Anaconda Mining

Condensed Consolidated Interim Financial Statements
Three and Nine Months Ended
February 29, 2016 and February 28, 2015
(Expressed in Canadian Dollars)

Management's responsibility for financial reporting

The accompanying financial statements (the "Financial Statements") of Anaconda Mining Inc. (the "Company" or "Anaconda") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 of the audited annual consolidated Financial Statements for the year ended May 31, 2015.

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

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

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

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

"Dustin Angelo"	"*Errol Farr*"
President and Chief Executive Officer	Chief Financial Officer
April 12, 2016	April 12, 2016

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Financial Position

(Canadian Dollars)

As at	**February 29 2016**	May 31 2015
	$	$
Assets		
Current assets		
Cash (note 2)	**889,527**	1,435,160
Trade and other receivables (note 3)	**59,513**	49,042
HST recoverable	**372,865**	181,150
Prepaid expenses and deposits	**327,941**	181,658
Inventory (note 4)	**3,188,716**	3,027,959
	4,838,562	4,874,969
Restricted cash (note 2)	**27,500**	593,000
Deferred income tax asset	**4,879,000**	4,881,000
Exploration and evaluation assets (note 5)	**4,950,601**	4,016,357
Production stripping assets (note 6)	**2,246,945**	1,045,958
Property, mill and equipment (note 7)	**11,885,630**	12,310,274
	28,828,238	27,721,558
Liabilities		
Current liabilities		
Trade and other payables (note 8)	**2,697,328**	2,954,190
Unearned revenue (note 9)	**606,100**	-
Current portion of loans (note 10)	**80,221**	18,350
	3,383,649	2,972,540
Loans (note 10)	**399,265**	42,404
Decommissioning liability (note 11)	**1,356,438**	1,311,393
	5,139,352	4,326,337
Shareholders' equity		
Share capital, warrants and share based compensation (note 12)	**33,975,640**	34,231,909
Deficit	**(10,286,754)**	(10,836,688)
	23,688,886	23,395,221
	28,828,238	27,721,558

Approved by the Board of Directors on April 12, 2016.

"Maruf Raza"
Director

"Lewis Lawrick"
Director

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Canadian Dollars)

	For the three months ended		For the nine months ended	
	February 29 2016	February 28 2015	**February 29 2016**	February 28 2015
	$	$	**$**	$
Revenue				
Gold sales	**4,988,063**	6,266,754	**17,571,939**	16,576,545
Cost of sales				
Mill operations	**1,790,224**	2,039,022	**5,273,838**	5,846,581
Mining costs	**1,813,772**	1,912,632	**6,290,925**	5,907,250
Net smelter royalty	**26,786**	187,430	**26,786**	494,332
Logistics	**21,790**	26,994	**134,391**	136,102
Project administration	**228,551**	203,491	**681,780**	617,411
Depletion and depreciation	**782,487**	1,233,576	**3,094,996**	3,267,132
	4,663,610	5,603,145	**15,502,716**	16,268,808
Gross margin	**324,453**	663,609	**2,069,223**	307,737
Expenses				
Corporate administration	**714,909**	474,300	**1,758,339**	1,451,126
Other revenues and expenses (note 14)	**24,143**	3,225	**65,937**	(276,747)
Write down of Chilean assets (note 14)	**-**	-	**-**	2,260,158
Share-based compensation (note 12)	**151,066**	19,821	**318,456**	119,018
Finance expense	**15,076**	97	**18,187**	433
Foreign exchange gain	**(744)**	(1,535)	**(18,205)**	(11,700)
Unrealized loss (gain) on forward sales contract derivative (note 17)	**-**	288,823	**(26,615)**	341,420
	904,450	784,731	**2,116,099**	3,883,708
Loss before income taxes	**(579,997)**	(121,122)	**(46,876)**	(3,575,971)
Current income tax expense	**-**	-	**-**	16,135
Deferred income tax recovery	**44,000**	(7,000)	**2,000**	(132,000)
Net loss and comprehensive loss for the period	**(623,997)**	(114,122)	**(48,876)**	(3,460,106)
Net loss per share - basic	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Net loss per share - fully diluted	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Weighted average number of shares				
- basic	**179,953,140**	179,878,963	**179,903,599**	179,878,963
- fully diluted	**181,215,337**	179,878,963	**181,224,876**	179,878,963

Anaconda Mining Inc.

