Anaconda Mining

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended May 31, 2017 and May 31, 2016

(Expressed in Canadian Dollars)

August 24, 2017

Independent Auditor's Report

To the Shareholders of
Anaconda Mining Inc.

We have audited the accompanying consolidated financial statements of Anaconda Mining Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at May 31, 2017 and the consolidated statements of comprehensive loss, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anaconda Mining Inc. and its subsidiaries as at May 31, 2017 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information
The consolidated statement of financial position as at June 1, 2015 has been derived from the consolidated statement of financial position as at May 31, 2015 (not presented herein). The consolidated financial statements of Anaconda Mining Inc. and its subsidiaries for the years ended May 31, 2016 and May 31, 2015 (prior to the restatement described in Note 4 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on August 23, 2016.

As part of our audit of the consolidated financial statements of Anaconda Mining Inc., for the year ended May 31, 2017, we also audited the adjustments described in Note 4 that were applied to restate the consolidated financial statements for the year ended May 31, 2016 and to derive the consolidated statement of financial position as at June 1, 2015. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Anaconda Mining Inc. for the years ended May 31, 2016 and May 31, 2015 or to the consolidated statement of financial position as at June 1, 2015 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the years ended May 31, 2016 and May 31, 2015 or on the consolidated statement of financial position as at June 1, 2015 taken as a whole.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Anaconda Mining Inc.

Consolidated Statements of Comprehensive Loss

(Canadian Dollars)

	Notes	For the year ended May 31 2017 $	May 31 2016 $ Restated, Note 4
Gold revenue		**25,696,629**	24,361,471
Cost of operations			
Operating expenses	7	**17,525,386**	17,406,437
Royalty expense		**2,952**	67,303
Depletion and depreciation		**7,262,083**	5,317,995
Total cost of operations		**24,790,421**	22,791,735
Mine operating income		**906,208**	1,569,736
Expenses and other income			
Corporate administration		**2,637,276**	2,630,745
Other income	8	**(938,089)**	-
Other expenses		**-**	70,541
Share-based compensation expense	16	**181,225**	240,952
Finance expense		**176,882**	3,573
Foreign exchange gain		**(5,360)**	(18,437)
Unrealized (gain) loss on derivatives		**(18,538)**	31,595
		2,033,396	2,958,969
Loss before income taxes		**(1,127,188)**	(1,389,233)
Deferred income tax expense (recovery)	17	**2,475,000**	(33,000)
Net loss and comprehensive loss for the period		**(3,602,188)**	(1,356,233)
Net loss per share - basic and diluted		**(0.02)**	(0.01)
Weighted average number of shares outstanding - basic and fully diluted		**210,921,901**	179,960,471

Anaconda Mining Inc.

Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	**May 31 2017**	May 31 2016	June 1 2015
		$	$	$
			Restated, Note 4	Restated, Note 4
Assets				
Current assets				
Cash		**2,519,488**	1,636,161	1,435,160
Trade and other receivables	8	**484,103**	491,074	230,192
Prepaid expenses and deposits		**314,499**	286,345	181,658
Inventory	9	**4,525,312**	3,143,601	3,027,959
		7,843,402	5,557,181	4,874,969
Non-current assets				
Restricted cash		**-**	27,500	593,000
Property, mill and equipment	11	**13,516,534**	17,291,684	16,464,103
Exploration and evaluation assets	10	**22,346,129**	4,636,737	4,016,357
Deferred income tax asset	17	**2,368,000**	4,616,000	4,512,000
		46,074,065	32,129,102	30,460,429
Liabilities				
Current liabilities				
Trade payables and accrued liabilities	12	**4,060,492**	4,109,877	2,954,189
Unearned revenue	13	**121,287**	512,790	-
Current portion of loans	14	**349,527**	115,192	18,350
		4,531,306	4,737,859	2,972,539
Non-current liabilities				
Loans	14	**645,458**	409,447	42,404
Deferred income tax liability	17	**2,485,000**	2,258,000	2,187,000
Decommissioning liability	15	**2,671,405**	1,867,899	1,311,393
		10,333,169	9,273,205	6,513,336
Shareholders' equity				
Share capital, warrants and equity reserves	16	**50,238,923**	33,898,136	34,231,909
Accumulated deficit		**(14,498,027)**	(11,042,239)	(10,284,816)
		35,740,896	22,855,897	23,947,093
		46,074,065	32,129,102	30,460,429

Approved by the Board of Directors on August 24, 2017.

"Maruf Raza" *"Jonathan Fitzgerald"*

Commitments (Note 20)

Anaconda Mining Inc.

Consolidated Statements of Cash Flows

(Canadian Dollars)

