$0.07 per Unit for aggregate gross proceeds of \$2,037,265. Each Unit consists of one flow-through common share and one-half of one common share purchase warrant (the "Warrant") issued on a non flow-through basis. Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.10 until July 27, 2017. On a per-Unit basis, the Company has allocated \$0.0699 of the price per Unit to each flow-through common share and \$0.0001 of the price per Unit to the Warrant. An amount equal to the gross proceeds from the flow-through common shares (\$0.0699 per flow-through common share) will be used to incur Canadian exploration expenses, as defined under the Income Tax Act (Canada), that will be renounced by the Company in favour of the purchasers of Units with an effective date of no later than December 31, 2016.

A cash commission of 6% of certain proceeds from the issuance of the Units, for a total cost of \$162,036 and 1,377,055 Warrants were issued to the broker of the private placement.

As at November 30, 2016, approximately \$690,000 of flow-through funds remain to be spent on eligible exploration expenses.

Warrants

On February 5, 2016, the Company issued purchase warrants to Spruce Ridge entitling them to acquire 350,000 common shares, exercisable at \$0.10 per share and having a three-year expiry date. The warrants issued were valued using a risk-free rate of 0.38%, an expected dividend yield of nil, an expected volatility of 106.49% and an expected life of 3 years.

On July 27, 2016, the Company issued Warrants in relation to a brokered flow-through private placement to acquire 14,551,889 common shares, which are exercisable at \$0.10 per share and expiring on July 27, 2017, and 1,376,560 Compensation Warrants (the "Compensation Warrants") which are exercisable at \$0.10 per share and expire on July 27, 2017. The Compensation Warrants issued were valued using a risk free rate of 0.60%, an expected dividend yield of nil, an expected volatility of 113.33% and an expected life of 1 year.

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The following table sets out the details of the outstanding warrants as at November 30, 2016:

Date of grant	Number of warrants	Remaining contractual life	Exercise price per share	Expiry date
Warrants				
February 5, 2016	350,000	2.19 years	\$0.10	February 5, 2019
July 27, 2016	14,551,889	0.66 years	\$0.10	July 27, 2017
Compensation Warrants				
July 27, 2016	1,376,560	0.66 years	\$0.10	July 27, 2017

Options

As at November 30, 2016, 20,923,275 common shares were available for the grant of stock options to directors, officers, employees and service providers in connection with the Company's stock option plan (the "Plan"). The Plan is a 10% rolling option plan based on the number of common shares issued and outstanding. As at November 30, 2016, 17,845,000 options were outstanding with 15,610,000 exercisable and 3,078,275 left unallocated. Most stock options issued to date under the Plan vest in two installments over 12 months and expire five years from the date of grant unless specifically approved otherwise by the Board of Directors.

The following summary sets out the activity in the Plan over the periods:

	Options #	Weighted average exercise price \$
Outstanding, May 31, 2015	14,150,000	0.10
Granted	9,795,000	0.06
Expired/Forfeited	(5,950,000)	0.11
Outstanding, May 31, 2016	17,995,000	0.07
Expired/Forfeited	(150,000)	0.08
Outstanding, November 30, 2016	17,845,000	0.07
Options exercisable, November 30, 2016	15,610,000	0.07

The following table sets out the details of the stock options granted and outstanding as at November 30, 2016:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
500,000	500,000	0.16 years	\$0.09	January 27, 2017
1,500,000	1,500,000	0.22 years	\$0.10	February 17, 2017
300,000	300,000	0.94 years	\$0.15	November 8, 2017
2,800,000	2,800,000	1.50 years	\$0.08	May 29, 2018
400,000	400,000	1.86 years	\$0.08	October 9, 2018
2,250,000	2,250,000	2.53 years	\$0.08	June 10, 2019
300,000	300,000	3.44 years	\$0.05	May 4, 2020
2,300,000	2,300,000	3.51 years	\$0.05	June 1, 2020
400,000	200,000	3.59 years	\$0.05	June 30, 2020
3,025,000	3,025,000	4.24 years	\$0.06	February 22, 2021
4,070,000	2,035,000	4.50 years	\$0.06	May 26, 2021
17,845,000	15,610,000	2.76 years		

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The following table sets out the details of the valuation of stock option grants for the year ended May 31, 2016 and the six months ended November 30, 2016:

Date of grant	Number	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
June 1, 2015	2,300,000	0.90%	Nil	97.3%	5 years
June 30, 2015	400,000	0.81%	Nil	97.2%	5 years
February 22, 2016	3,025,000	1.12%	Nil	103.3%	5 years
May 26, 2016	4,070,000	0.76%	Nil	102.2%	5 years

Share-based compensation expense

The fair value of the stock options granted for the six months ended November 30, 2016 was \$nil (November 30, 2015 - \$90,000). The fair value of options vested for the six months ended November 30, 2016 was \$135,858 (November 30, 2015 - \$167,390), an amount which has been expensed as share-based compensation in the statement of comprehensive income.

