Anaconda Mining

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Anaconda Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Anaconda Mining Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of comprehensive income (loss) for the years ended December 31, 2019 and 2018;
- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of cash flows for the years ended December 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years ended December 31, 2019 and 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 28, 2020

Anaconda Mining Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Canadian Dollars)

	Notes	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Gold		**29,524,896**	31,602,584
Silver		**22,786**	28,460
Aggregates		**-**	100,092
Total revenue		**29,547,682**	31,731,136
Cost of operations			
Operating expenses	5	**18,638,582**	18,626,974
Royalty expense	6	**443,325**	366,248
Depletion and depreciation		**3,608,121**	6,832,877
		22,690,028	25,826,099
Mine operating income		**6,857,654**	5,905,037
Expenses and other income			
Corporate administration		**4,373,751**	4,025,435
Transaction costs	7	**-**	854,131
Share-based compensation expense	19	**861,429**	544,560
Deferred premium on flow-through shares	19	**(175,019)**	(253,535)
Write-down of exploration and evaluation assets	13	**6,799**	240,836
Research and development	22	**592,942**	514,609
Finance expense		**417,072**	111,812
Other income	8	**(36,226)**	(63,843)
		6,040,748	5,974,005
Income (loss) before income taxes		**816,906**	(68,968)
Current income tax expense	21	**484,859**	1,007,445
Deferred income tax (recovery) expense		**(41,000)**	617,000
		443,859	1,624,445
Net income (loss) and comprehensive income (loss) for the period		**373,047**	(1,693,413)
Net income (loss) per share - basic and diluted	20	**0.00**	(0.01)
Weighted average number of shares outstanding			
- basic		**126,485,569**	113,263,230
- fully diluted		**127,197,272**	113,263,230

Anaconda Mining Inc.

Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	**December 31, 2019** $	December 31, 2018 $
Assets			
Current assets			
Cash and cash equivalents		**4,351,588**	6,425,129
Restricted cash	9	**208,838**	-
Trade and other receivables	10	**310,065**	831,376
Inventory	11	**5,576,343**	4,906,935
Prepaid expenses and deposits		**485,863**	251,111
Marketable securities	12	**316,480**	372,690
		11,249,177	12,787,241
Non-current assets			
Restricted cash		**71,790**	34,023
Property, mill and equipment	14	**7,053,657**	7,430,578
Exploration and evaluation assets	13	**42,754,341**	35,062,525
Deferred income tax asset		**2,629,000**	2,628,000
		63,757,965	57,942,367
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	15	**5,134,304**	7,637,312
Current portion of loans	17	**2,311,210**	804,770
Current portion of decommissioning liability	18	**79,726**	60,119
Flow-through premium	19	**404,632**	-
Advances	22	**37,646**	86,200
Current taxes payable	21	**553,598**	1,001,000
		8,521,116	9,589,401
Non-current liabilities			
Loans	17	**2,382,001**	689,401
Deferred income tax liability		**1,753,000**	1,793,000
Decommissioning liability	18	**2,768,273**	2,808,245
		15,424,390	14,880,047
Shareholders' equity			
Share capital, warrants and equity reserves	19	**62,742,455**	57,976,959
Accumulated deficit		**(14,408,880)**	(14,914,639)
		48,333,575	43,062,320
		63,757,965	57,942,367

Approved by the Board of Directors on February 28, 2020

"Maruf Raza"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 26)

Anaconda Mining Inc.

Consolidated Statements of Cash Flows

(Canadian Dollars)

	Notes	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Operating activities			
Net income (loss)		**373,047**	(1,693,413)
Adjustments to reconcile net income (loss) to cash flow from operating activities:			
Depletion and depreciation		**3,608,121**	6,832,877
Write down of exploration assets	13	**6,799**	240,836
Share-based compensation expense	19	**861,429**	544,560
Taxes paid	21	**(932,261)**	(124,445)
Current income tax expense	21	**484,859**	1,007,445
Deferred income tax (recovery) expense		**(41,000)**	617,000
Deferred premium on flow-through shares	19	**(175,019)**	(253,535)
Interest accretion of decommissioning liability	18	**44,557**	68,198
Site closure and reclamation costs paid	18	**(44,054)**	-
Unrealized loss on derivatives		**-**	(24,207)
Change in fair value of marketable securities	12	**38,114**	(65)
Change in non-cash working capital	23	**147,632**	1,679,096
Cash flow provided from operating activities		**4,372,224**	8,894,347
Investing activities			
Additions of property, mill and equipment	14	**(2,181,896)**	(2,023,857)
Additions of exploration and evaluation assets	13	**(10,943,829)**	(8,024,095)
Acquisition of Maritime loan		**-**	(535,178)
Repayment of Maritime loan		**-**	535,178
Purchase of marketable securities	12	**-**	(372,625)
Proceeds from sale of marketable securities	12	**18,096**	-
Increase in restricted cash		**(246,605)**	(29,023)
Cash flow used in investing activities		**(13,354,234)**	(10,449,600)
Financing activities			
Proceeds from financing agreement, net of issuance costs	19	**4,508,680**	4,161,677
Net proceeds from exercise of stock options	19	**33,750**	186,000
Net proceeds from exercise of warrants	19	**4,000**	87,000
Proceeds from loans	17	**5,000,000**	489,145
Repayment of loans	17	**(2,637,961)**	(906,621)
Cash flow provided from financing activities		**6,908,469**	4,017,201
Net (decrease) increase in cash		**(2,073,541)**	2,461,948
Cash at beginning of period		**6,425,129**	3,963,181
Cash at end of period		**4,351,588**	6,425,129

Supplemental cash flow information (Note 23)

Anaconda Mining Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, except share information)