For the year ended	Notes	**May 31 2017 $**	May 31 2016 $ Restated, Note 4
Operating activities			
Net loss		**(3,602,188)**	(1,356,233)
Adjustments to reconcile net income to cash flow from operating activities:			
Depletion and depreciation		**8,006,667**	5,306,591
Share-based compensation expense	16	**181,225**	240,952
Deferred income tax recovery	17	**2,475,000**	(33,000)
Change in unearned revenue		**(391,503)**	424,683
Interest accretion of decomissioning liability	15	**40,532**	60,062
Net change in working capital items:			
Trade and other receivables		**6,971**	(260,882)
Prepaid expenses and deposits		**126,362**	(43,194)
Inventory		**(1,381,711)**	(133,840)
Trade payables and accrued liabilities		**(678,929)**	1,182,302
Cash flow provided from operating activities		**4,782,426**	5,387,441
Investing activities			
Additions of property, mill and equipment	11	**(3,414,163)**	(4,813,998)
Additions of exploration and evaluation assets	10	**(3,308,146)**	(1,346,567)
Cash received through acquisition	6	**713,367**	-
Restricted cash		**27,500**	565,500
Cash flow used in investing activities		**(5,981,442)**	(5,595,065)
Financing activities			
Proceeds from flow-through financing agreement, net of issuance costs	16	**1,790,893**	-
Proceeds from share issuance		**30,000**	-
Proceeds from government loans	14	**450,000**	450,000
Repayment of capital leases and other loans		**(83,995)**	(41,375)
Repayment of government loans		**(104,555)**	-
Cash flow provided from financing activities		**2,082,343**	408,625
Net increase in cash		**883,327**	201,001
Cash at beginning of year		**1,636,161**	1,435,160
Cash at end of year		**2,519,488**	1,636,161
Supplemental cash flow information:			
Interest paid		**47,524**	9,465
Taxes paid		**-**	-

Anaconda Mining Inc.

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
		$	$	$	$	$
Balance at June 1, 2015	**179,878,963**	**33,133,525**	**1,098,384**	**-**	**(10,836,688)**	**23,395,221**
Correction of error (net of tax) Note 4					551,872	551,872
Restated balance at June 1, 2015	**179,878,963**	**33,133,525**	**1,098,384**	**-**	**(10,284,816)**	**23,947,093**
Share-based compensation from issuance of options	-	-	240,952	-	-	240,952
Expiry of stock options transferred to deficit	-	-	(598,810)	-	598,810	-
Issuance of shares for property acquisition	250,000	12,500	-	-	-	12,500
Issuance of warrants for property acquisition	-	-	-	11,585	-	11,585
Net loss for the period	-	-	-	-	(1,356,233)	**(1,356,233)**
Balance at May 31, 2016	**180,128,963**	**33,146,025**	**740,526**	**11,585**	**(11,042,239)**	**22,855,897**
Share-based compensation from issuance of options	-	-	181,225	-	-	181,225
Exercise of stock options	575,000	52,243	(22,243)	-	-	30,000
Expiry of stock options transferred to deficit	-	-	(146,400)	-	146,400	-
Common shares issued for cash	29,103,787	2,037,265	-	-	-	2,037,265
Share issuance expense	-	(328,553)	-	82,181	-	(246,372)
Issuance of shares for property acquisition	100,000	6,500	-	-	-	6,500
Issuance of Anaconda shares for acquisition of Orex Exploration Inc.	172,167,741	12,051,741	-	-	-	12,051,741
Issuance of replacement options for acquisition of Orex Exploration Inc.	-	-	709,496	-	-	709,496
Assumption of warrants for acquisition of Orex Exploration Inc.	-	-	-	1,717,332	-	1,717,332
Net loss for the period	-	-	-	-	(3,602,188)	(3,602,188)
Balance at May 31, 2017	**382,075,491**	**46,965,221**	**1,462,604**	**1,811,098**	**(14,498,027)**	**35,740,896**

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Anaconda Mining Inc. (individually, or collectively with its subsidiaries, as applicable, "Anaconda Mining" 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, included the Pine Cove open pit mine, the fully-permitted Pine Cove Mill and tailings facility and a new gold discovery referred to as Argyle. Anaconda is also advancing the recently acquired 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 Mining is incorporated in Canada under the laws of Ontario. The Company's common shares are listed on the Toronto Stock Exchange under the ticker symbol "ANX". The Company's head office and registered office is located at 150 York Street, Suite 410, Toronto, Ontario, M5H 3S5.

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

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

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

These consolidated financial statements were approved by the Company's Board of Directors on August 24, 2017.

Principles of Consolidation
These consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), Colorado Minerals Inc. (Canada), and Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"), limited liability companies based in Chile. The business and mineral properties of La Veta were sold during fiscal 2012. In fiscal 2017, the Company re-evaluated its reportable operating segments and no longer reports on its interest on its Chilean subsidiaries.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Revenue recognition
Revenue from the sales of gold is recognized when: the significant risks and rewards of ownership have been transferred to the purchaser in the form of a final claim over the metal, the amount of revenue can be measured reliably, it is probable the economic benefits will flow to the Company and any costs incurred or to be incurred with respect to the sale can be measured reliably. The Company currently sells all its gold production through the gold trading company Auramet International LLC ("Auramet").

When the Company sells a portion of its future gold production for upfront proceeds, the Company records a corresponding amount of unearned revenue and recognizes revenue as it delivers physical gold to settle those sales.

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

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

Materials and supplies are consumed as part of the gold refining process, and are carried at the lower of cost, using the weighted average method, and net realizable value.

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

- Acquisition and leasehold/preservation costs of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Exploration and evaluation costs are capitalized as incurred and deferred until management establishes technical feasibility and commercial viability of a property with proven and/or probable reserves and commences permitting and development at which point the associated carrying costs are reclassified to property, mill and equipment as property. Upon disposal or abandonment of exploration and evaluation assets, the carrying values are derecognized and a gain/loss is recorded in the Consolidated Statements of Comprehensive Loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments
The Company's financial assets includes cash, restricted cash, and trade and other receivables. The Company's financial liabilities include trade and other payables, call options and loans.

Financial instruments require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 Inputs for the assets or liabilities that are not based on observable market data.