13. Remuneration of key management personnel and related-party transactions

Key management personnel include the members of the Board of Directors, the President/CEO and the CFO. Compensation of key management personnel (including directors) was as follows:

For the six months ended	November 30 2016 \$	November 30 2015 \$
Salaries and short term benefits ¹	365,318	326,767
Share based payments ²	75,364	110,100
	440,682	436,867

¹ Includes salary, management bonus, benefits and directors' fees

² Includes share based payments vested during the period

As at November 30, 2016, included in trade and other payables is \$33,000 (November 30, 2015 - \$48,750) of amounts due for directors' fees.

14. Capital management

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended November 30, 2016. Unless otherwise noted (i.e. restricted cash), the Company is not subject to externally-imposed capital requirements.

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Notes to the Condensed Consolidated Interim Financial Statements
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15. Financial instruments

Classifications

The Company has classified its cash and restricted cash, the gold financing agreement and forward sales contract derivatives as fair value through profit and loss, which are measured at fair value. Trade and other receivables are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and loans are classified as other financial liabilities, which are measured at amortized cost.

Fair values of cash and restricted cash are based on quoted prices in active markets for identical assets, resulting in a level-one valuation. Forward sales contract derivatives and the gold financing agreement are level two. Fair values of investments are not based on observable market data, resulting in a level-three valuation. The carrying amount of the Company's financial instruments approximates fair value due to their short-term nature.

Non-hedged forward sales contract derivative

The Company enters into commodity derivatives including forward gold contracts to manage the exposure of fluctuations in gold prices. In the case of forwards, these contracts are intended to reduce the risk of declining prices on future sales. Some of the derivative transactions are effective in achieving the Company's risk management goals; however, they do not meet the hedging requirements of *IAS 39 – Financial Instruments: Recognition and Measurement*, therefore, the unrealized changes in fair value are recorded in earnings.

At November 30, 2016, the Company had completed a gold financing agreement that resulted in recognizing an unrealized fair value gain of \$58,234 due to changes in the gold price and foreign exchange.

16. Property and financial instrument risk factors

Property risk

The Company's major projects are the Point Rousse and Viking Projects. Unless the Company acquires and/or develops additional mineral properties, the Company will be mainly dependent upon Point Rousse and Viking. Any adverse developments would have a material adverse effect on the Company's financial condition and results of operations.

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash and trade and other receivables. Cash is held with tier-1 Canadian Chartered banks; as such, management believes the risk of loss to be minimal. Trade receivables consist of amounts due from the Company's metals broker regarding processed gold and silver en route to the broker. Management believes the credit risk associated with its trade receivables to be remote as the counter-party is a well-capitalized international metals merchant. No bad debts were incurred during the six months ended November 30, 2016 and 2015.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at November 30, 2016, the Company had positive working capital of \$1,752,360 (May 31, 2016 – \$819,322). The Company utilizes the cash flow generated from the Point Rousse Project's operations throughout the year for its working capital requirements. If necessary, the Company may seek further financing for capital projects or general working capital purposes. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

Market risk

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

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Interest rate risk

The Company has no interest-bearing assets, other than cash in operating bank accounts and only fixed-interest liabilities. Accordingly, the Company is not exposed to significant interest rate risk. When available, the Company invests excess cash in short-term securities with maturities of less than one year, earning nominal interest.

Foreign currency risk

The Company's functional and presentation currency is the Canadian Dollar. The Company executes all gold sales in Canadian Dollars. Some of the operational and other expenses incurred by the Company are paid in US Dollars. As a result, fluctuations in the US Dollar against the Canadian Dollar could result in foreign exchange gains/losses. Given the limited exposure of US Dollar expenses, the Company considers this risk as remote. The Company has no plans for hedging its foreign currency transactions.

Commodity price risk

Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is exposed to commodity price risk with respect to gold prices. The Company closely monitors gold prices to determine the appropriate course of action to be taken by the Company. The Company uses derivative contracts to hedge against the risk of falling prices of gold as it enters into short-term gold sales forward contracts on an ongoing basis. As these derivative contracts come due there is a risk of opportunity loss if gold prices move substantially higher.

17. Subsequent event

On January 9, 2017, the Company entered into an agreement (the "Agreement") with Auramet International LLC ("Auramet") through which Auramet has paid USD\$551,304, less fees, to Anaconda in exchange for 468 ounces of gold (USD\$1,178 per ounce). After fees and conversion to Canadian dollars, the Company received a net amount of \$660,990 (the "Net Proceeds"). Anaconda will deliver these ounces to Auramet in 12 semi-monthly deliveries of 39 ounces each from January to June 2017. The Net Proceeds will be used for general working capital purposes. All dollar amounts are in Canadian dollars unless otherwise noted.

As part of the Agreement, Anaconda granted to Auramet European style call options to purchase from the Company gold bullion as follows:

Ounces	Strike Price	Expiration Date
400	USD\$1,300	December 27, 2017
400	USD\$1,300	August 29, 2018