



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
Gold		7,353,288	10,523,639
Silver		6,620	11,382
Total revenue		7,359,908	10,535,021
Cost of operations			
Operating expenses	2	7,920,122	5,939,601
Royalty expense	3	187,494	49,196
Depletion and depreciation		553,921	912,802
		8,661,537	6,901,599
Mine operating (loss) income		(1,301,629)	3,633,422
Expenses and other income			
Corporate administration		951,088	860,179
Share of loss from equity accounted investments	10	196,518	-
Share-based compensation expense	14	153,649	104,676
Finance expense		44,098	72,040
Other income	4	(131,477)	(53,400)
		1,213,876	983,495
(Loss) income before income taxes		(2,515,505)	2,649,927
Current income tax expense	16	30,345	352,528
Deferred income tax (recovery) expense		(49,000)	826,000
		(18,655)	1,178,528
Net (loss) income and comprehensive (loss) income for the period		(2,496,850)	1,471,399
Net (loss) income per share - basic and fully diluted	15	(0.02)	0.01
Weighted average number of shares outstanding			
- basic		164,273,695	136,060,584
- fully diluted		164,273,695	136,552,655



Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

As at		March 31, 2021	December 31, 2020
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		14,546,403	14,634,595
Restricted cash	5	208,838	208,838
Trade and other receivables	6	587,590	585,580
Inventory	7	5,744,716	6,830,360
Prepaid expenses and deposits		598,346	705,503
		21,685,893	22,964,876
Non-current assets			
Restricted cash		67,790	79,790
Property, mill and equipment	9	10,484,615	10,398,054
Exploration and evaluation assets	8	48,277,307	44,804,280
Equity accounted investments	10	2,953,453	3,149,971
		83,469,058	81,396,971
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	11	6,331,023	4,796,494
Current portion of loans	12	1,855,229	1,889,080
Current portion of decommissioning liability	13	101,186	101,107
Flow-through premium	14	44,812	186,874
Advances	17	164,850	189,850
Current taxes payable	16	1,893,345	1,863,000
		10,390,445	9,026,405
Non-current liabilities			
Loans	12	313,880	753,675
Deferred income tax liability	16	3,344,000	3,393,000
Decommissioning liability	13	3,426,006	3,382,965
		17,474,331	16,556,045
Shareholders' equity			
Share capital, warrants and equity reserves	14	74,037,131	70,386,480
Accumulated deficit		(8,042,404)	(5,545,554)
		65,994,727	64,840,926
		83,469,058	81,396,971

Approved by the Board of Directors on May 5, 2021

"Mary-Lynn Oke"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 21)



The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
Operating activities			
Net (loss) income		(2,496,850)	1,471,399
Adjustments to reconcile net (loss) income to cash flow from operating activities:			
Depletion and depreciation		553,921	912,802
Write-down of inventory to net realizable value	7	2,471,000	-
Share of loss from equity accounted investments	10	196,518	-
Share-based compensation expense	14	153,649	104,676
Current income tax expense	16	30,345	352,528
Deferred income tax (recovery) expense		(49,000)	826,000
Deferred premium on flow-through shares	14	(142,062)	(167,676)
Interest accretion of decommissioning liability	13	2,350	3,066
Change in fair value of marketable securities		-	69,159
Change in non-cash working capital	18	(183,832)	808,171
Cash flow provided from operating activities		536,039	4,380,125
Investing activities			
Additions of property, mill and equipment	9	(786,169)	(659,342)
Additions of exploration and evaluation assets	8	(2,826,542)	(1,096,630)
Decrease in restricted cash		12,000	-
Proceeds from sale of marketable securities		-	69,961
Cash flow used in investing activities		(3,600,711)	(1,686,011)
Financing activities			
Proceeds from exercise of warrants	14	2,828,737	-
Proceeds from exercise of stock options	14	621,389	-
Repayment of loans	12	(473,646)	(615,494)
Cash flow provided from (used in) financing activities		2,976,480	(615,494)
Net (decrease) increase in cash		(88,192)	2,078,620
Cash at beginning of period		14,634,595	4,351,588
Cash at end of period		14,546,403	6,430,208

Supplemental cash flow information (Note 18)



The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

Anaconda Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - expressed in Canadian Dollars, except share information)

	Notes	Share capital		Equity	Warrants	Accumulated	Total
		Number of shares	Issued capital	reserves		deficit	
			\$	\$	\$	\$	\$
Balance at December 31, 2019		135,216,962	57,810,013	2,270,867	2,661,575	(14,408,880)	48,333,575
Share-based compensation from issuance of share units	14	-	-	95,216	-	-	95,216
Redemption of share units	14	460,750	131,034	(131,034)	-	-	-
Share-based compensation from issuance of options	14	-	-	10,702	-	-	10,702
Expiry of stock options transferred to deficit	14	-	-	(111,983)	-	111,983	-
Issuance of shares for property acquisition	8	52,724	12,000	-	-	-	12,000
Net income for the period		-	-	-	-	1,471,399	1,471,399
Balance at March 31, 2020		135,730,436	57,953,047	2,133,768	2,661,575	(12,825,498)	49,922,892
Balance at December 31, 2020		153,953,798	67,008,392	1,793,871	1,584,217	(5,545,554)	64,840,926
Share-based compensation from issuance of share units	14	-	-	93,131	-	-	93,131
Redemption of share units	14	176,481	37,395	(37,395)	-	-	-
Share-based compensation from issuance of options	14	-	-	62,394	-	-	62,394
Exercise of stock options	14	2,677,750	1,160,508	(539,119)	-	-	621,389
Exercise of warrants	14	6,306,915	3,213,900	-	(385,163)	-	2,828,737
Issuance of shares for property acquisition	8	64,917	45,000	-	-	-	45,000
Net loss for the period		-	-	-	-	(2,496,850)	(2,496,850)
Balance at March 31, 2021		163,179,861	71,465,195	1,372,882	1,199,054	(8,042,404)	65,994,727