Financial assets

Initial Recognition

Financial assets within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the Consolidated Statements of Financial Position at fair value with changes in fair value recognized in finance income and finance costs on the Consolidated Statements of Comprehensive Loss.

Available for sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the above categories of financial assets. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income (loss) and presented in the fair value reserve in equity. When an available for sale financial asset is derecognized or the decrease in fair value is a significant or prolonged decline below cost, the gain or loss accumulated in other comprehensive income (loss) is reclassified to income or loss.

Impairment

The Company assesses at each date of the Consolidated Statements of Financial Position whether there is objective evidence that a financial asset is impaired.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows: After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method ("EIR"). Gains and losses are recognized in the Consolidated Statements of Comprehensive Loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost on the Consolidated Statements of Comprehensive Loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Consolidated Statements of Comprehensive Loss.

Classifications

The Company has classified its cash and restricted cash and call options as fair value through profit and loss, which are measured at fair value. Trade and other receivables are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and loans are classified as other financial liabilities, which are measured at amortized cost.

Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Consolidated Statements of Comprehensive Loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Decommissioning, restoration and similar liabilities

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

Taxation

Current income tax

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

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the date of the Consolidated Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are undiscounted and are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the Consolidated Statement of Financial Position. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

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

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

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

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

Provincial mining tax
The Company is subject to a Newfoundland mining tax of 16% calculated as income less applicable deductions, credits and allowances. The Newfoundland mining tax is accounted for under *IAS 12 – Income Taxes*.

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

Share-based payments
Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision to the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Critical Accounting Estimates and Assumptions

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

- Estimates of the quantities of proven and probable mineral reserves and resources are used in the calculation of depletion and depreciation expense, to calculate the recoverable value of a CGU and/or exploration and evaluation assets, and any required impairment, and to forecast mine life of the Company's operations. The Company makes estimates of the quantities of reserves and resources, which requires significant subjective assumptions that arise from the evaluation of geological, engineering and economic data for a given ore body. These estimates could change over time due to various factors, including new information gained from mining and development, drill results and updated economic data.
- Significant estimates and assumptions are made in determining the nature, timing and amount of future expenditures required to settle the Company's rehabilitation liabilities and closure costs. These estimates could change in the future due to increased disturbance, technological changes, changes in the regulatory environment, cost changes, and changes to the discount rate.
- The Company allocates production costs to metal inventory, which requires an estimate of contained gold and recovery rates. Estimates of recoverable gold on the stockpiles are calculated from the quantities of ore placed on the stockpiles (measured tons added to the stockpiles), the grade of ore placed on the stockpiles (based on assay data) and a recovery percentage (based on ore type). Ultimate ounces recovered will only be known once metal is poured and refined. The measurement of inventory, including the determination of its net realizable value, especially as it relates to ore in stockpiles, involves the use of estimates. Estimation is required in determining the tonnage, recoverable gold contained therein, and in determining the remaining costs of completion to bring inventory into its saleable form. Judgement also exists in determining whether to recognize a provision for obsolescence on mine operating supplies, and estimates are required to determine salvage or scrap value of supplies.
- The Company's management makes significant estimates and judgments in determining the Company's tax expense for the period and the deferred tax assets and liabilities. Management interprets tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. In addition, management makes estimates related to expectations of future taxable income based on cash flows from operations and the application of existing tax law. Assumptions used in the cash flow forecast are based on management's estimates of future production and sales volume, commodity prices, operating costs, capital expenditures, and decommissioning and reclamation expenditures. These estimates are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to the Consolidated Statement of Comprehensive Loss.

Critical Accounting Judgements

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

- Whether there are any indicators that the Company's property, mill and equipment assets and exploration and evaluation assets are impaired. Where an indicator of impairment exists for its long lived assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.
- Whether the recognition criteria for deferred tax assets have been met based on forecasts of future taxable profit.
- Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Company establishes provisions where it determines that a present obligation exists and that it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made. The amount of such provisions for tax matters is based on various factors, such as previous tax audits and the interpretation of tax regulations by the responsible tax authority. Such areas of audit and interpretation may include the Company's judgements in respect of qualifying Canadian exploration expenses and related tax deductions renounced to investors under a flow-through common share financing.
- That the transaction involving Orex Exploration constituted an asset acquisition by Anaconda, as Orex did not meet the definition of a business as defined in IFRS 3 *Business Combinations*. Accordingly, effective as at the date of closing, Orex's net assets were consolidated at allocated cost and no goodwill or deferred tax has been recognized.

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

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

The Company undertook a comprehensive review of the capitalization and UOP depreciation of its production stripping asset (classified within 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.

An error was made in accounting for the company's production stripping assets, which resulted in an overstatement of PME as at May 31, 2016 and an understatement of the Company's comprehensive loss for the year then ended. This error resulted in an understatement of PME and an overstatement of the Company's accumulated deficit as at June 1, 2015. The Company has also reclassified the production stripping asset to PME as at May 31, 2016 and June 1, 2015.

Errors were made in the Company's depreciation and depletion calculations for its PME, which resulted in an understatement of PME as at May 31, 2016 and an overstatement of the Company's comprehensive loss for the year then ended. These errors also resulted in an understatement of PME as at June 1, 2015 and an overstatement of the Company's accumulated deficit as at June 1, 2015.

It was determined that the Company had not separately recognized its deferred tax liability associated with the Newfoundland mining tax, which resulted in an understatement of the Company's deferred tax liabilities as at May 31, 2016 and June 1, 2015 and a corresponding understatement of the Company's comprehensive loss for the year ended May 31, 2016 and its accumulated deficit as at June 1, 2015.

