Anaconda
Mining

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended March 31, 2019 and 2018

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(Canadian Dollars)

		Three months ended March 31, 2019	Three months ended March 31, 2018
		$	$
Gold		**8,772,043**	7,590,142
Silver		**4,660**	6,458
Total revenue		**8,776,703**	7,596,600
Cost of operations			
Operating expenses	3	**4,886,614**	4,074,347
Royalty expense	4	**248,295**	-
Depletion and depreciation		**1,319,785**	1,437,006
		6,454,694	5,511,353
Mine operating income		**2,322,009**	2,085,247
Expenses and other income			
Corporate administration		**1,013,180**	1,094,354
Share-based compensation expense	15	**110,765**	150,473
Deferred premium on flow-through shares	15	**-**	(156,872)
Research and development	18	**(129,558)**	69,625
Finance expense		**36,156**	34,805
Other (income) expenses	5	**(32,548)**	8,644
		997,995	1,201,029
Income before income taxes		**1,324,014**	884,218
Current income tax expense	17	**268,163**	473,000
Deferred income tax (recovery) expense		**(102,000)**	262,000
		166,163	735,000
Net income and comprehensive income for the period		**1,157,851**	149,218
Net income per share - basic and diluted	16	**0.01**	0.00
Weighted average number of shares outstanding			
- basic		**118,774,575**	106,890,011
- fully diluted		**119,535,964**	112,308,080

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	March 31, 2019 $	December 31, 2018 $
Assets			
Current assets			
Cash		**10,656,289**	6,425,129
Trade and other receivables	6	**858,557**	831,376
Inventory	7	**4,931,080**	4,906,935
Prepaid expenses and deposits		**496,094**	251,111
Marketable securities	8	**378,195**	372,690
		17,320,215	12,787,241
Non-current assets			
Restricted cash		**46,065**	34,023
Property, mill and equipment	10	**7,275,403**	7,430,578
Exploration and evaluation assets	9	**37,576,086**	35,062,525
Deferred income tax asset		**2,585,000**	2,628,000
		64,802,769	57,942,367
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	11	**6,421,461**	7,637,312
Current portion of loans	13	**3,221,832**	804,770
Current portion of decommissioning liability	14	**60,207**	60,119
Advances	18	**32,860**	86,200
Unearned revenue	12	**1,727,500**	-
Current taxes payable	17	**1,269,163**	1,001,000
		12,733,023	9,589,401
Non-current liabilities			
Loans	13	**3,242,384**	689,401
Deferred income tax liability		**1,648,000**	1,793,000
Decommissioning liability	14	**2,819,551**	2,808,245
		20,442,958	14,880,047
Shareholders' equity			
Share capital, warrants and equity reserves	15	**58,107,572**	57,976,959
Accumulated deficit		**(13,747,761)**	(14,914,639)
		44,359,811	43,062,320
		64,802,769	57,942,367

Approved by the Board of Directors on May 1, 2019

"Maruf Raza"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 22)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Canadian Dollars)

	Notes	**Three months ended March 31, 2019 $**	Three months ended March 31, 2018 $
Operating activities			
Net income		**1,157,851**	149,218
Adjustments to reconcile net income to cash flow from operating activities:			
Depletion and depreciation		**1,319,785**	1,437,006
Share-based compensation expense	15	**110,765**	150,473
Current income tax expense	17	**268,163**	473,000
Deferred income tax (recovery) expense		**(102,000)**	262,000
Deferred premium on flow-through shares	15	**-**	(156,872)
Interest accretion of decomissioning liability	14	**11,159**	13,065
Unrealized loss on derivatives		**-**	12,892
Realized gain on marketable securities	8	**(21,360)**	-
Unrealized gain on marketable securities	8	**-**	-
Change in non-cash working capital	19	**1,390,711**	(1,348,977)
Cash flow provided from operating activities		**4,135,074**	991,805
Investing activities			
Additions of property, mill and equipment	10	**(289,177)**	(563,973)
Additions of exploration and evaluation assets	9	**(4,357,390)**	(1,535,364)
Acquisition of Maritime loan	5	**-**	(535,178)
Repayment of Maritime loan	5	**-**	535,178
Proceeds from sale of marketable securities	8	**15,855**	-
Increase in restricted cash		**(12,042)**	(23,023)
Cash flow used in investing activities		**(4,642,754)**	(2,122,360)
Financing activities			
Net proceeds from exercise of stock options	15	**-**	70,000
Net proceeds from exercise of warrants	15	**-**	87,000
Proceeds from loans	13	**5,000,000**	-
Repayment of loans	13	**(261,160)**	(202,479)
Cash flow provided from financing activities		**4,738,840**	(45,479)
Net increase (decrease) in cash		**4,231,160**	(1,176,034)
Cash at beginning of period		**6,425,129**	3,963,181
Cash at end of period		**10,656,289**	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 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	9	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**
Balance at December 31, 2018		**118,766,635**	**53,935,351**	**1,817,540**	**2,224,068**	**(14,914,639)**	**43,062,320**
Share-based compensation from issuance of share units	15	-	-	63,385	-	-	63,385
Director's fees issued as share units	21	-	-	21,375	-	-	21,375
Share-based compensation from issuance of options	15	-	-	47,380	-	-	47,380
Expiry of stock options transferred to deficit		-	-	(9,027)	-	9,027	-
Issuance of shares for property acquisition	9	27,483	7,500	-	-	-	7,500
Net income for the period		-	-	-	-	1,157,851	1,157,851
Balance at March 31, 2019		**118,794,118**	**53,942,851**	**1,940,653**	**2,224,068**	**(13,747,761)**	**44,359,811**

