Anaconda Mining

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three month periods ended March 31, 2018 and February 28, 2017

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Canadian Dollars)

	Notes	**Three months ended March 31, 2018 $**	Three months ended February 28, 2017 $ Restated, Note 4
Gold		**7,590,142**	5,638,469
Silver		**6,458**	4,942
Total revenue		**7,596,600**	5,643,411
Cost of operations			
Operating expenses	5	**4,074,347**	4,807,576
Royalty expense		**-**	2,952
Depletion and depreciation		**1,437,006**	1,946,999
Total cost of operations		**5,511,353**	6,757,527
Mine operating income (loss)		**2,085,247**	(1,114,116)
Expenses and other income			
Corporate administration		**1,094,354**	627,726
Share-based compensation expense	15	**150,473**	22,630
Deferred premium on flow-through shares	15	**(156,872)**	-
Research and development	18	**69,625**	-
Other expenses (income)	6	**43,449**	(361,440)
		1,201,029	288,916
Income (loss) before income taxes		**884,218**	(1,403,032)
Current income tax expense	17	**473,000**	-
Deferred income tax expense (recovery)		**262,000**	(463,000)
		735,000	(463,000)
Net income (loss) and comprehensive income (loss) for the period		**149,218**	(940,032)
Net income (loss) per share - basic and diluted	16	**0.00**	(0.02)
Weighted average number of shares outstanding			
- basic		**106,890,011**	52,333,088
- fully diluted		**112,308,080**	52,333,088

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	**March 31, 2018** $	December 31, 2017 $
Assets			
Current assets			
Cash		**2,787,147**	3,963,181
Trade and other receivables	7	**1,109,788**	336,900
Prepaid expenses and deposits		**707,053**	234,904
Inventory	8	**6,968,879**	7,126,240
		11,572,867	11,661,225
Non-current assets			
Restricted cash		**28,023**	5,000
Property, mill and equipment	10	**10,180,532**	11,018,738
Exploration and evaluation assets	9	**25,504,940**	23,615,914
Deferred income tax asset		**3,321,000**	3,627,000
		50,607,362	49,927,877
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	11	**3,292,403**	3,958,933
Flow-through premium	15	**96,663**	253,535
Advances	18	**109,973**	155,682
Unearned revenue	12	**250,000**	-
Current portion of loans	13	**654,618**	671,881
Current taxes payable		**591,000**	118,000
		4,994,657	5,158,031
Non-current liabilities			
Loans	13	**589,136**	670,534
Deferred income tax liability		**2,131,000**	2,175,000
Decommissioning liability	14	**2,678,132**	2,666,401
		10,392,925	10,669,966
Shareholders' equity			
Share capital, warrants and equity reserves	15	**53,467,605**	52,660,297
Accumulated deficit		**(13,253,168)**	(13,402,386)
		40,214,437	39,257,911
		50,607,362	49,927,877

Approved by the Board of Directors on May 2, 2018

"Maruf Raza"
Director

"Jonathan Fitzgerald"
Director

Change in year-end (Note 1)
Commitments (Note 22)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Canadian Dollars)

	Notes	**Three months ended March 31, 2018 $**	Three months ended February 28, 2017 $ Restated, Note 4
Operating activities			
Net income (loss)		**149,218**	(940,032)
Adjustments to reconcile net income (loss) to cash flow from operating activities:			-
Depletion and depreciation		**1,437,006**	1,946,999
Share-based compensation expense	15	**150,473**	22,630
Current income tax expense	17	**473,000**	-
Deferred income tax expense (recovery)		**262,000**	(463,000)
Finance expense		**-**	28,974
Deferred premium on flow-through shares	15	**(156,872)**	-
Interest accretion of decomissioning liability	14	**13,065**	10,531
Unrealized loss on derivatives		**12,892**	36,175
Change in non-cash working capital	19	**(1,348,977)**	(319,132)
Cash flow provided from operating activities		**991,805**	323,145
Investing activities			
Additions of property, mill and equipment	10	**(563,973)**	(561,337)
Additions of exploration and evaluation assets	9	**(1,535,364)**	(528,707)
Acquisition of Maritime loan	6	**(535,178)**	-
Repayment of Maritime loan	6	**535,178**	-
(Increase)/decrease in restricted cash		**(23,023)**	27,500
Cash flow used in investing activities		**(2,122,360)**	(1,062,544)
Financing activities			
Net proceeds from exercise of stock options	15	**70,000**	-
Net proceeds from exercise of warrants	15	**87,000**	-
Proceeds from bank indebtedness		**-**	317,199
Repayment of bank loan		**-**	(1,933)
Repayment of capital leases and other loans	13	**(158,058)**	(12,270)
Repayment of government loans	13	**(44,421)**	(43,807)
Cash flow (used in) provided from financing activities		**(45,479)**	259,189
Net decrease in cash		**(1,176,034)**	(480,210)
Cash at beginning of period		**3,963,181**	480,210
Cash at end of period		**2,787,147**	-

Supplemental cash flow information (Note 19)

Anaconda Mining Inc.