Condensed Consolidated Interim Statement of Changes in Equity

(Canadian Dollars)

	Share capital		Share-based compensation	Warrants	Subtotal	Deficit	Total
	#	$	$	$	$	$	$
Balance at May 31, 2014	**179,878,963**	**33,133,525**	**1,641,294**	**-**	**34,774,819**	**(8,741,753)**	**26,033,066**
Share-based compensation from issuance of options	-	-	119,018	-	119,018	-	119,018
Net loss for the period	-	-	-	-	-	(3,460,106)	(3,460,106)
Balance at February 28, 2015	**179,878,963**	**33,133,525**	**1,760,312**	**-**	**34,893,837**	**(12,201,859)**	**22,691,978**
Share-based compensation from issuance of options	-	-	17,903	-	17,903	-	17,903
Expiry of stock options transferred to deficit	-	-	(679,831)	-	(679,831)	679,831	-
Net income for the period	-	-	-	-	-	685,340	685,340
Balance at May 31, 2015	**179,878,963**	**33,133,525**	**1,098,384**	**-**	**34,231,909**	**(10,836,688)**	**23,395,221**
Share-based compensation from issuance of options	-	-	318,456	-	318,456	-	318,456
Expiry of stock options transferred to deficit	-	-	(598,810)	-	(598,810)	598,810	-
Issuance of shares	250,000	12,500	-	-	12,500	-	12,500
Issuance of warrants	-	-	-	11,585	11,585	-	11,585
Net loss for the period	-	-	-	-	-	(48,876)	(48,876)
Balance at February 29, 2016	**180,128,963**	**33,146,025**	**818,030**	**11,585**	**33,975,640**	**(10,286,754)**	**23,688,886**

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Canadian Dollars)

For the nine months ended	**February 29 2016 $**	February 28 2015 $
Operations		
Net loss	**(48,876)**	(3,460,106)
Adjustments to reconcile net loss to cash flow from operating activities:		
Change in unearned revenue	**(151,494)**	-
Depletion and depreciation	**3,058,500**	3,224,058
Depreciation of stripping assets	**37,258**	153,421
Write down of Chilean assets	**-**	2,086,325
Share-based compensation expense	**318,456**	119,018
Deferred income tax recovery	**2,000**	(132,000)
Finance expense	**12,299**	-
Accretion of milestone payment receivable	**-**	(46,589)
Interest accretion of decomissioning liability	**45,045**	43,074
Unrealized loss (gain) on forward sales contract derivative	**(26,615)**	341,420
Unrealized foreign exchange gains	**-**	(135)
Net change in non-cash working capital items:		
Trade and other receivables	**(10,471)**	(344,796)
HST recoverable	**(191,715)**	142,059
Prepaid expenses and deposits	**(97,089)**	35,977
Inventory	**(152,536)**	(31,663)
Trade and other payables	**(230,247)**	177,621
Cash flow provided from operating activities	**2,564,515**	2,307,684
Financing		
Proceeds from gold financing agreement	**696,101**	-
Proceeds from government loan	**393,176**	-
Repayment of bank loan	**(5,794)**	(5,794)
Repayment of capital leases	**(23,910)**	(6,410)
Repayment of government loans	**-**	(89,106)
Cash flow used in financing activities	**1,059,573**	(101,310)
Investments		
Purchase of property, mill and equipment	**(2,586,817)**	(1,501,422)
Additions to production stripping assets	**(1,238,245)**	(353,988)
Purchase of exploration and evaluation assets	**(910,159)**	(1,450,888)
Restricted cash	**565,500**	2,726
Cash flow used in investing activities	**(4,169,721)**	(3,303,572)
Net decrease in cash	**(545,633)**	(1,097,198)
Cash at beginning of period	**1,435,160**	2,754,225
Cash at end of period	**889,527**	1,657,027
Supplemental cash flow information:		
Interest paid	**7,533**	3,525
Taxes paid	**-**	16,135