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Anaconda Mining Inc. (individually, or collectively with its subsidiaries, as applicable, “Anaconda” or the “Company”) is a gold mining, development, and exploration company, with operations focused in Atlantic Canada. The Company operates mining and milling operations in the prolific Baie Verte Mining District of Newfoundland, which includes the fully-permitted Pine Cove Mill, tailings facility and deep-water port, as well as ~15,000 hectares of highly prospective mineral lands including those adjacent to the past-producing, high-grade Nugget Pond Mine at its Tilt Cove Gold Project. Anaconda is also developing the Goldboro Gold Project in Nova Scotia, a large high-grade resource, and the subject of an on-going feasibility study.

Anaconda is incorporated in Canada under the laws of Ontario. The Company’s common shares are listed on the Toronto Stock Exchange under the ticker symbol “ANX”. The Company’s head office and registered office is located at 20 Adelaide St. East, Suite 915, Toronto, ON M5C 2T6.

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Since the condensed interim consolidated financial statements do not include all disclosure required by IFRS for annual financial statements, they should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2020.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value.

These condensed interim consolidated financial statements were approved by the Company’s Board of Directors on May 5, 2021.

These condensed interim consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), Colorado Minerals Inc. (Canada), Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly “La Veta”), and the Company’s equity accounted investments in Novamera Inc. (“Novamera”) and Magna Terra Minerals Inc. (“Magna Terra”). All inter-company transactions and balances are eliminated on consolidation.

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended December 31, 2020.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The significant accounting judgments, estimates, and assumptions in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in note 3 of the Company’s audited consolidated financial statements as at and for the year ended December 31, 2020, except for the following:

COVID-19 Pandemic

The 2019 novel coronavirus (“COVID-19”) was characterized as a global pandemic by the World Health Organization on March 11, 2020. Point Rouse continues to operate and to the Company’s knowledge, no employees, contractors, or consultants directly involved with Anaconda, whether at corporate or at site, have been diagnosed with COVID-19. Strict health and safety protocols, including social distancing, remain in place and are continually reviewed based on recommendations from medical authorities. The Company has prepared contingency plans in the event that certain scenarios should occur, such as a temporary shutdown, and has proactively maintained financial flexibility during this period of unprecedented uncertainty.

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company’s condensed interim consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern, life of mine estimates, and the carrying values of the Company’s property, mill, and

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

equipment assets and exploration and evaluation assets. Based on management's judgment, as at the date of these condensed interim consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgements in the future.

2. OPERATING EXPENSES

	Three months ended March 31, 2021	Three months ended March 31, 2020
	\$	\$
Mining costs	3,086,588	2,472,545
Processing costs (including refining and transport)	3,025,460	2,465,836
Mine support costs	452,629	363,896
Inventory adjustment	(1,115,555)	637,324
Write-down of inventory to net realizable value (note 7)	2,471,000	-
	7,920,122	5,939,601

Mining, processing and mine support costs noted above are prior to the allocation of costs to inventory. The inventory adjustment reflects an allocation of mining, processing and mine support costs to the ore stockpiles, gold-in-circuit and finished goods inventory.

3. ROYALTY EXPENSE

During the three months ended March 31, 2021, a royalty expense of \$187,494, reflecting the net smelter return of 3% payable to a third party on gold sold from the Argyle Property was recorded on the condensed interim consolidated statement of comprehensive (loss) income (three months ended March 31, 2020 – \$49,196, reflecting the net smelter return of 3% payable to a third party on gold sold from the Stog'er Tight Property).

4. OTHER INCOME

	Three months ended March 31, 2021	Three months ended March 31, 2020
	\$	\$
Deferred premium on flow-through shares	(142,062)	(167,676)
Research and development	19,156	52,720
Interest income	(10,153)	(9,720)
Foreign exchange loss	1,582	2,117
Change in fair value of marketable securities	-	69,159
	(131,477)	(53,400)

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

5. RESTRICTED CASH

In July 2019, the Company began shipping bulk sample material from Goldboro to the Point Rouse Complex in Newfoundland, to be processed at the Pine Cove Mill. Anaconda had engaged with NIL Group Limited ("NIL") to ship the bulk sample. On July 23, 2019, the Company announced that NIL filed a Statement of Claim (the "Claim"), alleging that the Company is responsible for certain additional costs in relation to the shipment. As a result, NIL has issued and served an arrest warrant with respect to approximately 1,000 tonnes ("Arrested Ore") which were yet to be discharged from the barge at the time of filing of the Claim, from a total initial delivery of 3,900 tonnes. The Company considers the Claim to be without merit and on August 16, 2019, the Company filed its Statement of Defense and Counterclaim against NIL and its principals, alleging, among other things, contractual breach, negligent and/or fraudulent misrepresentation, and fraudulent deceit. In October 2019, the Company obtained a court order in order to process the Arrested Ore on condition that the proportional gross proceeds would be deposited into an escrow account. As at March 31, 2021, \$208,838 was recorded as restricted cash on the condensed interim consolidated statement of financial position representing the proportional gross proceeds related to the Arrested Ore, which is being held in an escrow account pending further court proceedings. As at March 31, 2021, the Company had been named as a third-party defendant in a separate claim filed by a supplier which was engaged by NIL. The Company had no contractual relationship with the plaintiff and consequently the Company considers the claim to be without merit and has filed a Statement of Defense against the claim.