Condensed Interim Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars, expect share information)

		Share capital					
		Number of shares	Issued capital	Equity reserves	Warrants	Accumulated deficit	Total
	Notes		$	$	$	$	$
Balance at November 30, 2016		**52,333,088**	**34,861,237**	**866,034**	**93,766**	**(9,688,463)**	**26,132,574**
Share-based compensation from issuance of options	15	-	-	22,630	-	-	22,630
Expiry of stock options transferred to deficit		-	-	(136,050)	-	136,050	-
Net loss for the period		-	-	-	-	(940,032)	(940,032)
Balance at February 28, 2017 (Restated)	4	**52,333,088**	**34,861,237**	**752,614**	**93,766**	**(10,492,445)**	**25,215,172**
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	15	-	-	150,473	-	-	150,473
Exercise of stock options	15	312,500	84,560	(14,560)	-	-	70,000
Exercise of warrants	15	255,000	87,000	-	-	-	87,000
Issuance of shares for property acquisition	10	1,113,218	499,835	-	-	-	499,835
Net income for the period		-	-	-	-	149,218	149,218
Balance at March 31, 2018		**107,325,683**	**50,078,838**	**1,617,473**	**1,771,294**	**(13,253,168)**	**40,214,437**

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, including the Pine Cove open pit mine, the Stog’er Tight deposit, the Argyle deposit, 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 Viking Project (which includes the Thor deposit), the Great Northern Project on the Northern Peninsula, and the Tilt Cove Property, located 60 kilometres east of the Company’s Point Rousse Project.

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

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial* Reporting. Since the condensed interim consolidated financial statements do not include all disclosure required by IFRS for annual financial statements, they should be read in conjunction with the Company’s consolidated financial statements for the seven month period ended December 31, 2017.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The significant accounting judgments, estimates, and assumptions in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in note 3 of the Company’s audited consolidated financial statements as at and for the seven month period ended December 31, 2017.

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.

These condensed interim consolidated financial statements were approved by the Company’s Board of Directors on May 2, 2018.

Change in year-end
During the seven months ended December 31, 2017, the Company changed its fiscal year end to December 31, from May 31. The Company’s transition period is the seven months ended December 31, 2017. The comparative period for these condensed interim consolidated financial statements is the three months ended February 28, 2017. The new financial year aligns the Company with its peer group in the mineral resources sector and facilitate marketplace assessment of the Company’s business performance.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the seven month period ended December 31, 2017, except for the changes in accounting policies resulting from the adoption of IFRS 9 *Financial Instruments* (“IFRS 9”) and IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) as described below:

<u>Change in accounting policies – Financial instruments</u>

The Company has adopted all of the requirements of IFRS 9 as of January 1, 2018. IFRS 9 replaced IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to the measurement of financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial assets on this date. The following is the Company's new accounting policy under IFRS 9:

Financial instruments

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("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. The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash and cash equivalents	FVTPL	Amortized cost
Restricted cash	FVTPL	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Loans	Amortized cost	Amortized cost
Call options	FVTPL	FVTPL

(b) Measurement

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

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.

Financial assets and liabilities at FVTPL
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 income (loss).

(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 March 31, 2018 and December 31, 2017.

Change in accounting policies – Revenue recognition

The Company has adopted all of the requirements of IFRS 15 as of January 1, 2018. IFRS 15 replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. The Company has used the modified retrospective transition method, which had no impact on the Company's consolidated financial statements. The following is the Company's new accounting policy for revenue recognition under IFRS 15:

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 IFRS15 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.

Standards issued but not yet effective

Recently issued but not adopted accounting guidance includes IFRS 16 *Leases* and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*.

- **IFRS 16 – Leases ("IFRS 16")** was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

- **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. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact of IFRIC 23 on its consolidated financial statements.

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

3. SHARE CONSOLIDATION

On January 18, 2018, the Company completed a consolidation (the "Share 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 as at that date were consolidated to 105,857,465 common shares. The Share Consolidation was previously approved by shareholders at a meeting held on May 8, 2017. All information in these consolidated financial statements is presented on a post-Share Consolidation basis.

4. CORRECTION OF ERRORS IN ACCOUNTING FOR PROPERTY, MILL AND EQUIPMENT

As disclosed in the Company's consolidated financial statements for the year ended May 31, 2017, the Company undertook a comprehensive review of the capitalization and UOP depreciation of its production stripping asset (classified within property, mill and equipment ("PME")), as well as its depreciation and depletion calculations for its property and mill infrastructure and equipment and discovered that certain errors had been made.