		Share capital					
		Number of shares	Issued capital	Equity reserves	Warrants	Accumulated deficit	Total
	Notes		$	$	$	$	$
Balance at December 31, 2017		**105,644,965**	**49,407,443**	**1,481,560**	**1,771,294**	**(13,402,386)**	**39,257,911**
Share-based compensation from issuance of options	19	-	-	544,560	-	-	544,560
Exercise of stock options	19	787,500	213,420	(27,420)	-	-	186,000
Expiry of stock options transferred to deficit		-	-	(181,160)	-	181,160	-
Exercise of warrants	19	255,000	143,257	-	(56,257)	-	87,000
Issuance of shares for property acquisition	13	1,188,218	518,585	-	-	-	518,585
Issuance of flow-through shares and warrants for units	19	10,890,952	4,039,727	-	425,563	-	4,465,290
Share issuance expense, net of tax	19	-	(387,081)	-	83,468	-	(303,613)
Net loss for the period		-	-	-	-	(1,693,413)	(1,693,413)
Balance at December 31, 2018		**118,766,635**	**53,935,351**	**1,817,540**	**2,224,068**	**(14,914,639)**	**43,062,320**
Common shares issued for cash	19	15,145,886	4,690,646	-	-	-	4,690,646
Share issuance expense, net of tax	19	-	(631,058)	-	449,092	-	(181,966)
Flow-through share premium	19	-	(579,651)	-	-	-	(579,651)
Share-based compensation from issuance of share units	19	-	-	754,176	-	-	754,176
Redemption of share units	19	861,665	271,425	(271,425)	-	-	-
Share-based compensation from issuance of options	19	-	-	107,253	-	-	107,253
Exercise of stock options	19	125,000	49,300	(15,550)	-		33,750
Expiry of stock options transferred to deficit		-	-	(121,127)	-	121,127	-
Exercise of warrants	19	17,000	4,000	-	-	-	4,000
Expiry of warrants transferred to deficit		-	-	-	(11,585)	11,585	-
Issuance of shares for property acquisition	13	300,776	70,000	-	-	-	70,000
Net income for the period		-	-	-	-	373,047	373,047
Balance at December 31, 2019		**135,216,962**	**57,810,013**	**2,270,867**	**2,661,575**	**(14,408,880)**	**48,333,575**

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

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

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

Statement of compliance

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

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

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

These consolidated financial statements were approved by the Company's Board of Directors on February 28, 2020.

Principles of consolidation

These consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), 2647102 Ontario Inc. (Canada), Colorado Minerals Inc. (Canada), and Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"). The business and mineral properties of La Veta were sold during fiscal 2012. In 2019, the Company incorporated Sustainable Extractive Technologies Inc. (Canada) in which it holds an 80% interest. The non-controlling interest of 20% is held equally by an employee and a former employee of the Company. As at December 31, 2019, the carrying value of non-controlling interest is $nil.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

Foreign currency translation

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

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

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

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

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

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

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

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

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

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

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

- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental, including net costs associated with the bulk sample from the Goldboro Project; and
- Conducting engineering, marketing and financial studies.

Exploration and evaluation costs are capitalized as incurred and deferred until management establishes technical feasibility and economic feasibility of a property and commences permitting and development at which point the associated carrying costs are reclassified to property, mill and equipment as property. Net proceeds from the sales of processed materials related to the Goldboro Project bulk sample were credited against the capitalized bulk sample costs during the year ended December 31, 2019. Upon disposal or abandonment of exploration and evaluation assets, the carrying values are derecognized and a gain/loss is recorded in the consolidated statement of comprehensive (loss) income.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments

(a) Classification

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

(b) Measurement

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

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

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company recognizes cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, and loans at amortized cost.

(c) Impairment of financial assets at amortized cost

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

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

The Company recognizes in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was $nil as at December 31, 2019 (December 31, 2018 - $nil).

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

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

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

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

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

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

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

Deferred income tax
Deferred income tax is provided using the asset and liability method on temporary differences at the date of the consolidated statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are undiscounted and are measured at the tax rates that are

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

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

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

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

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

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

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

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

Government assistance
Non-repayable government assistance is recorded as a reduction in the related qualifying expenditure when it is reasonably assured that the conditions of the assistance will be complied with. Repayable government loans are recorded initially at fair value, with the difference between the book value and fair value recorded as a reduction of the related expenditures.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company’s estimate of equity instruments that will eventually vest. At the

end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision to the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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

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

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Estimates of the quantities of proven and probable mineral reserves and resources in the expected life of mine are used in the calculation of depletion and depreciation expense, to calculate the recoverable value of a CGU and/or exploration and evaluation assets, and any required impairment, and to forecast mine life of the Company's operations. The Company makes estimates of the quantities of reserves and resources, which requires significant subjective assumptions that arise from the evaluation of geological, engineering and economic data for a given ore body. These estimates could change over time due to various factors, including new information gained from mining and development, drill results and updated economic data.
- Significant estimates and assumptions are made in determining the nature, timing and amount of future expenditures required to settle the Company's rehabilitation liabilities and closure costs. These estimates could change in the future due to increased disturbance, technological changes, changes in the regulatory environment, cost changes, and changes to the discount rate.
- Estimates are made in determining the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill. The residual value estimates require management to make judgments and apply assumptions in respect of the useful lives of the assets, including the Company's life of mine plan, the selection of transaction data for comparable assets and the economic conditions that will exist at the end of the life of the mine.
- The Company allocates production costs to metal inventory, which requires an estimate of contained gold and recovery rates. Estimates of recoverable gold on the stockpiles are calculated from the quantities of ore placed on the stockpiles (measured tons added to the stockpiles), the grade of ore placed on the stockpiles (based on assay data) and a recovery percentage (based on ore type). Ultimate ounces recovered will only be known once metal is poured and refined. The measurement of inventory, including the determination of its net realizable value, especially as it relates to ore in stockpiles, involves the use of estimates. Estimation is required in determining the

tonnage, recoverable gold contained therein, and in determining the remaining costs of completion to bring inventory into its saleable form. Judgment also exists in determining whether to recognize a provision for obsolescence on mine operating supplies, and estimates are required to determine salvage or scrap value of supplies.