The impact of the errors described above also resulted in errors in the Company's deferred income tax assets and liabilities as at and for the year ended May 31, 2016 and as at June 1, 2015.

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

	May 31 2016 $	Increase (Decrease) $	**May 31 2016 $ Restated**
Property, mill and equipment	15,816,494	1,475,190	**17,291,684**
Deferred income tax asset	4,833,000	(217,000)	**4,616,000**
Deferred income tax liability	-	(2,258,000)	**(2,258,000)**
Net assets	23,855,707	(999,810)	**22,855,897**
Accumulated deficit	10,042,429	999,810	**11,042,239**
Total equity	(23,855,707)	999,810	**(22,855,897)**

	May 31 2015 $	Increase (Decrease) $	**May 31 2015 $ Restated**
Property, mill and equipment	13,356,232	3,107,871	**16,464,103**
Deferred income tax asset	4,881,000	(369,000)	**4,512,000**
Deferred income tax liability	-	(2,187,000)	**(2,187,000)**
Net assets	23,395,221	551,872	**23,947,093**
Accumulated deficit	10,836,688	(551,872)	**10,284,816**
Total equity	(23,395,221)	(551,872)	**(23,947,093)**

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

	May 31 2016 $	Increase (Decrease) $	**May 31 2016 $ Restated**
Operating expenses	(17,257,767)	(148,670)	**(17,406,437)**
Depreciation	(3,833,983)	(1,484,012)	**(5,317,995)**
Income (loss) before income taxes	243,449	(1,632,682)	**(1,389,233)**
Deferred income tax expense	48,000	(81,000)	**(33,000)**
Net income (loss) and comprehensive income (loss) for the year	195,449	(1,551,682)	**(1,356,233)**

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of $0.01 cents per share.

The corrections described above further affected some of the prior year amounts disclosed in notes 11 and note 17.

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

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Recently issued but not adopted accounting guidance includes IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments*, and IFRS 16 *Leases*.

- **IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”)** was issued in May 2014 when the IASB and the Financial Accounting Standards Board (“FASB”) completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15 to establish principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

- **IFRS 9 - Financial Instruments (“IFRS 9”)** was issued by the IASB on July 24, 2014, and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss (“FVTPL”) and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018.

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

The Company is currently evaluating the impact of these pronouncements on its consolidated financial statements.

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

6. ACQUISITION OF OREX EXPLORATION INC.

On May 19, 2017, Anaconda Mining completed a Plan of Arrangement (the "Arrangement") with Orex Exploration Inc. ("Orex"), pursuant to which Anaconda Mining acquired all the issued and outstanding common shares of Orex. Under the terms of the Arrangement, each Orex shareholder received 0.85 of a common share of Anaconda for each common share of Orex held. Upon completion of the Arrangement, Anaconda Mining issued 172,167,741 common shares to the shareholders of Orex.

In addition, the Company assumed the outstanding share options and warrants of Orex, which as a result of the Arrangement became exercisable for 0.85 Anaconda Mining common shares. On May 19, 2017, Orex had 16,250,000 stock options outstanding which were exchanged for 13,812,500 fully vested Anaconda Mining share options, with a weighted average exercise price of $0.06. Outstanding warrants as at the completion date of 39,580,000 with a weighted average exercise price of $0.06 will now, because of the Arrangement, be exercisable for 33,643,000 Anaconda Mining common shares. The Company incurred cost of $1,069,578 which have been included in the purchase price allocated to the net assets of Orex.

For accounting purposes, the Arrangement constitutes an asset acquisition by Anaconda Mining, as Orex did not meet the definition of a business as defined in IFRS 3 *Business Combinations*. Consequently, effective as at the date of closing, Orex's net assets were consolidated based on their allocated cost. The value assigned to the identified assets and liabilities are presented below:

Purchase Price	
Common shares issued	12,051,741
Stock options and warrants assumed as part of Arrangement	2,426,828
Legal, regulatory, due diligence and other transaction costs	1,069,578
	15,548,147
Net assets acquired and allocation	
Assets	
Cash and cash equivalents	713,367
Accounts receivable and prepaid expenses	86,724
Exploration and evaluation property	14,850,987
Liabilities	
Accounts payable and accrued liabilities	(102,931)
	15,548,147

7. OPERATING EXPENSES

	For the year ended	
	May 31 2017 $	May 31 2016 $
Mining costs	**9,807,252**	8,946,886
Processing (including refining and transport)	**7,479,348**	7,390,471
Project administration	**1,084,805**	994,829
Inventory Adjustment	**(846,019)**	74,251
	17,525,386	17,406,437

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

Cost of operations for the year ended May 31, 2017 is $24,790,421 (May 31, 2016 - $22,791,735). During fiscal 2017, the Company received insurance proceeds of $750,000 regarding a business interruption claim pertaining to the failure of its regrind mill. The proceeds received have been included as a reduction in processing costs in fiscal 2017. Mining, processing and project administration costs noted above are prior to the allocation of costs to inventory. The inventory adjustment reflects the allocation of mining, processing and project administration costs to the stockpiles, gold-in-circuit and finished goods inventory.