Errors were made in the Company's depreciation and depletion calculations for its PME, which resulted in an overstatement of depreciation and depletion and of the Company's comprehensive loss for the three month period ended February 28, 2017.

These errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	February 28, 2017 $	Increase (Decrease) $	**February 28, 2017** **$** **Restated**
Depreciation	(2,142,075)	195,076	**(1,946,999)**
Income (loss) before income taxes	(1,598,108)	195,076	**(1,403,032)**
Net income (loss) and comprehensive income (loss) for the period	(1,135,108)	195,076	**(940,032)**

The corrections described above further affected some of the prior period amounts disclosed in the consolidated statement of changes in equity and the consolidated statements of cash flows.

The Company also determined that the change in its unearned revenue should be reclassified in the prior period to cash flow provided by operating activities from cash flow provided from financing activities.

5. OPERATING EXPENSES

	Three months ended **March 31, 2018** **$**	Three months ended February 28, 2017 $
Mining costs	**1,504,770**	1,901,922
Processing costs (including refining and transport)	**2,309,983**	2,004,702
Mine support costs	**269,635**	230,525
Inventory adjustment	**(10,041)**	670,427
	4,074,347	4,807,576

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

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. OTHER EXPENSES (INCOME)

	Three months ended March 31, 2018	Three months ended February 28, 2017
	$	$
Other income	**-**	(430,387)
Finance expense	**29,969**	29,768
Foreign exchange loss	**588**	3,004
Unrealized loss on derivatives	**12,892**	36,175
	43,449	(361,440)

On September 15, 2016, the Company entered into an agreement with a subsidiary of its mining contractor, whereby the Company granted a right to the contractor to mine, crush, and ship an aggregates product made from the Company's stockpiled and in-situ waste rock from the Point Rousse Project, for $0.60 per tonne. Under the contract, which ended in October 2017, the Company was to supply up to 3,500,000 tonnes of aggregate product. Other income of $430,387 was earned from this contract for the three months ended February 28, 2017.

On March 12, 2018, the Company acquired a $500,000 interest bearing loan provided to Maritime Resources Corp. ("Maritime") on April 26, 2017 from Code Consulting Limited (the "Loan"). The Loan had a maturity date of April 25, 2018, bore interest at 8% per annum, and was repayable, among other things, on the earlier of Maritime raising $2,000,000 or more in equity or debt financing; or upon Maritime committing an event of default. The Company provided Maritime with notice that it was in default under its obligations pursuant to the Loan as Maritime had raised over $2,000,000 through February 15, 2018. On March 26, 2018, Maritime repaid the Loan and accrued interest in full. Interest income of $1,534 received from the Loan was included in finance expense in other expenses (income) on the consolidated statement of comprehensive income (loss) for the three months ended March 31, 2018.

7. TRADE AND OTHER RECEIVABLES

	March 31, 2018	December 31, 2017
	$	$
HST receivable	**1,090,778**	336,554
Accrued interest and other	**19,010**	346
	1,109,788	336,900

8. INVENTORY

	March 31, 2018	December 31, 2017
	$	$
Gold dore	**85,000**	854,000
Gold-in-circuit	**1,343,000**	1,245,000
Ore in stockpiles	**4,129,000**	3,528,000
Supplies and consumables	**1,411,879**	1,499,240
	6,968,879	7,126,240

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

During the three months ended March 31, 2018, an obsolescence provision of $9,003 (three months ended February 27, 2017 – $nil) was recorded as an inventory adjustment, which was included in operating expenses on the consolidated statement of comprehensive income (loss).

9. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2017	Payments under option agreements	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at March 31, 2018
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	16,545,184	-	983,839	-	-	17,529,023
Point Rousse Project, Newfoundland						
Pine Cove Lease Area	1,694,888	-	-	-	-	1,694,888
Argyle	2,475,206	-	266,710	-	-	2,741,916
Fair Haven	498,987	30,000	-	-	-	528,987
Duffitt and Strong	74,471	-	-	-	-	74,471
Deer Cove	661,682	-	-	-	-	661,682
Corkscrew	292,040	-	41,570	-	-	333,610
	5,697,274	30,000	308,280	-	-	6,035,554
Great Northern Project, Newfoundland	1,296,102	15,000	550,062	-	-	1,861,164
Tilt Cove Property, Newfoundland	77,354	-	1,845	-	-	79,199
	23,615,914	**45,000**	**1,844,026**	**-**	**-**	**25,504,940**

* As at March 31, 2018, $598,358 of expenditures were in trade payables and accrued liabilities.