- The Company's management makes significant estimates and judgments in determining the Company's tax expense for the period and the deferred tax assets and liabilities. Management interprets tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. In addition, management makes estimates related to expectations of future taxable income based on cash flows from operations and the application of existing tax law. Assumptions used in the forecast of taxable profit are based on management's estimates of future production and sales volume, commodity prices, operating costs, capital expenditures, and decommissioning and reclamation expenditures. These estimates are subject to risk and uncertainty and could result in an adjustment to the deferred tax asset and a corresponding credit or charge to the consolidated statement of comprehensive (loss) income.
- 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") (note 22). The Company secured funding to advance the Project, including $1,500,000 from the Atlantic Innovation Fund ("AIF"), which is conditionally repayable based on revenues generated should the Project be commercially successful. Annual repayments, commencing January 1, 2020, will be calculated as a percentage of gross revenue generated, if any, from the application of the technology during the preceding year at 1.5%. The determination of the probability of, amount and timing of future revenue, if any, significantly impacts the initial fair value of the loan, as well as the carrying value of the AIF loan at each reporting date. The significant assumptions used in determining the discounted cash flows include the probability of technical success of the Project, the ability to commercialize any resulting technology, the amount and timing of future revenue for the Corporation and the discount rate. The Company is in the early stages of the Project; accordingly, determination of the potential technical success of the Project, and the amount and timing of any revenue streams requires significant judgment by management. As at December 31, 2019, the Company has received $453,505 from the AIF. The estimated fair value of the amount repayable is considered to be insignificant due to the level of uncertainty relating to the Company's ability to develop the technology, the yet to be completed field testing of the technology, and the ability to commercialize the technology. Accordingly, the Company has recognized the full amount as a credit to research and development expenses in the consolidated statement of comprehensive income (loss). The initial fair value of the AIF amount repayable has been determined using a discounted cash flow analysis, which required a number of assumptions. The difference between the face value and the initial fair value of the AIF amount repayable was recorded in the consolidated statement of comprehensive income (loss) as research and development. The carrying amount of the AIF amount repayable will require adjustment to reflect actual and revised estimated cash flows whenever revised cash flow estimates are available. Management will recalculate the carrying amount at each period end by computing the present value of the estimated future cash flows at the original effective interest rate. Any adjustments will be recognized in the consolidated statement of comprehensive income (loss) as a finance expense after initial recognition.

Critical accounting judgments

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

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

may include the Company's judgements in respect of qualifying Canadian exploration expenses and related tax deductions renounced to investors under a flow-through common share financing.

- Non-current assets and disposal groups are classified as assets held-for-sale in the 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 December 31, 2019, the proposed sale was contingent on Magna Terra receiving shareholder approval and 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 consolidated financial statement of financial position as at December 31, 2019 (note 13).

4. ADOPTION OF NEW ACCOUNTING STANDARDS

The Company has adopted IFRS 16 *Leases* ("IFRS 16") and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23"), effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

<u>IFRS 16 *Leases*</u>

The Company adopted IFRS 16 effective January 1, 2019, using the modified retrospective approach. The comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17 *Leases*, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening consolidated financial statement of financial position on January 1, 2019 (refer to the impact of the IFRS 16 transition below).

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in net income on a straight-line basis over the term of the lease.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

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

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

- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

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

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

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

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Impact of Accounting Policy Changes – IFRS 16 Transition

The Company has applied IFRS 16 using the modified retrospective approach which requires the cumulative effect of initial application to be recognized in retained earnings at January 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities for leases previously classified as an operating lease under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's applicable incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 is 7.0%. For leases previously classified as finance leases under IAS 17, the carrying amount of the lease asset and lease liability immediately before transition was recognized as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Company has applied the following practical expedients permitted by IFRS 16:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company exercised judgment regarding whether it was reasonably certain that the Company would exercise an option to extend a lease. The following table summarizes the difference between operating lease commitments disclosed immediately preceding the date of initial application, and lease liabilities recognized in the consolidated statement of financial position at the date of initial application. The associated right-of-use assets were measured at the amount equal to the lease liability.

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

	$
Operating lease commitment as at December 31, 2018	81,171
Recognition exemption for:	
Short-term leases	(24,758)
Leases of low value assets	(11,514)
Commitments attributable to non-lease components	(19,124)
Extension option reasonably certain to be recognized	45,998
Discounted using the incremental borrowing rate at January 1, 2019	(5,961)
Lease liability recognized at January 1, 2019	**65,812**
Current portion	19,813
Non-current portion	45,999

IFRIC Interpretation 23

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There was no impact on the Company's consolidated financial statements upon adoption of the Interpretation.

Standards issued but not yet effective

Certain new accounting standards and interpretations have been issued that are not mandatory for reporting periods ending December 31, 2019 and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

5. OPERATING EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
	$	$
Mining costs	**9,366,509**	7,005,663
Processing costs (including refining and transport)	**8,923,013**	9,428,149
Mine support costs	**1,345,037**	1,163,780
Inventory adjustment	**(995,977)**	1,029,382
	18,638,582	18,626,974

During the year ended December 31, 2019, the Company recorded insurance proceeds of $615,820 regarding a business interruption claim pertaining to the failure of a jaw crusher in the mill during 2018. The proceeds have been included as a reduction in processing costs in the period.