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 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 as at and for the year ended December 31, 2018.

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

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 1, 2019.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The significant accounting judgments, estimates, and assumptions in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in note 3 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2018, except for the following:

Atlantic Innovation Fund ("AIF") loan

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, which includes $1,500,000 from the Atlantic Innovation Fund ("AIF"). Funding from the AIF 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%. 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. 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 March 31, 2019, the Company has received $198,575 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 successful 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 condensed interim consolidated statement of comprehensive income.

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 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 made or new information related to market conditions is made 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 as a finance expense after initial recognition.

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 year ended December 31, 2018, except for the adoption of IFRS 16 *Leases* ("IFRS 16") and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23") that were effective and adopted as of January 1, 2019:

IFRS 16 *Leases*

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

<u>IFRIC Interpretation 23</u>

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 condensed interim consolidated financial statements upon adoption of the Interpretation.

3. OPERATING EXPENSES

	Three months ended March 31, 2019	Three months ended March 31, 2018
	$	$
Mining costs	**2,062,710**	1,504,770
Processing costs (including refining and transport)	**2,334,734**	2,309,983
Mine support costs	**395,838**	269,635
Inventory adjustment	**93,332**	(10,041)
	4,886,614	4,074,347

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.

4. ROYALTY EXPENSE

During the three months ended March 31, 2019, a royalty expense of $248,295 reflecting the net smelter return of 3% payable to a third party on gold sold from the Stog'er Tight Property was recorded in the three months ended March 31, 2019 (three months ended March 31, 2018 – $nil).

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

5. OTHER EXPENSES

	Three months ended March 31, 2019	Three months ended March 31, 2018
	$	$
Change in fair value of marketable securities	**(21,360)**	-
Interest income	**(11,552)**	(4,836)
Foreign exchange loss	**364**	588
Change in fair value of derivatives	**-**	12,892
	(32,548)	8,644

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 other expenses on the consolidated statement of comprehensive income for the three months ended March 31, 2018.

6. TRADE AND OTHER RECEIVABLES

	March 31, 2019	December 31, 2018
	$	$
HST receivable	**857,068**	829,541
Other receivables and accrued interest	**1,489**	1,835
	858,557	831,376

7. INVENTORY

	March 31, 2019	December 31, 2018
	$	$
Gold dore	**1,036,000**	900,000
Gold-in-circuit	**943,000**	1,695,000
Ore in stockpiles	**1,174,000**	686,259
Supplies and consumables	**1,778,080**	1,625,676
	4,931,080	4,906,935

During the three months ended March 31, 2019, an obsolescence provision of $4,366 (three months ended March 31, 2018 – $9,003), was recorded as an inventory adjustment against supplies and consumables, which was included in operating expenses on the consolidated statement of comprehensive income.

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

8. MARKETABLE SECURITIES

In September 2018, the Company purchased common shares of a publicly traded junior mining company at a total purchase price of $372,625. In the three months ended March 31, 2019, the Company recorded a change in fair value of marketable securities of $21,360 as a result of the sale and revaluation of marketable securities, which was included in other expenses on the condensed interim consolidated statement of comprehensive income.

9. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2018	Payments under option agreements*	Expenditures/ acquisition*	Transfers	Write-offs	Balance as at March 31, 2019
	$	$	$	$	$	$
Goldboro Project, Nova Scotia	25,946,234	20,000	2,437,341	-	-	28,403,575
Point Rousse Project, Newfoundland	6,772,069	-	312,928	(377,815)	-	6,707,182
Tilt Cove Project, Newfoundland	231,498	22,500	14,034	-	-	268,032
Great Northern Project, Newfoundland	2,031,711	35,000	25,914	-	-	2,092,625
Cape Spencer, New Brunswick	81,013	10,000	13,659	-	-	104,672
	35,062,525	**87,500**	**2,803,876**	**(377,815)**	**-**	**37,576,086**

* As at March 31, 2019, $2,180,356 of expenditures/payments were in trade payables and accrued liabilities.

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 March 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 22. As at March 31, 2019, the Company 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 three months ended March 31, 2019.

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

- 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 4 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 $nil has been paid) in cash and $85,000 in common shares of Anaconda (of which $nil 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.

- 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 $120,000 has been paid) in cash and 125,000 common shares of Anaconda (of which 75,000 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.

- During the three months ended March 31, 2019, the Company entered into an option agreement with local prospectors to acquire a 100%-undivided interest in a total of 18 mineral licences, 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 $190,000 (of which $15,000 has been paid) in cash and $142,000 in common shares of Anaconda (of which $7,500 in common shares has 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 $22,500 has been paid) in cash and $15,000 in common shares of Anaconda (of which no common shares have been issued) over a two-year 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 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 $62,500 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, 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 62,500 common shares to Spruce Ridge under the agreement.

- 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 $200,000 (of which $120,000 has been paid) in cash and 125,000 common shares of Anaconda (of which 75,000 have been issued) over a three-year period, with increasing payments on the anniversary of the date of the agreement.

- 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

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

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.

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 $50,000 has been paid) in cash and $145,000 in cash or equivalent value shares (of which $10,000 has been paid in cash) over a five-year period. The Company is also required to spend a total of $400,000 in qualified exploration expenditures on Cape Spencer within the first four years of the option period.

10. PROPERTY, MILL AND EQUIPMENT

For the three months ended March 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*	181,373	136,378	141,743	222,197	681,691
Transfers	379,774	36,168	-	(38,127)	377,815
	29,068,727	**10,762,201**	**2,980,995**	**659,100**	**43,471,023**
Accumulated depreciation					
Beginning of year	25,852,960	7,513,806	1,548,361	-	34,915,127
Depreciation/depletion	865,772	310,823	103,898	-	1,280,493
	26,718,732	**7,824,629**	**1,652,259**	**-**	**36,195,620**
Net book value	**2,349,995**	**2,937,572**	**1,328,736**	**659,100**	**7,275,403**

* As at March 31, 2019, $290,486 of additions were in trade payables and accrued liabilities. During the period ended March 31, 2019, $165,393 of PME additions were financed through leases.

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

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:

	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	-	-	165,393	165,393
Depreciation	(3,536)	(64,851)	(39,680)	(108,067)
Net book value as at March 31, 2019	**62,276**	**449,949**	**462,549**	**974,774**

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.

11. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2019 **$**	December 31, 2018 $
Trade payables	**4,547,060**	3,101,050
Accrued liabilities	**1,637,886**	3,729,883
Accrued payroll costs	**236,515**	806,379
	6,421,461	7,637,312

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

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.

In January 2019, the Company amended its agreement with Cementation Canada Inc. ("Cementation"), the primary contractor on the Company's Goldboro bulk sample project, whereby the parties agreed on an alternative payment plan and that interest on any unpaid balance will accrue at a rate based on the TD Canada Prime Rate plus 2%, calculated each month from the original due date.

12. 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.

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.

13. LOANS AND REVOLVING CREDIT FACILITY

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

	March 31, 2019	December 31, 2018
	$	$
RBC loan	**4,968,750**	-
Provincial government loan	**220,789**	240,595
Federal government loan	**248,000**	273,200
Lease liabilities and other loans	**1,026,677**	980,376
	6,464,216	1,494,171
Current portion		
RBC loan	**2,422,064**	-
Provincial government loan	**80,724**	80,122
Federal government loan	**100,800**	100,800
Lease liabilities and other loans	**618,244**	623,848
	3,221,832	804,770

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

	March 31, 2019	December 31, 2018
	$	$
Non-current portion		
RBC loan	**2,546,686**	-
Provincial government loan	**140,065**	160,473
Federal government loan	**147,200**	172,400
Lease liabilities and other loans	**408,433**	356,528
	3,242,384	689,401

In March 2019, the Company entered into a $5 million term loan (the "Facility") from the Royal Bank of Canada ("RBC"). The Facility is 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 will pay 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.