Properties	Balance as at May 31, 2017	Payments under option agreements	Expenditures/ acquisition	Transfers	Write-offs	Balance as at December 31, 2017
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	14,850,987	-	1,694,197	-	-	16,545,184
Point Rousse Project, Newfoundland						
Pine Cove Lease Area	2,467,528	-	731	(773,371)	-	1,694,888
Stog'er Tight	595,331	-	-	(595,331)	-	-
Argyle	1,682,607	-	792,599	-	-	2,475,206
Fair Haven	522,952	30,000	11,974	-	(65,939)	498,987
Duffitt and Strong	73,824	-	647	-	-	74,471
Deer Cove	657,047	-	4,635	-	-	661,682
Corkscrew	244,148	25,000	22,892	-	-	292,040
	6,243,437	55,000	833,478	(1,368,702)	(65,939)	5,697,274
Great Northern Project, Newfoundland	1,222,995	46,500	26,607	-	-	1,296,102
Tilt Cove Property, Newfoundland	28,710	46,500	2,144	-	-	77,354
	22,346,129	**148,000**	**2,556,426**	**(1,368,702)**	**(65,939)**	**23,615,914**

* As at December 31, 2017, $744,530 of expenditures were in trade payables and accrued liabilities.

As at March 31, 2018, 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 22.

As at December 31, 2017, the Company transferred Stog'er Tight exploration and evaluation assets to property, mill and equipment ("PME"). The Company also transferred Pine Cove in-pit drilling costs to PME, which were incurred in preparation for future use of the Pine Cove Pit as a tailings storage facility, for which the Company received approval during the period ended December 31, 2017.

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

Point Rousse Project – The Point Rousse Project contains five mining leases and 24 mining licenses.

During the period ended December 31, 2017, the Company completed its earn-in into the Duffitt and Strong option agreement; title on the exploration licenses have been transferred to the Company. In January 2018, the Company made a final payment of $30,000 to complete its earn-in under the Fair Haven option agreement; title on exploration licenses subject to the option agreement (the "Fair Haven Property") have been transferred to the Company. In July 2017, the Company and Fair Haven amended the original option agreement, whereby it reduced the initial number of licenses subject to the agreement based on work performed to date. Accordingly, allocated costs of $65,939 were written off during the period ended December 31, 2017.

On July 29, 2015, the Company entered an option agreement to acquire a 100%-undivided interest in one mining lease contiguous with the Point Rousse Project (the "Corkscrew Property"). During the period ended December 31, 2017, the Company made a final payment of $25,000 pursuant to the option agreement to earn an undivided interest in the property.

During the year ended May 31, 2017, the Company completed its earn-in into two option agreements that comprise the Argyle property; title on five mineral exploration licenses have been fully transferred to the Company. The Company also completed its earn-in obligations under an option agreement with respect to the Stog'er Tight property, where title has been fully transferred to the Company.

Great Northern Project – The Great Northern Project is comprised of two mineral deposits and a land position, collectively referred to as the Great Northern Project ("Great Northern").

- 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 350,000 common shares of Anaconda at an exercise price of $0.10 per share, expiring three years from the date of the agreement.

- 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 also issued 250,000 common shares to Spruce Ridge under the agreement.

- On November 8, 2016, Anaconda entered an option agreement with Metals Creek Resources Corp. ("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 $200,000 (of which $60,000 has been paid) in cash and 500,000 common shares of Anaconda (of which 150,000 have been issued) over a three-year period, with increasing payments on the anniversary of the date of the agreement. Anaconda is required to spend a total of $750,000 in qualified exploration expenditures on the Jackson's Arm Property during the option period.

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

- 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.

Tilt Cove Property – On November 8, 2016, Anaconda entered into an option agreement with 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 $60,000 has been paid) in cash and 500,000 common shares of Anaconda (of which 150,000 have been issued) over a three-year period. The Company is also required to spend a total of $750,000 in qualified exploration expenditures on the Tilt Cove Property during the option period.

10. PROPERTY, MILL AND EQUIPMENT

For the three months ended March 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*	463,185	-	2,059	101,556	566,800
Transfers	102,963	-	-	(102,963)	-
	27,986,726	**9,469,141**	**2,258,181**	**1,221,196**	**40,935,244**
Accumulated depreciation					
Beginning of year	21,552,740	6,556,480	1,240,486	-	29,349,706
Depreciation/depletion	1,085,955	229,999	89,052	-	1,405,006
	22,638,695	**6,786,479**	**1,329,538**	**-**	**30,754,712**
Net book value	**5,348,031**	**2,682,662**	**928,643**	**1,221,196**	**10,180,532**

* As at March 31, 2018, $258,854 of additions were in trade payables and accrued liabilities. During the period ended March 31, 2018, no PME additions were financed through capital leases.