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.

6. ROYALTY EXPENSE

During the year ended December 31, 2019, a royalty expense of $443,325, 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 consolidated statement of comprehensive income (loss) (year ended December 31, 2018 – $366,248).

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

7. TRANSACTION COSTS

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

8. OTHER INCOME

	Year ended December 31, 2019	Year ended December 31, 2018
	$	$
Change in fair value of marketable securities	**38,114**	(65)
Interest income	**(77,153)**	(51,785)
Foreign exchange loss	**2,813**	12,214
Change in fair value of derivatives	**-**	(24,207)
	(36,226)	(63,843)

9. 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 December 31, 2019, $208,838 was recorded as restricted cash on the consolidated statement of financial position representing the proportional gross proceeds related to the Arrested Ore, which subsequent to period end, was deposited into an escrow account pending further court proceedings.

10. TRADE AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
	$	$
HST receivable	**310,065**	829,541
Other receivables and accrued interest	**-**	1,835
	310,065	831,376

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

11. INVENTORY

	December 31, 2019	December 31, 2018
	$	$
Gold dore	**712,000**	900,000
Gold-in-circuit	**1,717,000**	1,695,000
Ore in stockpiles	**1,686,000**	686,259
Supplies and consumables	**1,461,343**	1,625,676
	5,576,343	4,906,935

As at December 31, 2019, gold dore, gold-in-circuit, and ore in stockpiles were recorded at cost. During the year ended December 31, 2019, an obsolescence provision of $1,057 (year ended December 31, 2018 –$17,438), was recorded as an inventory adjustment against supplies and consumables, which was included in operating expenses on the consolidated statement of comprehensive income (loss).

12. 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 year ended December 31, 2019, the Company recorded a loss on the change in fair value of marketable securities of $38,114 (year ended December 31, 2018 – gain of $65), as a result of the sale and revaluation of marketable securities, which was included in other income on the consolidated statement of comprehensive income (loss). Subsequent to period end, the Company sold 1,000,000 common shares of the junior mining company at a price of $0.07 per share for gross proceeds of $70,000.

13. EXPLORATION AND EVALUATION ASSETS

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

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

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

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

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

As at December 31, 2019, the Company had met all required property option commitments and accordingly the properties were in good standing. Royalty obligations on the Company's various mineral properties are outlined in note 24. As at December 31, 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. Subsequent to period end, the shareholders of Magna Terra approved the Transaction subject to the completion of a financing for minimum gross proceeds of $1.5 million, among other requirements.

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.

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

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

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 $28,500 has been paid) in cash and $169,500 in common shares of Anaconda (of which $10,000 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 $140,000 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 Kermode Resources Ltd. Under the agreement, the Company acquired a 100%-undivided interest in a mineral license that hosts the Rattling Brook Deposit, which is contiguous with the Company's existing land holdings. The Company paid consideration of $50,000 cash and $500,000 in common shares, equal to 1,113,218 common shares based on a twenty-day volume weighted average trading price ending as of January 24, 2018.

- 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 has 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.

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

14. PROPERTY, MILL AND EQUIPMENT

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 (note 2)	65,812	-	-	-	65,812
Additions*	1,212,055	223,526	344,688	846,474	2,626,743
Transfers	396,234	477,024	75,990	(516,404)	432,844
Disposals	-	-	(58,325)	-	(58,325)
	30,115,869	**11,290,205**	**3,201,605**	**805,100**	**45,412,779**
Accumulated depreciation					
Beginning of year	25,852,960	7,513,806	1,548,361	-	34,915,127
Depreciation/depletion	2,153,743	992,664	355,913	-	3,502,320
Disposals	-	-	(58,325)	-	(58,325)
	28,006,703	**8,506,470**	**1,845,949**	**-**	**38,359,122**
Net book value	**2,109,166**	**2,783,735**	**1,355,656**	**805,100**	**7,053,657**

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

For the year ended December 31, 2018

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

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

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

	Property	Mill and Infrastructure	Equipment	Total
	$	**$**	**$**	**$**
Leased assets as at December 31, 2018 reclassified				
as right-of-use assets as at January 1, 2019	-	514,800	336,836	851,636
IFRS 16 transition (note 2)	65,812	-	-	65,812
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)
Net book value as at December 31, 2019	**44,468**	**319,845**	**517,079**	**881,392**

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

15. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
	$	$
Trade payables	**3,270,984**	3,101,050
Accrued liabilities	**1,257,281**	3,729,883
Accrued payroll costs	**606,039**	806,379
	5,134,304	7,637,312

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

16. GOLD PREPAYMENT AGREEMENTS

On February 1, 2019, the Company executed a prepayment agreement with Auramet, whereby the Company received net proceeds of $1,727,500 for 1,038 ounces of gold ($1,728 per ounce; finance expense of $65,645), to be delivered over 3 bi-weekly deliveries from June 2019 to July 2019. The final delivery was made in July 2019.