8. TRADE AND OTHER RECEIVABLES

	May 31 2017 $	May 31 2016 $
HST receivable	**355,892**	463,481
Gold sales	**-**	1,386
Other income receivable	**108,846**	-
Accrued interest and other	**19,365**	2,888
Due from related parties	**-**	23,319
	484,103	491,074

Receivables are classified as loans and receivables and are therefore measured at amortized cost.

On September 15, 2016, the Company entered into an agreement with Shore Line Aggregates (“SLA”), a subsidiary of the Company’s local contract miner, Guy J. Bailey Ltd., where Anaconda has granted a right to SLA to mine, crush and ship an aggregates product made from Anaconda’s surplus stockpiled rock and in-situ rock for $0.60 per tonne, from the Pine Cove Pit at the Point Rousse Project. The existing contract provides for the supply of 3,500,000 tonnes of aggregate product. Other income of $938,089 was earned from this contract for the year ended May 31, 2017 ($nil – May 31, 2016). The existing contract is scheduled to end by approximately December 2017.

9. INVENTORY

	May 31 2017 $	May 31 2016 $
Gold dore	**417,000**	-
Gold-in-circuit	**1,254,000**	892,626
Ore in stockpiles	**1,479,000**	1,015,698
Supplies and consumables	**1,375,312**	1,235,277
	4,525,312	3,143,601

Inventory balances as at May 31, 2017 include a $nil (May 31, 2016 - $335,697) write-down to net realizable value of ore in stockpiles.

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

10. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at May 31 2016 $	Payments under option agreements $	Expenditures/ acquisition $	Transfers to PME $	Balance as at May 31 2017 $
Point Rousse Project, Newfoundland					
Pine Cove Lease Area	2,394,468	-	73,060	-	2,467,528
Stog'er Tight	482,486	-	112,845	-	595,331
Argyle	700,502	100,000	882,105	-	1,682,607
Fair Haven	270,179	-	252,773	-	522,952
Duffitt and Strong	72,893	-	931	-	73,824
Deer Cove	543,383	100,000	13,664	-	657,047
Corkscrew	68,533	25,000	150,615	-	244,148
	4,532,444	225,000	1,485,993	-	6,243,437
Goldboro Project, Nova Scotia	-	-	14,850,987	-	14,850,987
Viking Project, Newfoundland	102,845	40,000	1,015,919	-	1,158,764
Great Northern Project, Newfoundland	1,448	24,715	38,068	-	64,231
Tilt Cove Property, Newfoundland	-	24,715	3,995	-	28,710
	4,636,737	**314,430**	**17,394,962**	**-**	**22,346,129**

Properties	Balance as at May 31 2015 $	Payments under option agreements $	Expenditures/ acquisition $	Transfers to PME $	Balance as at May 31 2016 $
Point Rousse Project, Newfoundland					
Pine Cove Lease Area	2,011,586	-	382,882	-	2,394,468
Stog'er Tight	700,273	50,000	691,829	(959,616)	482,486
Argyle	566,456	50,000	84,046	-	700,502
Fair Haven	233,389	-	36,790	-	270,179
Duffitt and Strong	50,839	-	22,054	-	72,893
Deer Cove	451,464	50,000	41,919	-	543,383
Corkscrew	2,350	25,000	41,183	-	68,533
	4,016,357	175,000	1,300,703	(959,616)	4,532,444
Viking Project, Newfoundland	-	80,515	23,778	-	104,293
	4,016,357	**255,515**	**1,324,481**	**(959,616)**	**4,636,737**

As at May 31, 2017, 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 20.

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

During the year ended May 31, 2017, the Company completed its earn-in into two option agreements that comprise the Argyle property; title on four mineral exploration licenses have been fully transferred to the Company, and one exploration license is in process of being transferred. 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.

In addition to its wholly owned properties, the Company has entered into the following option agreements:

- On July 19, 2012, the Company entered a five-year property option agreement with Fair Haven to acquire a 100%-undivided interest in 11 exploration licenses (the "Fair Haven Property"), which is adjacent to property fully owned by the Company. Based on a recent amendment to the original option agreement, the Company has two payments of $30,000 remaining to complete its earn-in, one of which was paid after May 31, 2017, with the final payment due by July 2018.

- On November 19, 2012, the Company entered a five-year property option agreement with Duffitt and Strong to acquire a 100%-undivided interest in 2 exploration licenses (the "Duffitt and Strong Property"). The Duffitt and Strong Property is contiguous with and now inclusive in the Point Rousse Project. The option agreement is subject to a further $4,000 of expenditure for the Company to earn an undivided interest in the property.

- 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"). The option agreement is subject to a final payment of $25,000 for the Company to earn an undivided interest in the property.

The Goldboro Project – The recently acquired, wholly-owned Goldboro Project is located in Nova Scotia, comprising 37 contiguous claims. The Goldboro deposit comprises the Boston Richardson Zone, the East Goldbrook Zone and the West Goldbrook Zone.

Viking Project – The Viking Project is subject to 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.

The Company also entered 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 the five-year period, beginning with an initial payment of $12,500, paid on closing, with increasing payments on the anniversary of the date of the agreement. The Company also issued 250,000 common shares to Spruce Ridge under the agreement.

Great Northern Project - 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 lands (collectively, the "Great Northern Project"). To earn a 100%-undivided interest in the Jackson's Arm Property (within the Great Northern Project), the Company is required to make aggregate payments to MEK of $200,000 (of which $20,000 has been paid) in cash and 500,000 common shares of Anaconda (of which 50,000 have been issued) over a three-year period, with increasing payments on the anniversary of the date of the agreement. Anaconda is required to spend a total of $750,000 in qualified exploration expenditures on the Jackson's Arm Property during the option period.