6. TRADE AND OTHER RECEIVABLES

	March 31, 2021	December 31, 2020
	\$	\$
HST receivable	506,220	448,082
Other receivables and accrued interest	7,392	55,886
Due from related parties	73,978	81,612
	587,590	585,580

As at March 31, 2021, included in trade and other receivables is \$73,978 (December 31, 2020 - \$81,612) of amounts charged under the service level agreement with Magna Terra (note 20).

7. INVENTORY

	March 31, 2021	December 31, 2020
	\$	\$
Gold dore	22,000	681,000
Gold-in-circuit	2,430,000	1,648,000
Ore in stockpiles	1,696,000	3,024,000
Supplies and consumables	1,596,716	1,477,360
	5,744,716	6,830,360

As at March 31, 2021, inventory balances included a \$2,471,000 (December 31, 2020 - \$nil) write-down to the net realizable value of gold-in-circuit and ore in stockpiles.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

8. EXPLORATION AND EVALUATION ASSETS

Properties	Balance as at December 31, 2020 \$	Payments under option agreements* \$	Expenditures/ acquisition* \$	Transfers \$	Write-offs \$	Balance as at March 31, 2021 \$
Goldboro Project, Nova Scotia	36,948,906	45,000	1,801,241	-	-	38,795,147
Point Rouse Project, Newfoundland	4,935,236	-	762,408	-	-	5,697,644
Tilt Cove Project, Newfoundland	2,920,138	50,000	814,378	-	-	3,784,516
	44,804,280	95,000	3,378,027	-	-	48,277,307

* As at March 31, 2021, \$1,938,917 of expenditures/payments were in trade payables and accrued liabilities.

Properties	Balance as at December 31, 2019 \$	Payments under option agreements \$	Expenditures/ acquisition* \$	Transfers \$	Write-offs \$	Balance as at December 31, 2020 \$
Goldboro Project, Nova Scotia	32,238,426	10,000	4,715,790	-	(15,310)	36,948,906
Point Rouse Project, Newfoundland	6,951,675	-	1,462,896	(3,479,335)	-	4,935,236
Tilt Cove Project, Newfoundland	1,296,781	212,425	1,410,932	-	-	2,920,138
Great Northern Project, Newfoundland	2,100,758	-	-	(2,100,758)	-	-
Cape Spencer, New Brunswick	166,701	-	-	(166,701)	-	-
	42,754,341	222,425	7,589,618	(5,746,794)	(15,310)	44,804,280

* As at December 31, 2020, \$1,333,720 of expenditures/payments were in trade payables and accrued liabilities.

As at March 31, 2021, 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 21. As at December 31, 2020, the Company had transferred the Argyle exploration and evaluation assets to property, mill and equipment ("PME") as the Company commenced development of Argyle in the year ended December 31, 2020.

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

- On February 27, 2019, the Company entered into an option agreement with Crosby Gold Ltd. ("Crosby") to acquire a 100%-undivided interest in the Lower Seal Harbour Property, which is located 5 kilometres southeast of the Company's Goldboro deposit. To earn a 100%-undivided interest, the Company is required to make aggregate payments to Crosby of \$95,000 (of which \$55,000 has been paid) in cash and \$85,000 in common shares of Anaconda (of which \$45,000 in common shares has been issued) over a three-year period. The Company is also required to spend a total of \$150,000 in qualified exploration expenditures on the Lower Seal Harbour Property during the option period.
- On May 17, 2019, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in the Country Harbour Property, which is located 15 kilometres northwest of the Company's Goldboro deposit. During the year ended December 31, 2020, the Company terminated the option agreement and recorded a write-down of \$15,310 on the Country Harbour Property.

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

Tilt Cove Project – The Tilt Cove Project is comprised of exploration stage assets including highly prospective geology for gold deposits.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

- During the year ended December 31, 2020, the Company entered into an option agreement with local prospectors to acquire a 100%-undivided interest in a total of 76 claims, collectively the “Nippers Harbour Property”, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of \$135,000 (of which \$10,000 has been paid) in cash and \$85,000 in common shares of Anaconda (of which \$5,000 in common shares have been issued) over a four-year period.
- During the year ended December 31, 2020, the Company entered into an option agreement with a local prospector to acquire a 100%-undivided interest in a total of 10 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospector of \$30,000 (of which \$10,000 has been paid) in cash and \$45,000 in common shares of Anaconda (of which \$10,000 in common shares have been issued) over a two-year period.
- During the year ended December 31, 2019, the Company entered into option agreements with local prospectors to acquire a 100%-undivided interest in a total of 93 claims, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest, the Company is required to make aggregate payments to the prospectors of \$271,000 (of which \$88,500 has been paid) in cash and \$169,500 in common shares of Anaconda (of which \$52,000 in common shares have been issued) over a four-year period.
- During the year ended December 31, 2018, Anaconda entered into option agreements with three local prospectors to acquire a 100%-undivided interest in a total of 48 claims, collectively the “Betts Cove Property”, which are adjacent to the Tilt Cove Property. To earn a 100%-undivided interest in the Betts Cove Property, the Company is required to make aggregate payments to the prospectors of \$100,000 (all of which has been paid) in cash and \$15,000 in common shares of Anaconda (all of which have been issued) over a two-year period.
- On November 8, 2016, Anaconda entered into an option agreement with Metals Creek Resources Corp. (“MEK”) to acquire a 100%-undivided interest in the Tilt Cove Property located 60 kilometres east of the Company’s Point Rousse Project. To earn a 100%-undivided interest in the Tilt Cove Property, the Company is required to make aggregate payments to MEK of \$200,000 (all of which has been paid) in cash and 175,000 common shares of Anaconda (all of which have been issued) over a four-year period. The Company is also required to spend a total of \$150,000 in qualified exploration expenditures on the Tilt Cove Property during the option period.