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

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

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

17. LOANS AND REVOLVING CREDIT FACILITY

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

	December 31, 2019	December 31, 2018
	$	$
RBC loan	**3,384,124**	-
Provincial government loan	**160,473**	240,595
Federal government loan	**172,400**	273,200
Lease liabilities	**644,616**	781,118
Other loans	**331,598**	199,258
	4,693,211	1,494,171
Current portion		
RBC loan	**1,407,853**	-
Provincial government loan	**82,559**	80,122
Federal government loan	**100,800**	100,800
Lease liabilities	**388,400**	424,589
Other loans	**331,598**	199,259
	2,311,210	804,770
Non-current portion		
RBC loan	**1,976,271**	-
Provincial government loan	**77,914**	160,473
Federal government loan	**71,600**	172,400
Lease liabilities	**256,216**	356,528
Other loans	**-**	-
	2,382,001	689,401

* During the year ended December 31, 2019, the Company recognized $13,642 and $3,523 of expenses in the consolidated statement of operations relating to short-term leases and leases of low value assets, 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 $881,459 as at December 31, 2019 (December 31, 2018 – $851,636). The leases bear interest at rates ranging from 0.0% and 7.0% per annum with maturity dates between July 14, 2020 and January 3, 2024. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

The Company has financed insurance premiums through a loan, which bears interest at a rate of 5.1% per annum with a maturity date of October 31, 2020. As at December 31, 2019, $331,597 was outstanding in relation to these financing arrangements (December 31, 2018 – $199,259). Subsequent to period end, the Company financed an additional $73,175 of insurance premiums through the loan.

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 October 1, 2016.

Revolving Credit Facility and Revolving Equipment Lease Line of Credit

In June 2016, the Company obtained a Line of Credit Agreement with the RBC for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the "Financing"). In November 2018, the revolving equipment lease line of credit was increased to $750,000. Under the terms of the Agreement, RBC maintains a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers. As at December 31, 2019, there was no outstanding balance on the revolving credit facility (December 31, 2018 – $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 December 31, 2019, there was an outstanding balance of $358,699 on the revolving equipment lease line of credit (December 31, 2018 - $578,404).

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

The following summary sets out the movement in loans over the years ended December 31, 2019 and 2018:

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

	Provincial Government Loan	Federal Government Loan	Lease Liabilities	Other Loans	Total
	$	$	$	$	$
As at December 31, 2017	**318,351**	**374,000**	**520,998**	**129,066**	**1,342,415**
Changes from financing cash flows:					
Proceeds	-	-	489,145	-	489,145
Repayments of loans/leases	(77,757)	(100,800)	(495,181)	(232,883)	(906,621)
Interest paid	(8,487)	-	(22,660)	(7,796)	(38,943)
	232,107	273,200	492,302	(111,613)	885,996
Other changes:					
Insurance premiums financed through loans	-	-	-	303,077	303,077
Property, mill, and equipment acquired through leases	-	-	266,155	-	266,155
Interest expense	8,487	-	22,660	7,796	38,943
Balance as at December 31, 2018	**240,594**	**273,200**	**781,117**	**199,260**	**1,494,171**

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

18. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	December 31, 2019	December 31, 2018
	$	$
Opening balance	**2,868,364**	2,666,401
Interest accretion	**44,557**	68,198
Additions/change in estimates	**(39,000)**	254,506
Site closure and reclamation costs paid	**(44,054)**	-
Change in inflation/discount rates	**18,132**	(120,741)
Closing balance	**2,847,999**	2,868,364
Current portion	**79,726**	60,119
Non-current portion	**2,768,273**	2,808,245

The provisions for reclamation are provided against the Company's operations at the Point Rousse Project in Newfoundland and the Goldboro Project in Nova Scotia, and are based on the project plan submitted to the Newfoundland and Labrador government and the Goldboro bulk sample program plan submitted to the Nova Scotia government, respectively. As at December 31, 2019, the estimated future cash flows have been discounted using a risk-free rate of 1.69% and an inflation rate of 2.20% was used to determine future expected costs (December 31, 2018 – discount rate of 1.90% and an inflation rate of 1.70%). The Company expects to incur the majority of its reclamation costs between 2020 and 2027, based on existing life of mine assumptions.

As at December 31, 2019, the Company had entered an agreement with an insurance company to provide a surety bond for $2,700,963 (December 31, 2018 – $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.

19. ISSUED CAPITAL AND EQUITY-BASED INSTRUMENTS

Issued Capital and Recent Issuances

The Company's authorized share capital consists of an unlimited number of common shares. As at December 31, 2019, the Company had 135,216,962 (December 31, 2018 – 118,766,635) common shares outstanding.

On July 10, 2019, the Company completed a non-brokered private placement for aggregate gross proceeds of $4,690,646, whereby it issued 7,515,701 flow-through units of the Company (the "FT Units") at a price of $0.35 per FT unit, and 7,630,185 units of the Company (the "Units") at a price of $0.27 per Unit. Each FT Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Unit consists of one common share and one-half of one Warrant. Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.45 until January 10, 2021. A cash commission of 6% of certain proceeds from the issuance of Units and FT Units, for a total cost of $74,499, and 264,600 non-transferable finder warrants were issued in connection to the private placement. Each finder warrant is exercisable for one common share of the Company at a price of $0.45 until January 10, 2021. An amount equal to the gross proceeds from the flow-through common shares ($2,630,495) will be renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of no later than December 31, 2019. As at December 31, 2019, $794,249 of the flow-through funds were spent on eligible exploration expenses, with $1,836,246 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 December 31, 2019, the Company derecognized $175,019 of the flow-through liability and recognized a corresponding income amount, representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

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

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

On October 31, 2017, the Company completed a non-brokered private placement for aggregate gross proceeds of $3,000,497, whereby it issued 6,453,125 flow-through common shares of the Company at a price of $0.32 per flow-through common share, and 3,598,067 units (the "Units") at a price of $0.26 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common shares of the Company at a price of $0.42 until October 31, 2020. An amount equal to the gross proceeds from the flow-through common shares ($2,065,000) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of no later than December 31, 2017. All of the flow-through funds were spent on eligible exploration expenses. A flow-through liability of $350,119 was recorded upon closing, representing the difference between the market price of the Company's shares on October 31, 2017 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. During the year ended December 31, 2018, the Company derecognized the flow-through liability and recognized a corresponding income amount, as the liability had been fulfilled by incurring qualifying exploration expenditures.