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 $20,000 has been paid) in cash and 500,000 common shares of Anaconda (of which 50,000 have been issued) over a three-year period. 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.

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

11. PROPERTY, MILL AND EQUIPMENT

For the year ended May 31, 2017

Cost	Property	Mill and Infrastructure	Equipment	Work in progress	Total
Beginning of year	22,255,860	8,865,411	1,713,339	762,006	33,596,616
Additions	3,404,113	269,659	173,979	383,766	4,231,517
Disposal/ transfers	708,578	37,720	5,800	(752,098)	-
	26,368,551	**9,172,790**	**1,893,118**	**393,674**	**37,828,133**
Accumulated depreciation					
Beginning of year	11,081,441	4,328,283	895,208	-	16,304,932
Depreciation/ depletion	6,807,752	989,076	209,839	-	8,006,667
	17,889,193	**5,317,359**	**1,105,047**	**-**	**24,311,599**
Net book value	**8,479,358**	**3,855,431**	**788,071**	**393,674**	**13,516,534**

For the year ended May 31, 2016

Cost	Property*	Mill and Infrastructure	Equipment	Work in progress	Total
Beginning of year	17,188,042	7,624,486	1,325,053	1,343,062	27,480,643
Additions	5,312,651	1,240,925	426,684	3,824,819	10,805,079
Disposal/ transfers	(244,833)	-	(38,398)	(4,405,875)	(4,689,106)
	22,255,860	**8,865,411**	**1,713,339**	**762,006**	**33,596,616**
Accumulated depreciation					
Beginning of year	7,220,436	3,101,312	694,792	-	11,016,540
Depreciation/ depletion	3,861,005	1,226,971	200,416	-	5,288,392
	11,081,441	**4,328,283**	**895,208**	**-**	**16,304,932**
Net book value	**11,174,419**	**4,537,128**	**818,131**	**762,006**	**17,291,684**

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

The current operating area of the Point Rousse Project comprises two contiguous mining leases (the “Pine Cove Property”) that contains the operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility.

The net book value of equipment is pledged as security for any capital leases and loans outstanding.

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

12. TRADE PAYABLES AND ACCRUED LIABILITIES

	May 31 2017 $	May 31 2016 $
Trade payables	**3,313,449**	3,004,629
Accrued liabilities	**334,183**	533,055
Accrued payroll costs	**382,452**	572,193
Derivative liability (Note 13)	**30,408**	-
	4,060,492	4,109,877

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.

13. GOLD PREPAYMENT AGREEMENTS

On January 9, 2017, the Company executed a prepayment agreement with Auramet International LLC ("Auramet"), whereby the Company received USD$551,304, less fees, in exchange for 468 ounces of gold (USD$1,178 per ounce), to be delivered in twelve semi-monthly deliveries from January to June 2017. The Company recognized proceeds of $660,990, net of related fees, which were recorded as unearned revenues in the Consolidated Statement of Financial Position and has recognized corresponding revenues as deliveries were made in accordance with this agreement. In June 2017, the Company made its final delivery of gold ounces under the agreement.

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. As at May 31, 2017, the Company recognized a derivative liability of $30,408 associated with these call options, with a corresponding expense recognized in the Consolidated Statement of Comprehensive Loss.

On December 17, 2015, the Company executed a prepayment agreement with Auramet, whereby the Company received advanced gold revenue of USD$500,000 (the "Prepayment Amount"), net of related fees, for the future delivery of 510 ounces of gold, to be delivered in 10 monthly deliveries of 51 ounces from January to October 2016. The Prepayment Amount was priced based on a spot price at the date of the agreement of USD$1,067 per ounce. The agreement was completed as at November 30, 2016. As part of the agreement, Auramet was also issued a call option to purchase 1,800 ounces at a strike price of USD$1,250 on December 30, 2016, which expired unexercised.

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

14. LOANS AND REVOLVING CREDIT FACILITY

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

As at	**May 31 2017 $**	May 31 2016 $
Provincial government loan	**362,645**	-
Federal government loan	**432,800**	450,000
Capital leases and other loans	**199,540**	74,639
	994,985	524,639
Current portion		
Provincial government loan	**76,410**	-
Federal government loan	**100,800**	67,200
Capital leases and other loans	**172,317**	47,992
	349,527	115,192
Non-current portion		
Provincial government loan	**286,235**	-
Federal government loan	**332,000**	382,800
Capital leases and other loans	**27,223**	26,647
	645,458	409,447

On June 1, 2016, the Company entered into an agreement with the provincial government to receive a loan of $400,000, 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. Net minimum loan payments are $388,098 with total interest of $25,453, resulting in amortized cost of net minimum loan payments of $362,645.

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. In fiscal 2016, the Company received $450,000 and the remaining $50,000 was received in fiscal 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 $45,751 as at May 31, 2017. The capital leases bear interest at rates ranging from 0.0% and 6.0% per annum with maturity dates between July 1, 2017 and January 13, 2019.

The Company has financed insurance premiums. The loan of $154,517 bears interest at 6.79% and is repayable through an initial payment of $8,435 and eleven equal installments of $14,528, which began on April 1, 2017. As at May 31, 2017, $127,131 is outstanding.

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 May 31, 2017, the balance on the revolving credit facility line of credit was $nil.