General

Corporate
The Company's principal business activities are gold mining and mineral exploration with operations in Canada. It is incorporated under the laws of Ontario. The Company's common shares are listed on the Toronto Stock Exchange under the ticker symbol "ANX". The Company's registered office is located at 150 York Street, Suite 410, Toronto, Ontario, M5H 3S5.

Point Rousse Project – Baie Verte Mining District, Newfoundland, Canada
The Company owns 100% of the Point Rousse Project ("Point Rousse"), covering 6,316 hectares on the Ming's Bight Peninsula, which is situated within the larger Baie Verte Peninsula on the north-central part of Newfoundland. Point Rousse includes an open pit mining operation (the "Pine Cove Pit") and complete mill infrastructure capable of processing approximately 400,000 tonnes of ore and producing approximately 16,000 ounces of gold in dore bars annually. Mill throughput is currently approximately 1,200 tonnes per day with a recovery rate of 85-87% at an average grade of 1.6 grams per tonne ("g/t").

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

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

1. Basis of preparation

Statement of compliance
The Company's Financial Statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. The Financial Statements should be read in conjunction with the Audited Annual Consolidated Financial Statements for the year ended May 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

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

- **IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")** was issued in May 2014 when the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15 to establish principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

- **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.

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

2. Cash and restricted cash

The Company's cash balances consist of cash on deposit with a Canadian Chartered bank totaling $889,527 (May 31, 2015 - $1,435,160).

Restricted cash balance consists of cash collateral of $27,500 to secure authorized limits for corporate credit cards. During the nine months ended February 29, 2016, long-term cash on deposit with a Canadian Chartered bank in interest-generating Guaranteed Investment Certificates totaling $565,500 was released from restricted cash by the Newfoundland and Labrador government (see note 11).

3. Trade and other receivables

The Company's trade and other receivables arise from five main sources: gold sales, royalty revenue, unrealized gain on non-hedged forward sales contract derivatives, accrued interest and trade receivables from related parties. The details of the Company's trade and other receivables are set out below:

As at	**February 29 2016 $**	May 31 2015 $
Gold sales receivable	**33,440**	20,458
Accrued interest	**495**	8,211
Other	**5,668**	8,378
Due from related parties	**19,910**	11,995
	59,513	49,042

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

As at	**February 29 2016 $**	May 31 2015 $
Less than 1 month	**33,440**	20,458
30-60 days	**5,668**	8,378
60+ days	**20,405**	20,206
	59,513	49,042

At February 29, 2016, the Company anticipates full recovery of the amount due from related parties therefore no impairment has been recorded. The credit risk on the receivables has been further discussed in note 18. The Company holds no collateral for any receivable amounts outstanding as at February 29, 2016.

4. Inventory

As at	**February 29 2016 $**	May 31 2015 $
Ore in stock piles	**1,354,674**	1,031,203
Raw materials	**330,392**	504,601
Work in progress	**1,148,650**	1,137,155
Parts inventory	**355,000**	355,000
	3,188,716	3,027,959

Cost of sales for the nine months ended February 29, 2016 of $15,502,716 (February 28, 2015 - $16,268,808) includes a credit of $23,258 (February 28, 2015 - $28,920) relating to the sale of silver by-product.