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

Warrants

A summary of the Company's warrant activities for the years ended December 31, 2019 and 2018 is presented below:

	Warrants #	Weighted average exercise price $
Outstanding, December 31, 2017	**10,576,078**	**0.32**
Granted	6,038,993	0.55
Exercised	(255,000)	0.34
Outstanding, December 31, 2018	**16,360,071**	**0.40**
Granted	7,837,544	0.45
Exercised	(17,000)	0.24
Expired/forfeited	(385,000)	0.28
Outstanding, December 31, 2019	**23,795,615**	**0.42**

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.

During the year ended December 31, 2019, 385,000 warrants expired unexercised (year ended December 31, 2018 – nil) and 17,000 warrants were exercised (year ended December 31, 2019 – 255,000).

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

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

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

As at December 31, 2019, 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
	23,795,615	**$0.42**	

*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 December 31, 2019, 13,521,666 common shares were available for the grant of stock options or share units to directors, officers, employees and service providers in connection with the Incentive Plans.

Stock Option Plan

As at December 31, 2019, 4,957,250 options under the Company's Stock Option Plan were outstanding with 4,765,583 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 December 31, 2019, 2,815,625 replacement stock options were outstanding and exercisable.

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

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

	Options #	Weighted average exercise price $
Outstanding, December 31, 2017	**8,039,375**	**0.25**
Granted	1,708,500	0.43
Exercised	(787,500)	0.24
Expired/forfeited	(650,000)	0.32
Outstanding, December 31, 2018	**8,310,375**	**0.28**
Granted	225,000	0.28
Exercised	(125,000)	0.27
Expired/forfeited	(637,500)	0.32
Outstanding, December 31, 2019	**7,772,875**	**0.28**
Options exercisable, December 31, 2019	**7,581,208**	**0.28**

During the year ended December 31, 2019, 225,000 options were granted to employees of the Company at a weighted average exercise price of $0.28. The options vest over an 18-month period in 3 equal instalments.

During the year ended December 31, 2019, 125,000 options were exercised (year ended December 31, 2018 – 787,500). The corresponding grant date fair value of $15,550 (year ended December 31, 2018 – $27,420) was reclassified from equity reserves to issued capital.

During the year ended December 31, 2019, 637,500 options expired unexercised (year ended December 31, 2018 – 650,000). The corresponding grant date fair value of $121,127 (year ended December 31, 2018 – $181,160) was reclassified from equity reserves to accumulated deficit.

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

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

The following table sets out the details of the stock options granted and outstanding as at December 31, 2019. The weighted average exercise price for the outstanding stock options was $0.28 as at December 31, 2019.

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

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
75,000	75,000	0.34 years	$0.20	May 4, 2020
487,500	487,500	0.42 years	$0.20	June 1, 2020
25,000	25,000	0.52 years	$0.36	July 9, 2020
21,000	21,000	0.65 years	$0.28	August 23, 2020
756,250	756,250	1.15 years	$0.24	February 22, 2021
2,125,000	2,125,000	1.27 years	$0.24	April 6, 2021
867,500	867,500	1.41 years	$0.24	May 26, 2021
265,625	265,625	1.79 years	$0.24	October 11, 2021
425,000	425,000	1.96 years	$0.24	December 15, 2021
125,000	125,000	2.40 years	$0.28	May 23, 2022
850,000	850,000	2.48 years	$0.24	June 21, 2022
87,500	87,500	2.77 years	$0.28	October 5, 2022
12,500	12,500	2.88 years	$0.26	November 13, 2022
50,000	50,000	2.99 years	$0.32	December 22, 2022
1,337,500	1,337,500	3.06 years	$0.46	January 19, 2023
37,500	37,500	3.48 years	$0.385	June 19, 2023
100,000	33,333	4.13 years	$0.25	February 11, 2024
125,000	-	4.55 years	$0.31	July 15, 2024
7,772,875	**7,581,208**	**1.85 years**	**$0.28**	

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

The following table sets out the details of the valuation of stock option grants for the years ended December 31, 2019 and 2018:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
January 19, 2018	1,375,000	2.02%	Nil	108.3%	5 years
June 20, 2018	37,500	2.03%	Nil	107.5%	5 years
July 9, 2018	25,000	1.94%	Nil	86.5%	2 years
August 23, 2018	21,000	2.13%	Nil	84.9%	2 years
September 17, 2018	250,000	2.15%	Nil	84.3%	2 years
February 11, 2019	100,000	1.82%	Nil	104.7%	5 years
July 15, 2019	125,000	1.51%	Nil	101.3%	5 years

The fair value of the stock options granted for the year ended December 31, 2019 was $46,368 (year ended December 31, 2018 – $545,853). Share-based compensation expense recognized in relation to stock options during the year ended December 31, 2019 was $107,253 (year ended December 31, 2019 – $544,560).

Share Unit Plan

In December 2018, the Company's Board of Directors approved the adoption of the Share Unit Plan, which was then approved by the shareholders of the Company at the Company's Annual and Special General Meeting of Shareholders on May 15, 2019. The Share Unit Plan provides for the issuance of share units to directors, officers, employees, and consultants of the Company.