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

For the seven month period ended December 31, 2017

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	26,368,551	9,172,790	1,893,118	393,674	37,828,133
Additions*	456,696	296,351	466,389	55,558	1,274,994
Transfers	595,331	-	-	773,371	1,368,702
Disposals	-	-	(103,385)	-	(103,385)
	27,420,578	**9,469,141**	**2,256,122**	**1,222,603**	**40,368,444**
Accumulated depreciation					
Beginning of year	17,889,193	5,317,359	1,105,047	-	24,311,599
Depreciation/depletion	3,663,547	1,239,121	238,824	-	5,141,492
Disposals	-	-	(103,385)	-	(103,385)
	21,552,740	**6,556,480**	**1,240,486**	**-**	**29,349,706**
Net book value	**5,867,838**	**2,912,661**	**1,015,636**	**1,222,603**	**11,018,738**

* As at December 31, 2017, $254,693 of additions were in trade payables and accrued liabilities. During the period ended December 31, 2017, $512,973 of PME additions were financed through capital leases.

11. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
	$	$
Trade payables	**2,174,610**	2,722,975
Accrued liabilities	**895,317**	738,319
Accrued payroll costs	**185,377**	473,432
Derivative liability (note 12)	**37,099**	24,207
	3,292,403	3,958,933

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.

12. GOLD PREPAYMENT AGREEMENTS

On January 9, 2017, the Company executed a prepayment agreement with 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.

On February 7, 2018, the Company executed a prepayment agreement with Auramet whereby the Company received gross proceeds of $250,000 for 155 ounces of gold ($1,618 per ounce), to be 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.

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

As at March 31, 2018, the Company recognized a derivative liability of $37,099 (December 31, 2017 – $24,207) associated with the remaining outstanding call options, with a corresponding expense recognized in the consolidated statement of comprehensive income (loss).

13. LOANS AND REVOLVING CREDIT FACILITY

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

	March 31, 2018	December 31, 2017
	$	$
Provincial government loan	**299,130**	318,351
Federal government loan	**348,800**	374,000
Capital leases and other loans	**595,824**	650,064
	1,243,754	1,342,415
Current portion		
Provincial government loan	**78,341**	77,757
Federal government loan	**100,800**	100,800
Capital leases and other loans	**475,477**	493,324
	654,618	671,881
Non-current portion		
Provincial government loan	**220,789**	240,594
Federal government loan	**248,000**	273,200
Capital leases and other loans	**120,347**	156,740
	589,136	670,534

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, bearing interest at 3%, due November 1, 2021, which was obtained to finance the automation of parts of the mill 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 Company received $450,000 during the year ended May 31, 2016, and the remaining $50,000 was received in the year ended May 31, 2017. The loan is non-interest bearing and is repayable in 60 equal installments commencing October 1, 2016.

The Company has financed the acquisition of certain equipment through the assumption of capital lease obligations. These obligations are secured by the acquired equipment, which has a net book value of $364,321 as at March 31, 2018 (December 31, 2017 – $404,833). The capital leases bear interest at rates ranging from 0.0% and 7.0% per annum with maturity dates between January 13, 2019 and December 1, 2022. The net book value of the leased equipment is pledged as security for any capital leases and loans outstanding.

The Company has financed insurance through insurance premium loans, which bear interest at rates ranging from 6.8% to 16.0% per annum with maturity dates between July 1, 2018 and November 1, 2018. As at March 31, 2018, $164,994 was outstanding in relation to these financing arrangements (December 31, 2017 – $129,065).

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

Revolving Credit Facility

In June 2016, the Company obtained a Line of Credit Agreement with the Royal Bank of Canada ("RBC") for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the "Financing"). Under the terms of the Agreement, RBC maintains a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers. As at March 31, 2018, there was no outstanding balance on the revolving credit facility (December 31, 2017 – $nil).

The following summary sets out the movement in loans over the three months ended March 31, 2018 and February 28, 2017:

For the three months ended March 31, 2018

	Provincial Government Loan	Federal Government Loan	Capital Leases and Other Loans	Total
	$	$	$	$
Balance as at January 1, 2018	**318,351**	**374,000**	**650,064**	**1,342,415**
Changes from financing cash flows:				
Repayments of loans/leases	(19,221)	(25,200)	(158,058)	(202,479)
Interest paid	(2,340)	-	(7,436)	(9,776)
	296,790	348,800	484,570	1,130,160
Other changes:				
Insurance premiums financed through loans	-	-	103,818	103,818
Interest expense	2,340	-	7,436	9,776
Balance as at March 31, 2018	**299,130**	**348,800**	**595,824**	**1,243,754**

For the three months ended February 28, 2017

	Bank Loan	Bank Indebtedness	Provincial Government Loan	Federal Government Loan	Capital Leases and Other Loans	Total
	$	$	$	$	$	$
Balance as at December 1, 2016	**19,957**	**-**	**400,000**	**483,200**	**30,960**	**934,117**
Changes from financing cash flows:						
Proceeds	-	317,199	-	-	-	317,199
Repayments of loans/leases	(1,933)	-	(18,607)	(25,200)	(12,270)	(58,010)
Interest paid	-	-	(2,954)	-	(6,481)	(9,435)
	18,024	317,199	378,439	458,000	12,209	1,183,871
Other changes:						
Property, mill, and equipment acquired through capital leases	-	-	-	-	54,380	54,380
Interest expense	-	-	2,954	-	6,481	9,435
Balance as at February 28, 2017	**18,024**	**317,199**	**381,393**	**458,000**	**73,070**	**1,247,686**