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

15. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

As at	**May 31 2017 $**	May 31 2017 $
Opening balance	**1,867,899**	1,311,393
Interest accretion	**40,532**	60,062
Additions	**762,974**	496,444
Closing balance	**2,671,405**	1,867,899

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. Elements of uncertainty also exist in estimating the timing of incurring the liability which depends on the ultimate closure date of the operation. The provision for reclamation is provided against the Company's operations at the Point Rousse Project in Newfoundland and is based on the project plan submitted to the Newfoundland and Labrador government. The decommissioning liability recorded assumes a risk-free rate of 0.94% over a five year period during which the majority of costs are expected to be incurred. The additions during the year mainly relate to a new tailings pond facility and post closure monitoring requirements introduced in fiscal 2017.

The Company has entered an agreement with an insurance company to provide a surety bond for $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/or reclamation is completed on the property, the Company will increase/decrease this bond as required by the Newfoundland and Labrador government.

The Company has not recognized any decommissioning liability for any exploration and evaluation assets which do not carry any legal 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.

16. 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 May 31, 2017, the Company had 382,075,491 (2016 – 180,128,963) common shares outstanding.

On May 19, 2017, as part of the Arrangement to acquire Orex, the Company issued 172,167,741 common shares.

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

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

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

As at May 31, 2017, the total proceeds of flow-through funds were spent on eligible exploration expenses.

Warrants

A summary of the Company's warrant activities for the years ended May 31, 2017 and 2016 is presented below:

	Warrants #	Weighted average exercise price $
Outstanding, May 31, 2015	**-**	**-**
Granted	350,000	0.10
Expired/Forfeited	-	-
Outstanding, May 31, 2016	**350,000**	**0.10**
Warrants issued in flow-through financing (see above)	14,551,889	0.10
Broker warrants issued (see above)	1,376,560	0.10
Warrants assumed on completion of Arrangement (note 6)	33,643,000	0.06
Expired/Forfeited	-	-
Exercise of warrants	-	-
Outstanding, May 31, 2017	**49,921,449**	**0.07**

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

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

As at May 31, 2017, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
February 5, 2016	350,000	$0.10	February 5, 2019
July 27, 2016	14,551,889	$0.10	July 27, 2017
July 27, 2016	1,376,560	$0.10	July 27, 2017
May 19, 2017*	1,258,000	$0.05	August 29, 2019
May 19, 2017*	6,375,000	$0.08	December 23, 2020
May 19, 2017*	23,630,000	$0.06	September 15, 2021
May 19, 2017*	2,380,000	$0.06	October 11, 2021
	49,921,449	**$0.07**	

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

On July 27, 2017, 15,928,449 warrants expired unexercised.

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

Stock Options

As at May 31, 2017, 20,990,775 common shares were available for the grant of stock options to directors, officers, employees and service providers in connection with the Company's stock option plan (the "Plan"). The Plan is a 10% rolling option plan based on the number of common shares issued and outstanding. As at May 31, 2017, 15,770,000 options were outstanding with 20,990,775 exercisable and 5,220,775 left unallocated. Most stock options issued to date under the Plan vest in two installments over 12 months and expire five years from the date of grant unless specifically approved otherwise by the Board of Directors.

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

	Options #	Weighted average exercise price $
Outstanding, May 31, 2015	**14,150,000**	**0.10**
Granted	9,795,000	0.06
Expired/Forfeited	(5,950,000)	0.11
Outstanding, May 31, 2016	**17,995,000**	**0.07**
Granted	500,000	0.07
Assumed on completion of Arrangement (note 6)	13,812,500	0.06
Exercised	(575,000)	0.05
Expired/Forfeited	(2,150,000)	0.09
Outstanding, May 31, 2017	**29,582,500**	**0.07**
Options exercisable, May 31, 2017	**28,882,500**	**0.06**

On May 3, 2017, 575,000 options were exercised. The corresponding fair value of $22,243 was reclassified from equity reserves to issued capital.

During fiscal 2017, 2,150,000 (2016 – 5,950,000) options expired unexercised. The corresponding fair value of $146,400 (2016 - $598,810) was reclassified from equity reserves to accumulated deficit.

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

The following table sets out the details of the stock options granted and outstanding as at May 31, 2017. The weighted average share price input into the model for the granted options was $0.06.

Number of stock options	Number exercisable	Average Remaining contractual life	Exercise price per share	Expiry year (Calendar)
300,000	300,000	0.44 years	$0.15	2017
3,200,000	3,200,000	1.04 years	$0.08	2018
2,250,000	2,250,000	2.03 years	$0.08	2019
2,700,000	2,500,000	3.02 years	$0.05	2020
20,632,500	20,632,500	4.00 years	$0.06	2021
500,000	-	4.99 years	$0.07	2022
29,582,500	**28,882,500**	**3.42 years**		

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 number of stock options include 13,812,500 options associated with the Arrangement which are all exercisable as May 31, 2017.