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

Share units are units representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined at the discretion of the Board of Directors on the date of grant. In granting share units, the Board of Directors may include other terms, conditions, and/or vesting criteria which are not inconsistent with the Share Unit Plan. Share units are settled by way of issuance of common shares from treasury as soon as practicable following the maturity date in accordance with the Share Unit Plan. As at December 31, 2019, 1,967,256 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the periods:

	Share units #	Weighted average fair value $
Outstanding, December 31, 2017 and 2018	**-**	**-**
Granted	2,953,921	0.31
Redeemed	(861,665)	0.32
Forfeited	(125,000)	0.32
Outstanding, December 31, 2019	**1,967,256**	**0.31**

During the year ended December 31, 2019, 2,953,921 share units (year ended December 31, 2018 – nil) were granted to directors, officers, employees, and consultants of the Company at an average fair value of $0.31. The vesting terms of these share units were as follows: 298,921 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, 2,355,000 share units vest over a 17 month period in three equal instalments, and 300,000 share units vest over an 18 month period in three equal instalments.

During the year ended December 31, 2019, 861,665 share units were redeemed (year ended December 31, 2018 – nil). The corresponding grant date fair value of $271,425 (year ended December 31, 2018 – $nil) was reclassified from equity reserves to issued capital. Subsequent to year end, 8,333 share units were redeemed.

During the year ended December 31, 2019, 125,000 share units were forfeited (year ended December 31, 2018 – nil). Subsequent to year end, 16,667 share units were forfeited.

The share units, when granted, are accounted for at their fair value determined by the share price upon the grant of the share units. The fair value of the share units granted for the year ended December 31, 2019 was $919,507 (year ended December 31, 2018 – $nil). Share-based compensation expense recognized in relation to share units during the year ended December 31, 2019 was $670,927 (year ended December 31, 2018 – $nil).

20. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended December 31, 2019	Year ended December 31, 2018
Net income (loss) for the period	**$ 373,047**	$ (1,693,413)
Weighted average basic number of shares outstanding	**126,485,569**	113,263,230
Weighted average dilutive shares adjustment:		
Stock options	**711,703**	-
Warrants	**-**	-
Weighted average diluted number of shares outstanding	**127,197,272**	113,263,230
Net income (loss) per share:		
Basic and diluted	**$ 0.00**	$ (0.01)

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

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

	Year ended December 31, 2019	Year ended December 31, 2018
Stock options	**7,061,172**	8,310,375
Warrants	**23,795,615**	16,360,071
	30,856,787	24,670,446

21. INCOME TAXES

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

The Canadian statutory income tax rate of 29.6% (December 31, 2018 – 29.8%) is comprised of the federal income tax rate at approximately 15.0% (December 31, 2018 – 15.0%) and the provincial income tax rate of approximately 14.6% (December 31, 2018 – 14.8%). A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	December 31, 2019	December 31, 2018
	$	$
Income tax expense (recovery) at statutory rates	**242,054**	(20,439)
Change in tax rates	**(14,182)**	(14,246)
Flow through share expenditures	**779,432**	1,163,057
Mining tax deduction	**11,852**	113,652
Newfoundland mining taxes	**(40,000)**	(382,000)
Prior period true-up	**(68,739)**	-
Flow through share premium	**(51,859)**	(75,431)
Other	**152,963**	(26,623)
Non-deductible expenses for tax purposes:		
Share-based compensation	**255,247**	162,016
Change in unrecognized temporary differences	**(822,909)**	704,459
Income tax (recovery) expense	**443,859**	1,624,445

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

The primary differences which give rise to the deferred income tax balances at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
	$	$
Deferred income tax assets		
Temporary timing differences on non-current assets	**(1,076,000)**	248,000
Deductible financing fees	**152,000**	158,000
Capital loss carried forward	**219,000**	220,000
Asset retirement obligation	**844,000**	853,000
Advances	**11,000**	26,000
Non-capital loss carried forward	**3,476,000**	2,943,000
	3,626,000	4,448,000
Less: deferred tax assets not recognized	**(997,000)**	(1,820,000)
Net deferred tax assets	**2,629,000**	2,628,000

	December 31, 2019	December 31, 2018
	$	$
Deferred income tax liability - Newfoundland mining tax		
Temporary timing differences on non-current assets	**1,753,000**	1,793,000

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company recognized deferred tax assets as at December 31, 2019 of $2,629,000 (December 31, 2018 - $2,628,000) as projections of income support the conclusion that the realizability of these deferred tax assets is probable.

The Company also has cumulative Canadian exploration and development expenditures of $38,757,621 (December 31, 2018 - $36,765,820) that may be carried forward indefinitely.

As at December 31, 2019, the Company has non-capital loss carry-forwards expiring as follows:

	Canada	**Chile**	**Total**
	$	**$**	**$**
2026-2030	3,424,338	-	3,424,338
2031-2035	2,982,736	-	2,982,736
2036-2040	5,139,001	-	5,139,001
Indefinite	-	6,905,463	6,905,463
	11,546,075	**6,905,463**	**18,451,538**

22. ADVANCES

Narrow Vein Mining Project

In June 2017, the Company commenced a research and development project to develop, prototype, and optimize a new technology to mine steeply-dipping narrow gold veins that cannot be mined cost-effectively with existing technologies (the "Narrow Vein Mining Project" or the "Project"). The Company has secured funding of over $2,000,000 for the Project, including $1,500,000 from the Atlantic Innovation Fund ("AIF"), more than $520,000 through the Research & Development Corporation ("RDC"), and up to $50,000 from the Industrial Research Assistance Program ("IRAP"). As at December 31, 2019, a total of $453,505, $432,755, and $50,000 have been received from the AIF, RDC, and IRAP, respectively.

Funding through the AIF is conditionally repayable based on revenues generated should the Project be successful. Annual repayments, commencing January 1, 2020, are calculated as a percentage of gross revenue generated from the resulting products from the preceding year at 1.5%. Repayment of all or part of the AIF contributions may be required in the event of a default under the Company's agreement with the AIF. During the year ended December 31, 2019, the Company received $453,505 from the AIF which was credited against eligible costs incurred as the estimated repayments to the AIF are insignificant at this time. 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.