5. Exploration and evaluation assets

Properties	**Interest %**	**Balance as at May 31 2015 $**	**Option of mining property $**	**Expenditures $**	**Balance as at February 29 2016 $**
Newfoundland					
Point Rousse Project					
Pine Cove Lease Area	100	2,011,586	-	363,822	2,375,408
Tenacity	100	508,430	-	61,939	570,369
Fair Haven	100	233,389	-	11,207	244,596
Froude	100	58,026	-	4,085	62,111
Duffitt and Strong	100	50,839	-	17,020	67,859
Stog'er Tight	100	700,273	50,000	231,328	981,601
Deer Cove	100	451,464	50,000	10,317	511,781
Corkscrew	100	2,350	25,000	38,070	65,420
		4,016,357	125,000	737,788	4,879,145
Viking Project					
Viking Option	100	-	36,585	1,608	38,193
Kramer	100	-	25,000	-	25,000
Other	100	-	-	8,263	8,263
		-	61,585	9,871	71,456
		4,016,357	**186,585**	**747,659**	**4,950,601**

Properties	Interest %	Balance as at May 31 2014 $	Option of mining property $	Expenditures $	Transfers $	Balance as at May 31 2015 $
Newfoundland						
Point Rousse Project						
Pine Cove Lease Area	100	1,428,912	-	353,390	229,284	2,011,586
Tenacity	100	171,220	50,000	240,608	46,602	508,430
Fair Haven	100	47,398	-	179,290	6,701	233,389
Froude	100	23,107	-	34,919	-	58,026
Duffitt and Strong	100	29,668	-	21,171	-	50,839
Stog'er Tight	100	50,689	25,000	487,608	136,976	700,273
Deer Cove	100	95,691	25,000	260,031	70,742	451,464
Other		-	-	-	2,350	2,350
Regional (unallocated)	100	386,614	-	106,041	(492,655)	-
		2,233,299	**100,000**	**1,683,058**	**-**	**4,016,357**

Point Rousse Project

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

The current operating area of the Point Rousse Project comprises two contiguous mining leases (the “Pine Cove Property”) acquired from Tenacity totaling 660 hectares that contains the operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility. It is subject to two royalty agreements, the first with Tenacity, whereby the Company was required to pay Tenacity a net smelter royalty (“NSR”) of 3% of the metal sales from the mining lease to a maximum of $3 million. The Company fulfilled this obligation in fiscal 2015. The second is a Net Profits Interest (“NPI”) agreement with Royal Gold, Inc. (“Royal”) whereby the Company is required to pay Royal a royalty of 7.5% of the net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At February 29, 2016, the Company has determined it has approximately $36 million in expenditures deductible against future receipts.

Option Agreements

On May 7, 2012, the Company entered into a five-year property option agreement (the “Tenacity Agreement”) with Tenacity to acquire a 100%-undivided interest in 4 mineral exploration licenses (the "**Tenacity Property**") totaling 63 claims or approximately 1,540 hectares. The Tenacity Agreement requires the Company to pay to Tenacity $25,000 at closing (paid), an additional $275,000 in cash payments over the option period (of which $125,000 has been paid) and incur $750,000 in expenditures over the life of the option. At the Company’s option, 50% of the cash payments can be settled with the issuance of common shares, with value determined based on a weighted average of the 30 trading days preceding payment. The Tenacity Agreement also entitles Tenacity to a net smelter royalty (“NSR”) of 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter or at 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter, with a cap on the NSR of $3 million.

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

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

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

On November 13, 2013, the Company entered into a three-year property option agreement (the "Deer Cove Agreement") with 1512513 Alberta Ltd. ("Alberta"), a subsidiary of Coordinates, to acquire a 100%-undivided interest in one mining lease, a surface lease and three exploration licenses (the "**Deer Cove Property**") totaling 48 claims or approximately 1,200 hectares contiguous to the Point Rousse Project. The Deer Cove Agreement requires the Company to pay to Alberta $25,000 at closing (paid), an additional $175,000 in cash payments over the option period (of which $75,000 has been paid) and to incur $500,000 in expenditures over the life of the option. The Deer Cove Agreement also entitles Alberta to an NSR of 3%. The Company has the right to buy back 1.8% of the NSR for $1 million.