9. PROPERTY, MILL AND EQUIPMENT

For the period ended March 31, 2021

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	36,130,956	12,569,927	3,550,735	368,205	52,619,823
Additions*	395,803	101,619	154,492	141,504	793,418
Transfers	-	1,538	150,455	(151,993)	-
	36,526,759	12,673,084	3,855,682	357,716	53,413,241
Accumulated depreciation					
Beginning of year	30,658,313	9,395,783	2,167,673	-	42,221,769
Depreciation/depletion	474,609	150,407	81,841	-	706,857
	31,132,922	9,546,190	2,249,514	-	42,928,626
Net book value	5,393,837	3,126,894	1,606,168	357,716	10,484,615

* As at March 31, 2021, \$213,985 of additions were in trade payables and accrued liabilities. During the three months ended March 31, 2021, \$nil of PME additions were financed through leases.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

For the year ended December 31, 2020

Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	30,115,869	11,290,205	3,201,605	805,100	45,412,779
Additions*	2,269,704	483,215	369,078	625,660	3,747,657
Transfers	3,745,383	796,507	-	(1,062,555)	3,479,335
Disposals	-	-	(19,948)	-	(19,948)
	36,130,956	12,569,927	3,550,735	368,205	52,619,823
Accumulated depreciation					
Beginning of year	28,006,703	8,506,470	1,845,949	-	38,359,122
Depreciation/depletion	2,651,610	889,313	341,672	-	3,882,595
Disposals	-	-	(19,948)	-	(19,948)
	30,658,313	9,395,783	2,167,673	-	42,221,769
Net book value	5,472,643	3,174,144	1,383,062	368,205	10,398,054

* As at December 31, 2020, \$213,985 of additions were in trade payables and accrued liabilities. During the year ended December 31, 2020, \$123,390 of PME additions were financed through leases.

Indicators of impairment

When an impairment indicator of property, mill, and equipment exists, an impairment assessment is conducted at the level of the cash generating unit ("CGU") (a group of assets that generate independent cash inflows). An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount.

During the three months ended March 31, 2021, management identified impairment indicators due to a decrease in mined grade in comparison to the mine plan due to higher mining dilution, which has resulted in a downward adjustment to the top-cut parameter to better reflect the actual results from mining at the Argyle mine and the resulting mill reconciliation. As a result, management performed an impairment assessment on the Point Rouse CGU, including the Argyle mine, as at March 31, 2021. The recoverable amount of the CGU was based on a value in use method using the discounted cash flow model. The determination of the recoverable amounts included the following significant assumptions: quantities of recoverable reserves and resources, future metal prices, capital and operating costs and discount rates. No impairment charge was required for the Point Rouse CGU because its recoverable amount exceeded the carrying amount.

The model is most sensitive to the estimated short and long-term gold prices. Using the 7.5% discount rate, as disclosed below, a 1.9% decrease in estimated future gold prices would result in a break-even point.

Key assumptions

The Company's key assumptions used in determining the recoverable amount of the Point Rouse CGU, including the Argyle mine, are metal prices, operating costs, capital costs, reserves and resources, and discount rates.

The gold price used to calculate recoverable amounts as at March 31, 2021 is based on analysts' consensus prices and were a short-term gold price of C\$2,100 and a long-term gold price of C\$2,000. Operating costs and sustaining capital expenditures are based on life-of-mine plans and forecasts using management's best estimates as at March 31, 2021. Future mineral production is included in projected cash flows based on mineral reserve and resources estimates and exploration and evaluation work, undertaken by qualified persons. Discount rates used for the present value of the life of mine cash flow are based on weighted average cost of capital for similar companies and adjusted for risk and current market information. The Company has used a 7.5% discount rate for the period ended March 31, 2021.

At March 31, 2021, the Company assessed that there were not any additional indicators of impairment that would require the Company to perform an impairment test. Accordingly, no impairment was recorded as at March 31, 2021.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

Right-of-use assets

The Company leases various assets including buildings, machinery, and equipment, and vehicles. The following table summarizes the changes in right-of-use assets within property, mill and equipment:

	Property	Mill and Infrastructure	Equipment	Total
	\$	\$	\$	\$
As at January 1, 2020	44,468	319,845	517,079	881,392
Additions	-	-	123,390	123,390
Depreciation	(22,352)	(113,620)	(143,851)	(279,823)
As at December 31, 2020	22,116	206,225	496,618	724,959
Additions	-	-	-	-
Depreciation	(5,714)	(15,920)	(30,659)	(52,293)
Net book value as at March 31, 2021	16,402	190,305	465,959	672,666

10. EQUITY ACCOUNTED INVESTMENTS

Investment in Magna Terra

On October 15, 2019, the Company announced that it had entered into a definitive Share Purchase Agreement (the "SPA") with Magna Terra, whereby Magna Terra proposed to acquire all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, 2647102 Ontario Inc ("ExploreCo"), which held the Company's interests in the Great Northern Project in Newfoundland and the Cape Spencer Project in New Brunswick. On July 30, 2020, the Transaction was completed with the Company acquiring a total of 12,493,482 common shares of Magna Terra, representing a 27% interest in Magna Terra upon closing.

The Company recognized an after-tax gain of \$296,353 (pre-tax loss of \$547,647) on the sale of the ExploreCo disposal group during the year ended December 31, 2020 as a result of the difference in the value of the share consideration of the Magna Terra common shares (\$1,749,087) and the disposition of the net assets held by ExploreCo consisting of cash of \$13,627, exploration and evaluation assets of \$2,267,459, and deferred tax liabilities of \$844,000, as well as Transaction-related expenses of \$15,648.