During the fourth quarter of 2019, the Company executed a term sheet with a venture capital firm to finance further advancement of the Narrow Vein Mining Project. As part of the funding arrangement, the technology and related agreements would be placed into a subsidiary company, to be held initially by the Company, the venture capital firm, and certain individuals, including a member of the Company's management team. As at December 31, 2019, the transaction had not yet closed, and no funding had been received.

In contemplation of the proposed transaction, the Company is in discussion with ACOA and RDC to amend the existing contracts relating to the Narrow Vein Mining Project. The existing terms of the agreements with ACOA and RDC require the Company to meet established project milestones and to fulfill ongoing reporting requirements in respect of these milestones. ACOA and RDC have the right to require the Company to repay all or part of the funding received if these requirements are not met. As at December 31, 2019 and subsequent to year-end, the Company was in discussions with both ACOA and RDC to amend the existing agreements to update the project milestones, timelines and reporting requirements in light of the funding opportunity. As at December 31, 2019, no amount was accrued for repayment of funds received to date from ACOA.

As at December 31, 2019, $37,646 (December 31, 2018 – $86,200) related to amounts received from RDC for future Project expenditures was included as an advance in the consolidated statement of financial position. During the year ended December 31, 2019, $222,247 was credited against eligible costs incurred in relation to advances and reimbursements received from RDC.

During the year ended December 31, 2019, $592,942 (year ended December 31, 2018 – $514,609) of non-reimbursable expenditures was recorded as research and development in the consolidated statement of comprehensive income (loss).

Anaconda Internal Training Program

In March 2018, the Company secured funding of $199,620 from the province of Newfoundland's Advanced Education, Skills and Labour Agency (the "Agency") for an internal training program under the province's Labour Market Partnerships program. In November 2018, the Company secured funding of $79,668 from the Agency for an internal training program under the Canada-NL Job Grant program. As at December 31, 2019, a total of $182,977 and $79,271 have been received from the province of Newfoundland under the Labour Market Partnerships program and the Canada-NL Job Grant program, respectively. Funding through the province is a non-repayable grant and will be credited against eligible costs incurred which are recorded as mine support costs in operating expenses in the consolidated statement of comprehensive income (loss). During the year ended December 31, 2019, the Company received $112,249 from the province of Newfoundland which was credited against eligible costs.

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

23. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Change in non-cash working capital:		
Trade and other receivables	**521,311**	(486,226)
Prepaid expenses and deposits	**199,140**	286,870
Inventory	**(832,701)**	963,598
Unearned revenue	**-**	-
Advances	**(48,554)**	(69,482)
Trade payables and accrued liabilities	**308,436**	984,336
	147,632	1,679,096
Supplemental cash flow information:		
Interest paid	**205,088**	38,943
Property, mill and equipment acquired through leases	**337,298**	266,155
Insurance premiums financed through loans	**433,892**	303,077

24. FINANCIAL INSTRUMENTS

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

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2019. Unless otherwise noted (i.e. restricted cash), the Company is not subject to externally-imposed capital requirements.

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

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

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

Liquidity risk
The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables that are outstanding past their due dates. As at December 31, 2019, the Company had a net working capital of $2,728,061 (December 31, 2018 - $3,197,840), including cash of $4,351,588 (December 31, 2018 - $6,425,129).

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

At December 31, 2019, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

The contractual cash flow obligations of the Company as at December 31, 2019 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	5,134,304	-	-	**5,134,304**
RBC loan	1,554,918	2,051,987	-	**3,606,905**
Provincial government loan	86,244	79,057	-	**165,301**
Federal government loan	100,800	71,600	-	**172,400**
Lease liabilities	404,026	245,651	14,566	**664,243**
Other loans	339,407	-	-	**339,407**
	7,619,699	2,448,295	14,566	**10,082,560**

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

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

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

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

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

Equity securities risk
The Company is exposed to equity securities price risk because of investments held by the Company, which are concentrated in the Canadian junior mining sector. As at December 31, 2019, had the fair values of the investments at fair value through profit or loss increased or decreased by 10%, with all other variables held constant, net loss would have increased or decreased by approximately $32,000.

25. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, the Chief Executive Officer, President, Chief Financial Officer, and the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the years ended December 31, 2019 and 2018:

	Year ended December 31, 2019	Year ended December 31, 2018
	$	$
Salaries, bonuses, fees and short term benefits	**1,039,974**	1,028,636
Severance costs	**694,243**	-
Share based compensation	**734,450**	312,566
	2,468,667	1,341,202

As at December 31, 2019, included in trade and other payables is $442,750 (December 31, 2018 – $42,750) 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 13, 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.

26. COMMITMENTS

As at December 31, 2019, the Company has a commitment to spend a total of $1,836,246 of flow-through funds on eligible exploration expenses, related to the private placement completed in July 2019 (note 19).

In November and December 2019, the Company locked into forward sales on a delivery basis for a total of 1,270 ounces of its production for January and February 2020. The gold price for the orders was locked in at an average of $1,960 per ounce with delivery in January and February 2020.

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

- A net smelter return ("NSR") of 3% is payable to a third-party on gold sold from the Stog'er Tight Property.
- A $3,000,000 capped NSR on 4 mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle property, is calculated at 3% when the average price of gold is less than US$2,000 per ounce for the

calendar quarter and is 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter.

- A $3,000,000 capped NSR of 3% on a property that forms part of the Argyle Property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.
- A net profits interest (“NPI”) agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At December 31, 2019, the Company has determined it has approximately $23 million in expenditures deductible against future receipts.

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

In June 2017, the Company commenced a research and development project to potentially develop new technology to mine steeply-dipping narrow gold veins (note 22). 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.