On November 13, 2013, the Company entered into a three-year property option agreement (the "Stog'er Tight Agreement") with Alberta to acquire a 100%-undivided interest in one mining lease and one surface lease (the "**Stog'er Tight Property**") totaling approximately 35 hectares contiguous to the Point Rousse Project. The Stog'er Tight Agreement requires the Company to pay to Alberta $25,000 at closing (paid), an additional $175,000 in cash payments over the option period (of which $75,000 has been paid) and to incur $500,000 in expenditures over the life of the option. The Stog'er Tight Agreement also entitles Alberta to an NSR of 3%. As at February 29, 2016, $26,786 is payable on the obligation. The Company has the right to buy back 1.8% of the NSR for $1 million.

On August 4, 2015, the Company entered into an option agreement with Seaside to acquire a 100%-undivided interest in one mining lease (the "**Corkscrew Property**"), totaling 346 hectares contiguous with the Point Rousse Project and is required to make aggregate payments to Seaside of $75,000 ($25,000 paid at closing) over a two-year period. Any future gold production from Corkscrew will be subject to a 2% net smelter royalty, capped at $2,000,000.

The Viking Project

On February 5, 2016 (the "Effective Date"), the Company entered into an option agreement with Spruce Ridge Resources Ltd. ("Spruce Ridge"), to acquire 100% undivided interest in the Viking Property, which contains the

Thor Deposit. On February 5, 2016, the Company also entered into a second option agreement with Spruce Ridge to acquire a 100% undivided interest in the Kramer Property, which is contiguous to Viking Property and contains numerous gold prospects and showings similar in geological character and setting to the Thor Deposit.

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

Option Agreements

To earn a 100% interest in the Viking Property, the Company is required to make aggregate payments to Spruce Ridge of $300,000 over a five-year period based on milestones to production ($25,000 paid at closing) including a final payment of $175,000 upon commencement of commercial production. The Company can pay all option payments at any time during the option period to earn its 100% interest. In addition, the Company 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 Effective Date. Further, the Viking Agreement provides for a 0.5% NSR to Spruce Ridge on the sale of gold from the Viking Property.

To earn a 100% 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 Effective Date. The Company also issued 250,000 common shares to Spruce Ridge and a 2% NSR to Spruce Ridge on the sale of gold from the Kramer Property. The NSR is capped at two and one-half million dollars ($2,500,000), after which, the NSR will be reduced to 1%. Anaconda is required to spend a total of $750,000 in qualified exploration expenditures on the Kramer Property during the option period.

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

As at February 29, 2016 and the financial statement report date, the Company had met all required property option commitments and accordingly the properties were in good standing.

6. Production stripping assets

As at	**February 29 2016 $**	May 31 2015 $
Opening balance	**1,045,958**	612,654
Additions	**1,238,245**	586,725
Depreciation	**(37,258)**	(153,421)
Closing balance	**2,246,945**	1,045,958

7. Property, mill and equipment

For the nine months ended February 29, 2016

	Cost beginning of period $	Additions $	Disposals/ transfers $	Cost end of period $
Property	14,806,583	2,385,870	(244,833)	16,947,620
Mill	7,624,486	263,337	-	7,887,823
Equipment	1,325,053	132,338	(38,398)	1,418,993
Property, mill and equipment in progress	1,343,062	2,717,736	(2,573,973)	1,486,825
	25,099,184	**5,499,281**	**(2,857,204)**	**27,741,261**

	Accumulated deprecation beginning of period $	Depreciation/ depletion $	Accumulated deprecation end of period $	Net book value $
Property	8,170,632	1,439,922	9,610,554	7,337,066
Mill	3,838,549	1,067,179	4,905,728	2,982,095
Equipment	779,729	559,620	1,339,349	79,644
Property, mill and equipment in progress	-	-	-	1,486,825
	12,788,910	**3,066,721**	**15,855,631**	**11,885,630**