As at March 31, 2021, the Company had significant influence over Magna Terra from an accounting perspective and recorded a loss of \$12,225 for the Company's share of Magna Terra's net loss for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$nil).

Investment in Novamera

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

On April 9, 2020, the Company completed a \$2.0 million financing with a venture capital firm to further the advancement of the Project through its subsidiary Novamera. As part of the funding arrangement, the technology and the Company's related agreements with the AIF, RDC, and IRAP were transferred to Novamera. In exchange for a \$2.0 million investment in Novamera, the venture capital firm received a 41% interest in Novamera, in the form of preferred shares. The Company retained a 34% interest in Novamera on closing, with the balance being held by employees of Novamera. Novamera has indemnified the Company for any potential repayments related to the AIF and RDC drawn down by the Company up to the date of the transaction.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

The Company recognized a gain of \$1,902,894 during the year ended December 31, 2020 as a result of recognizing the Company's retained investment in Novamera at fair value (\$1,648,087), as well as the assumption of certain liabilities by Novamera (\$254,807).

As at March 31, 2021, the Company had significant influence over Novamera from an accounting perspective and recorded a loss of \$184,293 for the Company's share of Novamera's net loss for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$nil).

11. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
	\$	\$
Trade payables	4,633,145	3,325,545
Accrued liabilities	1,159,980	733,149
Accrued payroll costs	537,898	737,800
	6,331,023	4,796,494

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

12. LOANS AND REVOLVING CREDIT FACILITY

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

	March 31, 2021	December 31, 2020
	\$	\$
RBC loan	1,614,845	1,981,519
Provincial government loan	126,374	140,064
Federal government loan	122,000	147,200
Lease liabilities	305,890	373,972
	2,169,109	2,642,755
Current portion		
RBC loan	1,487,341	1,475,831
Provincial government loan	83,596	83,180
Federal government loan	100,800	100,800
Lease liabilities	183,492	229,269
	1,855,229	1,889,080

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

	March 31, 2021	December 31, 2020
	\$	\$
Non-current portion		
RBC loan	127,504	505,688
Provincial government loan	42,778	56,884
Federal government loan	21,200	46,400
Lease liabilities	122,398	144,703
	313,880	753,675

* During the three months ended March 31, 2021, the Company recognized \$nil and \$881 of expenses in the condensed interim consolidated statement of operations relating to short-term leases and leases of low value assets, respectively (three months ended March 31, 2020 - \$nil and \$881, respectively).

In March 2019, the Company entered into a \$5 million term loan (the "Facility") from the Royal Bank of Canada ("RBC"). The Facility was initially repayable monthly over a 24-month term with certain prepayment options. It is subject to an existing general security agreement with RBC, which includes a specific security interest in the Company's ball mill and cone crushers, and a debt service coverage ratio covenant to be measured on an annual basis, based on a ratio of a measure of earnings to interest expense and scheduled principal payments. The Facility was arranged with the support of Export Development Canada ("EDC"), to whom the Company pays a guarantee fee with respect to a guarantee issued over half the principal amount. The Facility carries a fixed interest rate of 4.6% and a performance guarantee fee by EDC of 1.85%, payable quarterly based on the proportional amount outstanding. The full \$5 million was drawn down in March 2019, and the initial monthly payment was made in April 2019. In December 2019, the Company extended the amortization period on the term loan to April 2022.

The Company has financed the acquisition of certain equipment through the assumption of lease obligations. These obligations are secured by the acquired equipment, which has a net book value of \$672,666 as at March 31, 2021 (December 31, 2020 – \$724,959). The leases bear interest at rates ranging from 0.0% and 7.7% per annum with maturity dates between November 15, 2021 and January 1, 2026. The net book value of the leased equipment is pledged as security for any leases and loans outstanding.

On June 1, 2016, the Company entered into an agreement with the provincial government of Newfoundland and Labrador to receive a loan of \$400,000. The loan, which was obtained to finance the automation of parts of the mill, bears interest at 3% and is repayable in 60 monthly payments of \$7,187 commencing on December 1, 2016.

On April 7, 2015, the Company entered into an agreement with the federal government to receive a loan of \$500,000, also related to the mill automation project. The loan is non-interest bearing and is repayable in 60 equal installments commencing on October 1, 2016.

Revolving Credit Facility, Revolving Demand Facility, and Revolving Equipment Lease Line of Credit

In June 2016, the Company obtained a Line of Credit Agreement with the RBC for a \$1,000,000 revolving credit facility as well as a \$500,000 revolving equipment lease line of credit (together the "Agreement"). In November 2018, the revolving equipment lease line of credit was increased to \$750,000. In March 2020, the revolving credit facility was amended to \$275,000 and a \$725,000 revolving demand facility was included in the Agreement. In August 2020, the revolving credit facility was removed from the Agreement and the revolving demand facility was increased to \$1,000,000. Under the terms of the Agreement, RBC maintains a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers. As at March 31, 2021, an irrevocable letter of credit in the amount of \$908,119 as collateral for the Company's surety bonds (note 14) has been issued under the revolving demand facility (December 31, 2020 – \$908,119).

On August 15, 2018, the Company entered into an agreement with RBC to drawdown \$489,145 of the revolving equipment lease line of credit, to finance certain mill equipment purchased within the last 12 months. The draw down is repayable in 24 monthly payments of \$21,320 commencing on August 27, 2018, bearing interest at 4.4%.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

On November 20, 2018, the Company entered into an agreement with RBC to drawdown \$197,930 of the revolving equipment lease line of credit, to finance certain mill equipment. The draw down is repayable in 24 monthly payments of \$5,924 commencing on November 23, 2018, bearing interest at 4.9%.