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 $974,774 as at March 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 June 15, 2019 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 through insurance premiums through a loan, which bears interest at a rate of 7.0% per annum with a maturity date of October 30, 2019. As at March 31, 2019, $146,172 was outstanding in relation to these financing arrangements (December 31, 2018 – $199,259).

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 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.

Revolving Credit Facility

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 March 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 draw down $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%.

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

On November 20, 2018, the Company entered into an agreement with RBC to draw down $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%.

The following summary sets out the movement in loans over the three months ended March 31, 2019 and the year ended December 31, 2018:

	RBC Loan	Provincial Government Loan	Federal Government Loan	Leases and Other Loans	Total
	$	$	$	$	$
Balance as at December 31, 2018	-	**240,594**	**273,200**	**980,377**	**1,494,171**
Changes from financing cash flows:					
Proceeds	5,000,000	-	-	-	5,000,000
Repayments of loans/leases	-	(19,806)	(25,200)	(216,154)	(261,160)
Interest paid	-	(1,755)	-	(12,857)	(14,612)
	5,000,000	219,033	248,000	751,366	6,218,399
Other changes:					
IFRS 16 transition (note 2)	-	-	-	65,812	65,812
Property, mill, and equipment acquired through leases	-	-	-	165,393	165,393
Interest expense	-	1,755	-	12,857	14,612
Balance as at March 31, 2019	**5,000,000**	**220,788**	**248,000**	**995,428**	**6,464,216**

	Provincial Government Loan	Federal Government Loan	Leases and Other Loans	Total
	$	$	$	$
Balance as at December 31, 2017	**318,351**	**374,000**	**650,064**	**1,342,415**
Changes from financing cash flows:				
Proceeds	-	-	489,145	489,145
Repayments of loans/leases	(77,757)	(100,800)	(728,064)	(906,621)
Interest paid	(8,487)	-	(30,456)	(38,943)
	232,107	273,200	380,689	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	-	30,456	38,943
Balance as at December 31, 2018	**240,594**	**273,200**	**980,377**	**1,494,171**

(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, 2019	December 31, 2018
	$	$
Opening balance	**2,868,364**	2,666,401
Interest accretion	**11,159**	68,198
Additions	**-**	254,506
Change in inflation/discount rates	**235**	(120,741)
Closing balance	**2,879,758**	2,868,364
Current portion	**60,207**	60,119
Non-current portion	**2,819,551**	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 March 31, 2019, the estimated future cash flows have been discounted using a risk-free rate of 1.55% and an inflation rate of 1.50% 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 2019 and 2027, based on existing life of mine assumptions.

As at March 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.

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, 2019, the Company had 118,794,118 (December 31, 2018 – 118,766,635) common shares outstanding.

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. As at March 31, 2019, $3,116,865 of the flow-through funds have been spent on eligible exploration expenses.

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

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.

Warrants

A summary of the Company's warrant activities for the three months ended March 31, 2019 and the year ended December 31, 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**
Expired/forfeited	(87,500)	0.40
Outstanding, March 31, 2019	**16,272,571**	**0.40**

During the three months ended March 31, 2019, 87,500 warrants expired unexercised.

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 March 31, 2019, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
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
June 22, 2018	4,856,293	$0.55	June 22, 2020
June 26, 2018	1,182,700	$0.55	June 26, 2020
	16,272,571	**$0.40**	

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

Incentive Plans

The Company has adopted a stock option plan (the “Stock Option Plan”) and a share unit plan (the “Share Unit Plan” and together with the Stock Option Plan, the “Incentive Plans”). The Incentive Plans are each a “rolling evergreen” plan and provide that the number of common shares of the Company available for issuance from treasury under the Incentive Plans shall not exceed 10% of the issued and outstanding common shares of the Company at the time of grant. Any increase in the issued and outstanding common shares of the Company will result in an increase in the available number of common shares issuable under the Incentive Plans. Any issuance of common shares from treasury pursuant to the settlement of stock options or share units granted pursuant to the Incentive Plans shall automatically replenish the number of common shares issuable under the Incentive Plans. When each stock option or share unit is exercised, cancelled, or terminated, a common share shall automatically be made available for the grant of a stock option or share unit under the Incentive Plans. As at March 31, 2019, 11,879,412 common shares were available for the grant of stock options or share units to directors, officers, employees and service providers in connection with the Incentive Plans.