For the year ended May 31, 2015

	Cost beginning of year $	Additions $	Disposals/ transfers $	Cost end of year $
Property	14,617,417	197,308	(8,142)	14,806,583
Mill	7,213,957	412,495	(1,966)	7,624,486
Equipment	1,163,776	166,583	(5,306)	1,325,053
Property, mill and equipment in progress	358,216	2,135,104	(1,150,258)	1,343,062
	23,353,366	**2,911,490**	**(1,165,672)**	**25,099,184**

	Accumulated deprecation beginning of year $	Depreciation/ depletion $	Accumulated deprecation end of year $	Net book value $
Property	5,499,256	2,671,376	8,170,632	6,635,951
Mill	2,517,777	1,320,772	3,838,549	3,785,937
Equipment	510,917	268,812	779,729	545,324
Property, mill and equipment in progress	-	-	-	1,343,062
	8,527,950	**4,260,960**	**12,788,910**	**12,310,274**

8. Trade and other payables

As at	**February 29 2016 $**	May 31 2015 $
Trade payables	**2,052,337**	2,184,196
Accrued liabilities	**350,136**	391,262
Accrued payroll costs	**294,855**	378,732
	2,697,328	2,954,190

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

9. Gold financing agreement

On December 18, 2015, the Company entered into an agreement with Auramet International LLC ("Auramet") through which Auramet paid USD$500,000 (USD$980 per ounce) (the "Prepayment Amount"), less fees, to Anaconda in exchange for 510 ounces of gold. Anaconda will deliver these ounces to Auramet in 10 deliveries of 51 ounces per month from January to October 2016. The Prepayment Amount was priced based on a spot price on December 18, 2015 of USD$1,067 per ounce. Anaconda also agrees to sell 100% of its production through Auramet until December 18, 2016. Unearned revenue yet to be recognized as at February 29, 2016 is CAD$606,100. In addition, Auramet has the option to purchase 1,800 ounces at a strike price of USD$1,250 on December 30, 2016.

10. Loans

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

As at	**February 29 2016 $**	May 31 2015 $
ACOA Loan	**393,176**	-
Bank loan	**25,751**	31,545
Capital leases	**60,559**	29,209
	479,486	60,754
Less: current portion	**80,221**	18,350
Non-current portion	**399,265**	42,404

The ACOA loan is non-interest bearing to a maximum of $500,000. The total outstanding amount as at September 30, 2016 will be repayable in 60 equal installments commencing October 1, 2016.

The balance is made up as follows:

As at	**February 29 2016 $**	May 31 2015 $
Principal balance repayable	**393,176**	-
Less: current portion	**32,765**	-
Non-current portion	**360,411**	-

Bank loan, due July 2019, is non-interest bearing and repayable in 72 monthly payments of $644.

The balance is made up as follows:

As at	**February 29 2016 $**	May 31 2015 $
Principal balance repayable	**25,751**	31,545
Less: current portion	**7,725**	7,725
Non-current portion	**18,026**	23,820

The Company has two capital leases payable. The first, due October 1, 2017, is repayable in 39 monthly payments of $1,242 commencing on July 4, 2014. Remaining net minimum lease payments are $24,840 with total interest of $3,424 resulting in a present value of net minimum capital lease payments of $21,416. The second, due July 1, 2017, is repayable in 24 monthly payments of $2,303 which commenced on August 1, 2015. Remaining net minimum lease payments are $39,143 with total interest of $nil.

The total balances are made up as follows:

As at	**February 29 2016 $**	May 31 2015 $
Principal balance repayable	**60,559**	29,209
Less: current portion	**39,731**	10,625
Non-current portion	**20,828**	18,584

11. Decommissioning liability

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

As at	**February 29 2016 $**	May 31 2015 $
Opening balance	**1,311,393**	1,253,961
Interest accretion	**45,045**	57,432
Closing balance	**1,356,438**	1,311,393

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. The provision for reclamation is provided against the Company's operations at Pine Cove and Stog'er Tight and is based on the project plan approved by the Newfoundland and Labrador government.

In concert with the Company's decommissioning liabilities, the Company has entered into agreement with an insurance company to provide a surety bond for $1,942,840 to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan which may only be lifted by the Newfoundland and Labrador government.