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

14. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	March 31, 2018	December 31, 2017
	$	$
Opening balance	**2,666,401**	2,671,405
Interest accretion	**13,065**	14,786
Additions	**-**	8,133
Change in inflation/discount rates	**(1,334)**	(27,923)
Closing balance	**2,678,132**	2,666,401

The provision for reclamation is provided against the Company's operations at the Point Rousse Project in Newfoundland and is based on the project plan submitted to the Newfoundland and Labrador government. As at March 31, 2018, the estimated future cash flows have been discounted using a risk-free rate of 1.96% and an inflation rate of 2.20% was used to determine future expected costs (December 31, 2017 – discount rate of 1.86% and inflation rate of 2.10%). The Company expects to incur the majority of its reclamation costs between 2020 and 2026, based on existing life of mine assumptions.

As at March 31, 2018, the Company had entered an agreement with an insurance company to provide a surety bond for $2,429,717 (December 31, 2017 – $2,370,689) 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. Subsequent to period end, the required bond amount was increased to $2,700,963, due to the conversion of the Pine Cove pit into a tailings facility.

The Company has not recognized any decommissioning liability for any exploration and evaluation assets which do not carry any legal or constructive obligations for reclamation. This includes the Goldboro Project in Nova Scotia, which is currently an exploration property with no Company created disturbance giving rise to such an obligation. The existing infrastructure on the Goldboro property relate to legacy operations, and the Company has no legal obligation for their rehabilitation prior to any new development or disturbance.

15. ISSUED CAPITAL AND EQUITY-BASED INSTRUMENTS

Issued Capital and Recent Issuances

The Company's authorized share capital consists of an unlimited number of common shares. As at March 31, 2018, the Company had 107,325,683 (December 31, 2017 – 105,644,965) common shares outstanding.

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 (note 3). 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. The Warrants contain an acceleration clause whereby if the common shares of Anaconda trade at a volume weighted average price of $0.84 or more for 20 consecutive trading days, Anaconda will have the right to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of the Warrants. A cash commission of 6% of certain proceeds from the issuance of flow-through common shares and Units, for a total cost of $91,800, and 278,797 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 $0.42 until October 31, 2020, subject to the same acceleration as provided for in the Warrants. 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. As at March 31, 2018, $1,494,882 of the flow-through funds were spent on eligible exploration expenses, with the remaining $570,118 to be spent in the remaining nine months of the year ending December 31, 2018. 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. As at March 31, 2018, the Company had derecognized a cumulative amount of $253,456 of the liability and recognized a corresponding income amount, representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

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

Warrants

A summary of the Company's warrant activities for the three month period ended March 31, 2018 and the seven month period ended December 31, 2017 is presented below:

	Warrants #	Weighted average exercise price $
Outstanding, May 31, 2017	**12,480,362**	**0.33**
Warrants issued in financing	2,077,828	0.42
Expired/forfeited	(3,982,112)	0.40
Outstanding, December 31, 2017	**10,576,078**	**0.32**
Exercised	(255,000)	0.34
Outstanding, March 31, 2018	**10,321,078**	**0.32**

On October 31, 2017, the Company issued warrants in relation to a non-brokered private placement to acquire 1,799,031 common shares, which are exercisable at $0.42 per share and expiring on October 31, 2020, and 278,797 non-transferable finder warrants, which are exercisable at $0.42 per share and expiring on October 31, 2020. The finder warrants issued were valued using a risk free rate of 1.45%, and expected dividend yield of nil, an expected volatility of 110.54%, and an expected life of 3 years. None of the private placement gross proceeds was allocated to the warrants.

On July 27, 2016, the Company issued warrants in relation to a brokered flow-through private placement to acquire 3,637,972 common shares and 344,140 broker warrants, which were exercisable at $0.40 per share. The warrants expired unexercised on July 27, 2017.

As at March 31, 2018, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
February 5, 2016	87,500	$0.40	February 5, 2019
May 19, 2017*	314,500	$0.24	August 29, 2019
May 19, 2017*	1,381,250	$0.35	December 23, 2020
May 19, 2017*	5,907,500	$0.28	September 15, 2021
May 19, 2017*	552,500	$0.28	October 11, 2021
October 31, 2017	2,077,828	$0.42	October 31, 2020
	10,321,078	**$0.32**	

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

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

Stock Options

The Company's stock option plan (the "Plan") is a 10% rolling option plan based on the number of common shares issued and outstanding. As at March 31, 2018, 10,732,568 common shares were available for the grant of stock options to directors, officers, employees and service providers in connection with the Plan. As at March 31, 2018, 5,861,250 options under the Company's stock option plan were outstanding with 3,713,333 exercisable and 4,871,318 left unallocated.