Stock Option Plan

As at March 31, 2019, 5,482,250 options under the Company’s Stock Option Plan were outstanding with 4,827,917 exercisable.

On May 19, 2017, the Company issued 3,453,125 replacement stock options pursuant to the acquisition of Orex Exploration Inc. The replacement stock options are not included in the calculation of the number of stock options left unallocated under the Company’s Incentive Plans. As at March 31, 2019, 2,815,625 replacement stock options were outstanding and exercisable.

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

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

	Options #	Weighted average exercise price $
Outstanding, December 31, 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**
Expired/forfeited	(12,500)	0.32
Outstanding, March 31, 2019	**8,297,875**	**0.28**
Options exercisable, March 31, 2019	**7,643,541**	**0.27**

During the three months ended March 31, 2019, 12,500 options expired unexercised (year ended December 31, 2018 – 650,000). The corresponding fair value of $9,027 (year ended December 31, 2018 – $181,160) was reclassified from equity reserves to accumulated deficit. Subsequent to March 31, 2019, 137,500 options expired unexercised.

During the year ended December 31, 2018, 787,500 options were exercised. The corresponding fair value of $27,420 was reclassified from equity reserves to issued capital.

During the year ended December 31, 2018, 1,708,500 options were granted to directors, officers, employees, and consultants of the Company at an 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 March 31, 2019. The weighted average exercise price for the outstanding stock options was $0.28 as at March 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
475,000	475,000	0.20 years	$0.32	June 10, 2019
75,000	75,000	1.10 years	$0.20	May 4, 2020
487,500	487,500	1.18 years	$0.20	June 1, 2020
25,000	25,000	1.28 years	$0.36	July 9, 2020
21,000	-	1.40 years	$0.28	August 23, 2020
250,000	125,000	1.47 years	$0.27	September 17, 2020
756,250	756,250	1.91 years	$0.24	February 22, 2021
2,125,000	2,125,000	2.02 years	$0.24	April 6, 2021
867,500	867,500	2.16 years	$0.24	May 26, 2021
265,625	265,625	2.54 years	$0.24	October 11, 2021
425,000	425,000	2.72 years	$0.24	December 15, 2021
125,000	125,000	3.16 years	$0.28	May 23, 2022
850,000	850,000	3.24 years	$0.24	June 21, 2022
87,500	58,333	3.53 years	$0.28	October 5, 2022
12,500	12,500	3.63 years	$0.26	November 13, 2022
50,000	50,000	3.74 years	$0.32	December 22, 2022
1,362,500	908,333	3.82 years	$0.46	January 19, 2023
37,500	12,500	4.24 years	$0.385	June 20, 2023
8,297,875	**7,643,541**	**2.37 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 three months ended March 31, 2019 and the year ended December 31, 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

The fair value of the stock options granted for the three months ended March 31, 2019 was $nil (year ended December 31, 2018 – $545,853). The fair value of options vested for the three months ended March 31, 2019 was $47,380 (year ended December 31, 2018 – $544,560), an amount which has been expensed as share-based compensation in the consolidated statement of comprehensive income.

Share Unit Plan

In December 2018, the Company's Board of Directors approved the adoption of the Share Unit Plan, subject to approval of the shareholders of the Company at the Company's Annual and Special General Meeting of Shareholders to be held on May 15, 2019. The Share Unit Plan provides for the issuance of share units to directors, officers, employees, and consultants of the Company. Share units are units representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined in 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 March 31, 2019, 2,415,500 share units were outstanding, all of which are subject to approval by the shareholders of the Company. The following summary sets out the activity in the Share Unit Plan over the periods:

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

	Share units	Weighted average fair value
	#	$
Outstanding, December 31, 2017 and 2018	**-**	**-**
Granted	2,440,500	0.27
Forfeited	(25,000)	0.27
Outstanding, March 31, 2019	**2,415,500**	**0.27**

During the three months ended March 31, 2019, 2,440,500 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 $0.27. The vesting terms of these share units were as follows: 85,500 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, and 2,355,000 share units vest over a 17 month period in three equal instalments. Subsequent to March 31, 2019, 300,000 share units were granted to an officer of the Company, vesting over an 18 month period in three equal instalments, subject to approval by the shareholders of the Company.