12. Capital stock

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

Warrants
On February 5, 2016, the Company issued purchase warrants to Spruce Ridge entitling them to acquire 350,000 common shares; exercisable at $0.10 per share and having a three year expiry date. There were no outstanding warrants as at May 31, 2015.

The following table sets out the details of the outstanding warrants for the year ended May 31, 2015 and the nine months ended February 29, 2016:

Date of grant	Number of warrants	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
February 5, 2016	350,000	-	2.95 years	$0.10	February 5, 2019

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.

Options
As at February 29, 2016, 18,012,896 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 February 29, 2016, 13,925,000 options were outstanding with 12,425,000 exercisable and 4,087,896 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, 2014	**14,930,000**	**0.12**
Granted	2,550,000	0.08
Expired/Forfeited	(3,330,000)	0.20
Outstanding, May 31, 2015	**14,150,000**	**0.10**
Granted	5,725,000	0.05
Expired/Forfeited	(5,950,000)	0.11
Outstanding, February 29, 2016	**13,925,000**	**0.09**
Options exercisable, February 29, 2016	**12,425,000**	**0.07**

The following table sets out the details of the stock options granted and outstanding as at February 29, 2016:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
150,000	150,000	0.41 years	$0.08	July 26, 2016
500,000	500,000	0.91 years	$0.09	January 27, 2017
1,500,000	1,500,000	0.97 years	$0.10	February 17, 2017
300,000	300,000	1.70 years	$0.15	November 8, 2017
2,800,000	2,800,000	2.25 years	$0.08	May 29, 2018
400,000	400,000	2.62 years	$0.08	October 9, 2018
2,250,000	2,250,000	3.29 years	$0.08	June 10, 2019
300,000	150,000	4.19 years	$0.05	May 4, 2020
2,300,000	1,150,000	4.27 years	$0.05	June 1, 2020
400,000	200,000	4.35 years	$0.05	June 30, 2020
3,025,000	3,025,000	5.00 years	$0.06	February 22, 2021
13,925,000	**12,425,000**	**3.12 years**		

The following table sets out the details of the valuation of stock option grants for the year ended May 31, 2015 and the nine months ended February 29, 2016:

Date of grant	Number	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
June 10, 2014	2,250,000	1.60%	Nil	97.9%	5 years
May 4, 2015	300,000	1.07%	Nil	97.7%	5 years
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

Share-based compensation expense

The fair value of the stock options granted for the nine months ended February 29, 2016 was $227,335 (February 28, 2015 - $132,750). The fair value of options vested for the nine months ended February 29, 2016 was $318,456 (February 28, 2015 - $119,018), an amount which has been expensed as share-based compensation in the statement of comprehensive income.

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

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

For the nine months ended	**February 29 2016 $**	February 28 2015 $
Salaries and short term benefits [1]	**458,097**	470,232
Share based payments [2]	**261,469**	80,950
	719,566	551,182

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

[2] Includes share based payments vested during the period

As at February 29, 2016, included in trade and other payables is $44,250 (February 28, 2015 - $40,750) of amounts due for directors' fees.

14. Chilean mining interest

On December 7, 2011, the Company announced that, pursuant to an agreement, it had closed the sale of its Chilean mining interest to Hierro Tal Tal S.A. ("Tal Tal") for consideration of the following:

	US$
Payment in cash at closing (received)	2,000,000
Payment in cash on May 31, 2012 (received)	2,000,000
Contingent payments:	
At Commercial Production	
30 days after first shipment of production from the first producing property (received)	1,000,000
30 days after first shipment of production from the second producing property or two years from first production of the first producing property (due no later than May 20, 2015)[1]	2,000,000
Sales Price Payments:	
Based on the selling price of the initial 900,000 tonnes of iron ore (between US$90 and US$150 per tonne) from the first producing property ($80,000 received)	250,000 – 2,000,000
Based on the earlier of: selling price of the initial 900,000 tonnes of iron ore (between US$90 and US$150 per tonne) from the second producing property or selling price from the 1,800,000 – 2,700,000 tonnes of the first producing property	250,000 – 2,000,000
	7,500,000 – 11,000,000

[1] In the event the second producing property does not go into production, the milestone payment may be deferred for a period up to five years or thirty days after the first shipment from the second producing property, bearing interest at 5%.