On July 9, 2019, the Company entered into an agreement with RBC to drawdown \$115,115 of the revolving equipment lease line of credit, to finance certain mill equipment. The draw down is repayable in 24 monthly payments of \$5,003 commencing on July 12, 2019, bearing interest at 4.1%.

As at March 31, 2021, there was an outstanding balance of \$55,706 on the revolving equipment lease line of credit (December 31, 2020 - \$87,594).

The following summary sets out the movement in loans over the period ended March 31, 2021 and the year ended December 31, 2020:

	RBC Loan \$	Provincial Government Loan \$	Federal Government Loan \$	Lease Liabilities \$	Total \$
As at December 31, 2020	1,981,519	140,064	147,200	373,972	2,642,755
Changes from financing cash flows:					
Repayments of loans/leases	(366,674)	(13,690)	(25,200)	(68,082)	(473,646)
Interest paid	(24,938)	(683)	-	(2,425)	(28,046)
	1,589,907	125,691	122,000	303,465	2,141,063
Other changes:					
Interest expense	24,938	683	-	2,425	28,046
As at March 31, 2021	1,614,845	126,374	122,000	305,890	2,169,109

	RBC Loan \$	Provincial Government Loan \$	Federal Government Loan \$	Lease Liabilities \$	Other Loans \$	Total \$
As at December 31, 2019	3,384,124	160,472	172,400	644,616	331,598	4,693,211
Changes from financing cash flows:						
Repayments of loans/leases	(1,402,605)	(20,408)	(25,200)	(394,034)	(458,885)	(2,301,133)
Interest paid	(164,103)	(1,153)	-	(27,738)	-	(192,994)
	1,817,416	138,911	147,200	222,844	(127,287)	2,199,085
Other changes:						
Insurance premiums financed through loans	-	-	-	-	127,287	127,287
Property, mill, and equipment acquired through leases	-	-	-	123,390	-	123,390
Interest expense	164,103	1,153	-	27,738	-	192,994
As at December 31, 2020	1,981,519	140,064	147,200	373,972	-	2,642,755

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

13. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	March 31, 2021	December 31, 2020
	\$	\$
Opening balance	3,484,072	2,847,999
Interest accretion	2,350	7,921
Additions/change in estimates	39,947	609,098
Change in inflation/discount rates	823	19,053
Closing balance	3,527,192	3,484,072
Current portion	101,186	101,107
Non-current portion	3,426,006	3,382,965

The provisions for reclamation are provided against the Company's operations at the Point Rouse Project in Newfoundland and the Goldboro Project in Nova Scotia, and are based on the project plan submitted to the Newfoundland and Labrador government and the Goldboro bulk sample program plan submitted to the Nova Scotia government, respectively. The Company expects to incur the majority of its reclamation costs between 2021 and 2027, based on existing life of mine assumptions. During the three months ended March 31, 2021, the Company recognized \$39,947 of additions to the provision for asset retirement obligations in relation to the development of Argyle (year ended December 31, 2020 - \$539,044).

As at March 31, 2021, the Company had entered an agreement with an insurance company to provide a surety bond for \$3,481,243 (December 31, 2020 - \$3,481,243) to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

During the year ended December 31, 2018, the Company obtained a permit from the Nova Scotia government to complete a bulk sample program at the Goldboro Project which requires the Company to maintain total reclamation security of \$225,000 to cover related rehabilitation and closure costs. During the year ended December 31, 2020, the Nova Scotia government required the Company to increase the total reclamation security by \$25,000 to \$250,000. The reclamation security for the bulk sample program is maintained through a combination of security held by the Nova Scotia government and a surety bond.

During the year ended December 31, 2020, the Company changed insurance companies which provide the surety bonds to backstop its performance obligations with respect to the Company's reclamation obligations. Under the terms of the replacement surety bonds, the Company was required to provide collateral of \$908,119, equivalent to 25% of the value of the bonds. The collateral was provided in the form of an irrevocable letter of credit from the Royal Bank of Canada, which was carved out of the existing \$1,000,000 undrawn revolving line of credit (note 12).

14. ISSUED CAPITAL AND EQUITY-BASED INSTRUMENTS

Issued Capital and Recent Issuances

The Company's authorized share capital consists of an unlimited number of common shares. As at March 31, 2021, the Company had 163,179,861 (December 31, 2020 - 153,953,798) common shares outstanding.

On July 31, 2020, the Company completed a non-brokered private placement for aggregate gross proceeds of \$5,510,000, whereby it issued 9,500,000 flow-through common shares of the Company at a price of \$0.58 per flow-through common share. An amount equal to the gross proceeds from the flow-through common shares (\$5,510,000) will be renounced by the

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2020. As at March 31, 2021, \$4,854,735 of the flow-through funds were spent on eligible exploration expenses, with \$655,265 remaining to be spent. A flow-through liability of \$376,811 was recorded upon closing, representing the difference between the market price of the Company's shares on July 31, 2020 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. As at March 31, 2021, the Company derecognized a cumulative amount of \$332,000 of the flow-through liability and recognized a corresponding income amount (for the three months ended March 31, 2021 - \$142,062), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

On July 10, 2019, the Company completed a non-brokered private placement for aggregate gross proceeds of \$4,690,646, whereby it issued 7,515,701 flow-through units of the Company (the "FT Units") at a price of \$0.35 per FT unit, and 7,630,185 units of the Company (the "Units") at a price of \$0.27 per Unit. Each FT Unit consisted of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Unit consisted of one common share and one-half of one Warrant. Each Warrant entitled the holder thereof to purchase one common share of the Company at a price of \$0.45 until January 10, 2021. A cash commission of 6% of certain proceeds from the issuance of Units and FT Units, for a total cost of \$74,499, and 264,600 non-transferable finder warrants were issued in connection to the private placement. Each finder warrant was exercisable for one common share of the Company at a price of \$0.45 until January 10, 2021. An amount equal to the gross proceeds from the flow-through common shares (\$2,630,495) was renounced by the Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2019. All of the flow-through funds were spent on eligible exploration expenses. A flow-through liability of \$579,651 was recorded upon closing, representing the difference between the market price of the Company's shares on July 10, 2019 and the cash consideration received in exchange for the flow-through common shares, less the proportion of the transaction costs associated with the flow-through portion of the private placement. During the year ended December 31, 2020, the Company derecognized the flow-through liability and recognized a corresponding income amount, as the liability had been fulfilled by incurring qualifying exploration expenditures.