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 stock option plan. As at March 31, 2018, 3,240,625 replacement stock options were outstanding and exercisable.

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

	Options #	Weighted average exercise price $
Outstanding, May 31, 2017	**7,395,625**	**0.28**
Granted	1,012,500	0.25
Exercised	(25,000)	0.22
Expired/forfeited	(343,750)	0.36
Outstanding, December 31, 2017	**8,039,375**	**0.26**
Granted	1,375,000	0.46
Exercised	(312,500)	0.22
Outstanding, March 31, 2018	**9,101,875**	**0.30**
Options exercisable, March 31, 2018	**6,953,958**	**0.27**

On November 14, 2017, 25,000 options were exercised. The corresponding fair value of $3,895 was reclassified from equity reserves to issued capital.

On January 25, 2018 and January 23, 2018, 212,500 and 25,000 options were exercised, respectively. The corresponding fair value of $14,560 was reclassified from equity reserves to issued capital.

During the three months ended March 31, 2018, nil options expired unexercised (seven month period ended December 31, 2017 – 343,750). The corresponding fair value of $nil (seven month period ended December 31, 2017 – $108,825) was reclassified from equity reserves to accumulated deficit.

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

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

The following table sets out the details of the stock options granted and outstanding as at March 31, 2018. The weighted average exercise price for the outstanding stock options was $0.30 as at March 31, 2018.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
600,000	600,000	0.16 years	$0.32	May 29, 2018
100,000	100,000	0.53 years	$0.32	October 9, 2018
475,000	475,000	1.20 years	$0.32	June 10, 2019
75,000	75,000	2.10 years	$0.20	May 4, 2020
487,500	487,500	2.18 years	$0.20	June 1, 2020
756,250	756,250	2.91 years	$0.24	February 22, 2021
2,231,250	2,231,250	3.03 years	$0.28	April 6, 2021
867,500	867,500	3.41 years	$0.24	May 26, 2021
265,625	265,625	3.54 years	$0.28	October 11, 2021
637,500	637,500	3.72 years	$0.28	December 15, 2021
106,250	106,250	3.74 years	$0.28	December 23, 2021
125,000	62,500	4.16 years	$0.28	May 23, 2022
850,000	283,333	4.24 years	$0.24	June 21, 2022
87,500	-	4.53 years	$0.28	October 5, 2022
12,500	6,250	4.64 years	$0.26	November 13, 2022
50,000	-	4.74 years	$0.32	December 22, 2022
1,375,000	-	4.82 years	$0.46	January 19, 2023
9,101,875	**6,953,958**	**3.16 years**	**$0.30**	

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

The following table sets out the details of the valuation of stock option grants for the three month period ended March 31, 2018 and the seven month period ended December 31, 2017:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
June 21, 2017	862,500	1.15%	Nil	100.7%	5 years
October 5, 2017	87,500	1.75%	Nil	99.8%	5 years
November 13, 2017	12,500	1.68%	Nil	100.2%	5 years
December 22, 2017	50,000	1.84%	Nil	101.0%	5 years
January 19, 2018	1,375,000	2.02%	Nil	108.3%	5 years

Share-based compensation expense
The fair value of the stock options granted for the three month period ended March 31, 2018 was $496,513 (three month period ended February 28, 2017 – $nil). The fair value of options vested for the three month period ended March 31, 2018 was $150,473 (three month period ended February 28, 2017 – $22,630), an amount which has been expensed as share-based compensation in the consolidated statement of comprehensive income (loss).

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

16. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended March 31, 2018	Three months ended February 28, 2017
Net income (loss) for the period	**$ 149,218**	$ (940,032)
Weighted average basic number of shares outstanding	**106,890,011**	52,333,088
Weighted average dilutive shares adjustment:		
Stock options	**2,772,320**	-
Warrants	**2,645,749**	-
Weighted average diluted number of shares outstanding	**112,308,080**	52,333,088
Net income (loss) per share		
Basic	**$ 0.00**	$ (0.02)
Diluted	**$ 0.00**	$ (0.02)

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

	Three months ended March 31, 2018	Three months ended February 28, 2017
Stock options	**2,147,917**	15,845,000
Warrants	**-**	16,278,449
	2,147,917	32,123,449

17. INCOME TAXES

During the three months ended March 31, 2018, a current income tax expense of $473,000 relating to provincial mining tax was recorded in the consolidated statement of comprehensive income (loss), (three months ended February 28, 2017 – $nil).

18. 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 March 31, 2018, a total of $260,717, $50,000, and $nil have been received from RDC, IRAP, and the AIF, respectively.