During the three months ended March 31, 2019, 25,000 share units were forfeited (year ended December 31, 2018 – nil). Subsequent to March 31, 2019, 100,000 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 three months ended March 31, 2019 was $657,225 (year ended December 31, 2018 – $nil). The fair value of share units vested for the three months ended March 31, 2019 was $63,385 (year ended December 31, 2018 – $nil), an amount which has been expensed as share-based compensation in the consolidated statement of comprehensive income.

16. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net income for the period	**$ 1,157,851**	$ 149,218
Weighted average basic number of shares outstanding	**118,774,575**	106,890,011
Weighted average dilutive shares adjustment:		
Stock options	**729,398**	2,772,320
Warrants	**31,991**	2,645,749
Weighted average diluted number of shares outstanding	**119,535,964**	112,308,080
Net income per share:		
Basic and diluted	**$ 0.01**	$ 0.00

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Stock options	**7,568,477**	6,329,555
Warrants	**16,240,580**	7,675,329
	23,809,057	14,004,884

17. INCOME TAXES

During the three months ended March 31, 2019, a current income tax expense of $268,163 relating to provincial mining tax was recorded in the consolidated statement of comprehensive income (three months ended March 31, 2018 – $473,000). Subsequent to March 31, 2019, the Company paid $932,261 relating to provincial mining tax for year ended December 31, 2018.

18. 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 March 31, 2019, a total of $198,575, $260,717, 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 three months ended March 31, 2019, the Company received $198,575 from the AIF which was credited against eligible costs incurred as the repayments to the AIF are not determinable at this time.

Funding through RDC and IRAP is a non-repayable grant and is credited against eligible costs incurred.

As at March 31, 2019, $32,860 (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 three months ended March 31, 2019, a recovery of research and development costs of $129,558 (three months ended March 31, 2018 – $69,625 of non-reimbursable research and development costs) was recorded in the consolidated statement of comprehensive income.

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 for an internal training program under the province's Labour Market Partnerships program. As at March 31, 2019, a total of $150,000 has been received from the province of Newfoundland. 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 on the consolidated statement of comprehensive income.

(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, 2019	Three months ended March 31, 2018
	$	$
Change in non-cash working capital:		
Trade and other receivables	**(27,181)**	(772,888)
Prepaid expenses and deposits	**(244,983)**	(368,331)
Inventory	**(63,438)**	125,361
Unearned revenue	**1,727,500**	250,000
Advances	**(53,340)**	(45,709)
Trade payables and accrued liabilities	**52,153**	(537,410)
	1,390,711	(1,348,977)
Supplemental cash flow information:		
Interest paid	**14,612**	9,776
Property, mill and equipment acquired through leases	**165,393**	-
Insurance premiums financed through loans	**-**	103,818

20. FINANCIAL INSTRUMENTS

The Company's financial instruments as at March 31, 2019 and December 31, 2018 are cash, restricted cash, marketable securities, accounts payable, accrued liabilities, and certain current and non-current loans. Marketable securities are classified as level one. The carrying amount of the Company's other financial instruments approximates fair value due to their short-term nature.

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 the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the three months ended March 31, 2019 and March 31, 2018:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	$	$
Salaries, bonuses, fees and short term benefits	**353,102**	346,559
Share based compensation	**67,356**	91,761
	420,458	438,320

As at March 31, 2019, included in trade and other payables is $42,000 (December 31, 2018 – $42,750) of amounts due for directors' fees. During the three months ended March 31, 2019, 85,500 share units were granted to directors for $21,375 of director's fees.

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

22. COMMITMENTS

Contractual obligations of the Company as at March 31, 2019 are as follows:

	1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Trade payables and accrued liabilities	6,421,461	-	-	**6,421,461**
RBC loan	2,422,064	2,546,686	-	**4,968,750**
Provincial government loan	80,724	140,065	-	**220,789**
Federal government loan	100,800	147,200	-	**248,000**
Lease liabilities	472,072	386,668	21,765	**880,505**
Other loans	146,172	-	-	**146,172**
Flow-through commitment	1,348,425	-	-	**1,348,425**
Interest payable	238,792	90,250	-	**329,042**
	11,230,510	3,310,869	21,765	**14,563,144**

As at March 31, 2019, the Company has a commitment to spend a total of $1,348,425 of flow-through funds on eligible exploration expenses, related to the private placement completed in June 2018 (note 15).

In March 2019, the Company locked into forward sales on a delivery basis for 705 ounces of its production for April 2019. The gold price for the orders was locked in at an average of $1,744 per ounce with delivery in April 2019.

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 March 31, 2019, the Company has determined it has approximately $32 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 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.