Warrants

A summary of the Company's warrant activities for the three months ended March 31, 2021 and the year ended December 31, 2020 is presented below:

	Warrants	Weighted average
	#	exercise price
		\$
Outstanding, December 31, 2019	23,795,615	0.42
Exercised	(5,945,957)	0.39
Expired/forfeited	(6,038,993)	0.55
Outstanding, December 31, 2020	11,810,665	0.42
Exercised	(6,306,915)	0.45
Outstanding, March 31, 2021	5,503,750	0.28

During the three months ended March 31, 2021, 6,306,915 warrants were exercised (three months ended March 31, 2020 – nil). The corresponding grant date fair value of \$385,163 (three months ended March 31, 2020 - \$nil) was reclassified from warrants to issued capital.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

As at March 31, 2021, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
May 19, 2017*	5,270,000	\$0.28	September 15, 2021
May 19, 2017*	233,750	\$0.28	October 11, 2021
	5,503,750	\$0.28	

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

Incentive Plans

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

As at March 31, 2021, 16,317,986 common shares were available for the grant of stock options or share units to directors, officers, employees and service providers in connection with the Incentive Plans.

Stock Option Plan

As at March 31, 2021, 3,248,084 options under the Company's Stock Option Plan were outstanding with 2,555,723 exercisable.

On May 19, 2017, the Company issued 3,453,125 replacement stock options pursuant to the acquisition of Orex Exploration Inc. The replacement stock options are not included in the calculation of the number of stock options left unallocated under the Company's Incentive Plans. As at March 31, 2021, 425,000 replacement stock options were outstanding and exercisable.

The following summary sets out the activity in the Stock Option Plan, along with the replacement stock options, for the three months ended March 31, 2021 and the year ended December 31, 2020:

	Options #	Weighted average exercise price \$
Outstanding, December 31, 2019	7,772,875	0.28
Granted	578,750	0.40
Exercised	(1,804,124)	0.24
Expired/forfeited	(616,667)	0.26
Outstanding, December 31, 2020	5,930,834	0.30
Granted	420,000	0.73
Exercised	(2,677,750)	0.24
Outstanding, March 31, 2021	3,673,084	0.39
Options exercisable, March 31, 2021	2,980,723	0.34

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

During the three months ended March 31, 2021, 420,000 options (year ended December 31, 2020 – 578,750) were granted to employees and consultants of the Company at a weighted average exercise price of \$0.73 (year ended December 31, 2020 – \$0.40). The vesting terms of the options were as follows: 320,000 of the options vest over an 18-month period in 3 equal instalments and 100,000 of the options vest over a 6-month period in 2 equal instalments.

During the three months ended March 31, 2021, 2,677,750 options were exercised (year ended December 31, 2020 – 1,804,124). The corresponding grant date fair value of \$539,119 (year ended December 31, 2020 – \$322,644) was reclassified from equity reserves to issued capital. Subsequent to period end, 139,500 options were exercised.

During the three months ended March 31, 2021, nil options expired unexercised or were forfeited (year ended December 31, 2020 – 616,667). The corresponding grant date fair value of \$nil (year ended December 31, 2020 – \$126,051) 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 March 31, 2021. The weighted average exercise price for the outstanding stock options was \$0.39 as at March 31, 2021.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
292,500	292,500	0.15 years	\$0.24	May 26, 2021
425,000	425,000	0.71 years	\$0.24	December 15, 2021
100,000	-	0.87 years	\$0.60	February 10, 2022
125,000	125,000	1.15 years	\$0.28	May 23, 2022
600,000	600,000	1.23 years	\$0.24	June 21, 2022
62,500	62,500	1.52 years	\$0.28	October 5, 2022
12,500	12,500	1.63 years	\$0.26	November 13, 2022
50,000	50,000	1.73 years	\$0.32	December 22, 2022
1,158,500	1,158,500	1.81 years	\$0.46	January 19, 2023
257,084	171,389	3.94 years	\$0.21	March 3, 2025
125,000	41,667	4.44 years	\$0.64	September 3, 2025
125,000	41,667	4.47 years	\$0.58	September 14, 2025
20,000	-	4.62 years	\$0.61	November 6, 2025
320,000	-	4.93 years	\$0.77	February 26, 2026
3,673,084	2,980,723	2.02 years	\$0.39	

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

The following table sets out the details of the valuation of stock option grants for the three months ended March 31, 2021 and the year ended December 31, 2020:

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
March 3, 2020	308,750	0.88%	Nil	88.0%	5 years
September 3, 2020	125,000	0.35%	Nil	89.5%	5 years
September 14, 2020	125,000	0.36%	Nil	89.0%	5 years
November 6, 2020	20,000	0.40%	Nil	88.6%	5 years
February 10, 2021	100,000	0.19%	Nil	108.3%	1 year
February 26, 2021	320,000	0.88%	Nil	84.2%	5 years

The fair value of the stock options granted for the three months ended March 31, 2021 was \$187,546 (year ended December 31, 2020 – \$156,911). Share-based compensation expense recognized in relation to stock options during the three months ended March 31, 2021 was \$62,394 (year ended December 31, 2020 – \$82,334).