Funding through the AIF is conditionally repayable based on revenues generated should the Project be successful. Funding through RDC and IRAP is a non-repayable grant and will be credited against eligible costs incurred.

As at March 31, 2018, $109,973 (December 31, 2017 – $155,682) related to amounts received from RDC for future Project expenditures was included as an advance in the consolidated statement of financial position. During the three months ended March 31, 2018, $69,625 (three month period ended February 28, 2017 – $nil) of non-reimbursable expenditures was recorded as research and development in the consolidated statement of comprehensive income (loss).

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended March 31, 2018 $	Three months ended February 28, 2017 $
Change in non-cash working capital:		
Trade and other receivables	**(772,888)**	54,739
Prepaid expenses and deposits	**(368,331)**	(53,188)
Inventory	**125,361**	722,738
Unearned revenue	**250,000**	545,790
Advances	**(45,709)**	-
Trade payables and accrued liabilities	**(537,410)**	(1,589,211)
	(1,348,977)	(319,132)
Supplemental cash flow information:		
Interest paid	**9,776**	9,435
Property, mill and equipment acquired through capital leases	**-**	54,380
Insurance premiums financed through loans	**103,818**	-

20. FINANCIAL INSTRUMENTS

The Company's financial instruments as at March 31, 2018 and December 31, 2017 are cash, restricted cash, accounts payable, accrued liabilities, call option derivative liabilities (recorded as part of trade payables and accrued liabilities), and certain current and non-current loans.

Fair values of cash and restricted cash are based on quoted prices in active markets for identical assets, resulting in a level-one valuation. Call option derivative liabilities are classified as level two. The carrying amount of the Company's financial instruments approximates fair value due to their short-term nature.

21. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel
Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, Chief Financial Officer, and starting on June 1, 2017, the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the three month periods ended March 31, 2018 and February 28, 2017:

	Three months ended March 31, 2018 $	Three months ended February 28, 2017 $
Salaries, bonuses, fees and short term benefits	**346,559**	186,971
Share based compensation	**91,761**	12,510
	438,320	199,481

As at March 31, 2018, included in trade and other payables is $62,750 (December 31, 2017 - $16,250) of amounts due for directors' fees.

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

22. COMMITMENTS

Contractual obligations of the Company as at March 31, 2018 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	3,292,403	-	-	**3,292,403**
Provincial government loan	78,341	163,904	56,885	**299,130**
Federal government loan	100,800	201,600	46,400	**348,800**
Capital leases and other loans	475,477	89,552	30,795	**595,824**
Operating leases	80,952	56,083	1,829	**138,864**
	4,027,973	511,139	135,909	**4,675,021**

As at March 31, 2018, the Company has a commitment to spend a total of $570,118 of flow-through funds on eligible exploration expenses in the remaining nine months of the year ending December 31, 2018, related to the private placement completed on October 31, 2017 (note 15).

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

- 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 March 31, 2018, the Company has determined it has approximately $38 million in expenditures deductible against future receipts.
- A net smelter return ("NSR") of 3% is payable to a third-party on gold produced 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%.

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 18). 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.

23. TAKEOVER BID OF MARITIME RESOURCES CORP.

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 of consideration of 0.390 of a common share of Anaconda ("Anaconda Share") for each Maritime Share (the "Offer Consideration"). The Offer includes Maritime Shares that may become issued and outstanding after April 13, 2018 but prior to the expiry time of the Offer upon the exercise, conversion, or exchange of any securities of Maritime that are exercisable for, convertible into, or exchangeable for Maritime Shares, other than the SRP Rights. The Offer will be open for acceptance until 5:00 PM on July 27, 2018, unless the Offer is abridged, extended, or withdrawn (the "Expiry Time").

The Offer is conditional upon the specified conditions being satisfied, or where permitted, waived at the Expiry Time or such earlier or later time during which Maritime Shares may be deposited under the Offer, excluding the 10-day Mandatory

Extension Period or any extension thereafter, including: (i) there having been validly deposited under the Offer, and not withdrawn, that number of Maritime Shares representing more than 50% of the outstanding Maritime Shares; (ii) there having been validly deposited under the Offer and not withdrawn, that number of Maritime Shares representing at least 66 2/3% of the outstanding Maritime Shares (calculated on a fully diluted basis); (iii) certain regulatory approvals and other third party consents having been obtained that Anaconda considers necessary in connection with the Offer; (iv) there not having occurred, prior to the expiry date of the Offer, any event, change, circumstance, development or occurrence that constitutes a material adverse effect or could give rise to a material adverse effect; and (v) approval of Anaconda shareholders to issue the Anaconda Shares pursuant to the Offer. The Company expects that it will call a meeting of its shareholders to consider a resolution to approve the issuance of the Anaconda Shares in connection with the Offer prior to the Expiry Time.