During fiscal 2014, the Company received its first Commercial Production milestone payment of US$1 million. It also recognised the second payment of US$2 million that was due no later than May 20, 2015 as a milestone payment receivable discounted at 10%. The Company also began receiving a gross sales royalty of 0.80% of iron ore product sold from the property and sales price-related milestone payments.

During fiscal 2015, the Company recorded an impairment charge of $2,210,158 upon completion of its assessment of the carrying value of the milestone and royalty payment receivable. The non-cash impairment charge was mainly a result of Tal Tal's inability to make future royalty, sales price and milestone payments. See note 15.

On closing of the sale, the Company received a 1.25% carried interest in Compania Portuaria Tal Tal S.A. The Company designated this investment as available for sale. During fiscal 2015, the Company recorded an impairment charge of $50,000 upon completion of its assessment of the carrying value of the investment. The non-cash impairment charge was mainly a result of the deferral of the potential construction and operation of the port, projected to be used by Tal Tal.

15. Segmented information

The Company has identified its reportable operating segments based on the information used by management to make operating decisions. The Company primarily manages its business by looking at the geographical location that segregates its operations.

As at		**February 29 2016**		May 31 2015
	Non-current assets	**Total assets**	Non-current assets	Total assets
	$	**$**	$	$
Canada	**23,989,676**	**28,822,362**	22,846,589	27,619,577
Chile	**-**	**5,876**	-	101,981
	23,989,676	**28,828,238**	22,846,589	27,721,558

For the nine months ended		**February 29 2016**		February 28 2015
	Canada	**Chile**	Canada	Chile
Revenue segments	**$**	**$**	$	$
Gold sales	**17,571,939**	**-**	16,576,545	-
Royalty revenue	-	**-**	-	260,952
Accretion income	-	**-**	-	46,589
Foreign exchange gain	-	**-**	-	135
Chile expenses	-	**(65,937)**	-	(30,929)
	17,571,939	**(65,937)**	16,576,545	276,747
Supplemental information				
Write down of Chilean assets	**-**	**-**	-	2,260,158

16. Capital management

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

The Company's mining operations are currently producing cash flow to fund ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements and other contractual obligations. The Company intends to supplement its cash flow and raise such funds as and when required to complete its projects as they arise. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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 nine months ended February 29, 2016. Unless otherwise noted (i.e. restricted cash), the Company is not subject to externally-imposed capital requirements.

17. Financial instruments

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

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

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

At February 29, 2016, the Company did not have any forward gold contracts outstanding.

18. Property and financial instrument risk factors

Property risk
The Company's major operating project is its Point Rousse Project. Unless the Company acquires and/or develops additional mineral properties, the Company will be mainly dependent upon Point Rousse. Any adverse developments affecting this operation would have a material adverse effect on the Company's financial condition and results of operations.

Credit risk
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash and trade and other receivables and a milestone payment receivable. Cash is held with a tier-1 Canadian Chartered bank; as such, management believes the risk of loss to be minimal. Trade receivables consist of amounts due from the Company's metals broker regarding processed gold and silver en route to the broker. Management believes the credit risk associated with its trade receivables to be remote as the counter-party is a well-capitalized international metals merchant. No bad debts were incurred during the nine months ended February 29, 2016 and February 28, 2015.

Liquidity risk
Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at February 29, 2016, the Company had positive working capital of $1,454,913 (May 31, 2015 – $1,902,429). The Company utilizes the cash flow generated from the Point Rousse Project's operations throughout the year for its working capital requirements. If necessary, the Company may seek further financing for capital projects or general working capital purposes. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

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

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

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

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