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

The following table sets out the details of the valuation of stock option grants for the years ended May 31, 2016 and 2017:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
June 1, 2015	2,300,000	0.90%	Nil	97.3%	5 years
June 30, 2015	400,000	0.81%	Nil	97.2%	5 years
February 22, 2016	3,025,000	1.12%	Nil	103.3%	5 years
May 26, 2016	3,795,000	0.76%	Nil	102.2%	5 years
May 19, 2017*	9,775,000	0.85%	Nil	105.1%	
May 19, 2017*	1,062,500	0.85%	Nil	103.0%	
May 19, 2017*	2,550,000	0.95%	Nil	102.0%	
May 19, 2017*	425,000	0.95%	Nil	101.8%	
May 23, 2017	500,000	0.97%	Nil	100.9%	5 years

*May 19, 2017 reflects the date of acquisition of Orex Exploration Inc. with expected life between 3 and 5 years

Share-based compensation expense
The fair value of the stock options granted for the year ended May 31, 2017 was $26,150 (May 31, 2016 - $410,892). The fair value of options vested for the year ended May 31, 2017 was $181,225 (May 31, 2016 - $240,952), an amount which has been expensed as share-based compensation in the Consolidated Statement of Comprehensive Loss.

17. INCOME TAXES

Income tax expense
The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

The Canadian statutory income tax rate of 29.6% (2016 – 28.7%) is comprised of the federal income tax rate at approximately 15.0% (2016 – 15.0%) and the provincial income tax rate of approximately 14.6% (2016 – 13.7%).

	May 31 2017 $	**%**	May 31 2016 $	%
Income tax expense (recovery) at statutory rates	**(334,000)**	**30%**	(399,000)	29%
Change in tax rates	**(152,818)**	**14%**	6,000	0%
Flow through share expenditures	**603,000**	**-53%**	-	
Mining tax deduction	**(67,192)**	**6%**	(20,377)	1%
Other	**(374,630)**	**33%**	240,377	-17%
Non-deductible expenses for tax purposes:				
Share-based compensation	**54,000**	**-5%**	69,000	-5%
Newfoundland mining taxes	**226,640**	**-20%**	71,000	-5%
Change in unrecognized temporary differences	**2,520,000**	**-224%**	-	
Income taxes expense (recovery)	**2,475,000**	**-220%**	(33,000)	2%

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

The primary differences which give rise to the deferred income tax balances at May 31, 2017 and 2016 are as follows:

	May 31 2017 $	May 31 2016 $
Deferred income tax assets		
Temporary timing differences on non-current assets	**2,336,000**	1,711,000
Deductible financing fees	**78,000**	-
Capital loss carry forward	**219,000**	213,000
Asset retirement obligation	**792,000**	516,000
Operating losses carried forward	**1,729,000**	2,442,000
	5,154,000	4,882,000
Less: deferred tax assets not recognized	**(2,786,000)**	(266,000)
Net deferred tax assets	**2,368,000**	4,616,000

	May 31 2017 $	May 31 2016 $
Deferred income tax liability - Newfoundland mining tax		
Temporary timing differences on non-current assets	**2,485,000**	2,258,000

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company recognized deferred tax assets as at May 31, 2017 of $2,368,000 (May 31, 2016 - $4,616,000) as projections of income support the conclusion that the realizability of these deferred tax assets is probable.

The unamortized balance, for income tax purposes, of deductible financing fees is $39,000 (2016 - $nil).

The Company also has cumulative Canadian exploration and development expenditures of $24,473,773 (2016 - $18,971,800) that may be carried forward indefinitely.

As at May 31, 2017, the Company has non-capital loss carry-forwards expiring as follows:

	Canada $	**Chile $**	**Total $**
2031	6,281,632	-	6,281,632
Indefinite	-	6,905,463	6,905,463
	6,281,632	**6,905,463**	**13,187,095**

18. FINANCIAL INSTRUMENTS

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

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended May 31, 2017. Unless otherwise noted (i.e. restricted cash), the Company is not subject to externally-imposed capital requirements.

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

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

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

Liquidity Risk
The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables that are outstanding past their due dates. A maturity analysis was performed for all other financial liabilities in Note 20.

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

At May 31, 2017, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

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

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

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

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

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

19. RELATED PARTY TRANSACTIONS

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

For the year ended	**May 31 2017 $**	May 31 2016 $
Salaries, bonuses, fees and short term benefits	**746,621**	852,735
Share based compensation	**100,829**	188,925
	847,450	1,041,660

As at May 31, 2017, included in accounts receivable is $nil (May 31, 2016 - $23,319) receivable from directors and officers.

As at May 31, 2017, included in trade and other payables is $48,000 (May 31, 2016 - $54,000) of amounts due for directors' fees.

20. COMMITMENTS

Contractual obligations of the Company as at May 31, 2017 are as follows:

	1 year $	1 - 3 years $	More than 3 years $	**Total $**
Provincial government loan	76,410	159,862	126,373	**362,645**
Federal government loan	100,800	201,600	130,400	**432,800**
Capital leases and other loans	172,317	27,223	-	**199,540**
Unearned revenue	121,287	-	-	**121,287**
	470,814	388,685	256,773	**1,116,272**

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 May 31, 2017, 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 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, known as the Tenacity Property (Argyle), 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.
- The Froude Property (Argyle) is subject to an NSR of 3% to an aggregate sum of $3 million; once this threshold has been met and 200,000 ounces of gold has been sold also, the NSR decreases to 1%.
- The Company will pay Altius Resources a 2.5% NSR granted on the Viking Property.
- The Tilt Cove Property is subject to a 1% NSR to MEK on the sale of gold-bearing mineral products. Anaconda is also assuming an existing 2% NSR (the "Existing NSR") on one of the two licenses that comprises the Tilt Cove Property. 1% of the Existing NSR is purchasable for $1,250,000.

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

21. SUBSEQUENT EVENTS

In June 2017, the Company granted 3,450,000 stock options to certain directors, officers and managers, which have an exercise price of $0.06 and an expiry date of June 21, 2022.