Share Unit Plan

The Company's Share Unit Plan provides for the issuance of share units to directors, officers, employees, and consultants of the Company. Share units are units representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined at the discretion of the Board of Directors on the date of grant. In granting share units, the Board of Directors may include other terms, conditions, and/or vesting criteria which are not inconsistent with the Share Unit Plan. Share units are settled by way of issuance of common shares from treasury as soon as practicable following the maturity date in accordance with the Share Unit Plan.

As at March 31, 2021, 1,990,060 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the three months ended March 31, 2021 and the year ended December 31, 2020:

	Share units #	Weighted average fair value \$
Outstanding, December 31, 2019	1,967,256	0.31
Granted	1,019,520	0.23
Redeemed	(1,380,208)	0.29
Forfeited	(140,001)	0.30
Outstanding, December 31, 2020	1,466,567	0.27
Granted	699,974	0.77
Redeemed	(176,481)	0.22
Outstanding, March 31, 2021	1,990,060	0.45

During the three months ended March 31, 2021, 699,974 share units (year ended December 31, 2020 – 1,019,520) were granted to directors, officers, employees, and consultants of the Company at an average fair value of \$0.77 (year ended December 31, 2020 – \$0.23). The vesting terms of these share units were as follows: 25,974 share units issued as compensation for board of director fees vest upon the retirement or resignation of recipients, or on a change of control, and 674,000 share units vest over an 18-month period in three equal instalments.

During the three months ended March 31, 2021, 176,481 share units were redeemed (year ended December 31, 2020 – 1,380,208). The corresponding grant date fair value of \$37,395 (year ended December 31, 2020 – \$410,410) was reclassified from equity reserves to issued capital.

During the three months ended March 31, 2021, no share units were forfeited (year ended December 31, 2020 – 140,001).

The share units, when granted, are accounted for at their fair value determined by the share price upon the grant of the share units. The fair value of the share units granted for the three months ended March 31, 2021 was \$538,980 (year ended

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

December 31, 2020 – \$235,420). Share-based compensation expense recognized in relation to share units during the three months ended March 31, 2021 was \$91,256 (year ended December 31, 2020 – \$298,399).

15. BASIC AND DILUTED EARNINGS PER SHARE

	Three months ended March 31, 2021	Three months ended March 31, 2020
Net (loss) income for the period	\$ (2,496,850)	\$ 1,471,399
Weighted average basic number of shares outstanding	164,273,695	136,060,584
Weighted average dilutive shares adjustment:		
Stock options	-	13,080
Share units	-	478,991
Weighted average diluted number of shares outstanding	164,273,695	136,552,655
Net (loss) income per share:		
Basic and diluted	\$ (0.02)	\$ 0.01

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Stock options	3,673,084	7,618,545
Warrants	5,503,750	23,316,624
Share units	896,226	869,344
	10,073,060	31,804,513

16. INCOME TAXES

During the three months ended March 31, 2021, a current income tax expense of \$30,345 relating to provincial mining tax was recorded in the condensed interim consolidated statement of comprehensive (loss) income (three months ended March 31, 2020 – \$352,528). Subsequent to period end, the Company paid \$1,893,345 relating to provincial mining tax for the year ended December 31, 2020.

During the three months ended March 31, 2021, a net deferred income tax recovery of \$49,000 (three months ended March 31, 2021 – expense of \$826,000) was recognized in the condensed interim consolidated statement of comprehensive (loss) income.

17. ADVANCES

In March 2020, the Company secured funding of \$949,850 from the Government of Canada's Future Skills Centre (the "Centre") for a project entitled "Creating a Microlearning Model for the Canadian Mining Industry". Funding through the Centre is a non-repayable grant and will be credited against eligible costs incurred. During the three months ended March 31, 2021, the Company received \$nil as an advance from the Centre and \$25,000 was credited against eligible costs incurred in relation to advances received from the Centre (year ended December 31, 2020 – \$534,850 and \$345,000, respectively). As at March 31, 2021, \$164,850 related to amounts received from the Centre for future project expenditures was included as an advance in the condensed interim consolidated statement of financial position.

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
	\$	\$
Change in non-cash working capital:		
Trade and other receivables	(2,010)	(16,371)
Prepaid expenses and deposits	107,157	122,063
Inventory	(1,237,356)	331,639
Advances	(25,000)	-
Trade payables and accrued liabilities	973,377	370,840
	(183,832)	808,171
Supplemental cash flow information:		
Interest paid	28,046	47,809
Property, mill and equipment acquired through leases	-	67,902
Insurance premiums financed through loans	-	73,175

19. FINANCIAL INSTRUMENTS

The Company's financial instruments as at March 31, 2021 and December 31, 2020 are cash, restricted cash, accounts payable, accrued liabilities, and certain current and non-current loans. The carrying amount of the Company's other financial instruments approximates fair value due to their short-term nature.

The contractual cash flow obligations of the Company as at March 31, 2021 are as follows:

	1 year	1 - 3 years	More than 3 years	Total
	\$	\$	\$	\$
Trade payables and accrued liabilities	6,331,023	-	-	6,331,023
RBC loan	1,537,639	127,757	-	1,665,396
Provincial government loan	86,244	43,122	-	129,366
Federal government loan	100,800	21,200	-	122,000
Lease liabilities	187,638	98,929	26,185	312,752
	8,243,344	291,008	26,185	8,560,537

20. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, and the Chief Financial Officer. Compensation of key management personnel (including directors) was as follows for the three months ended March 31, 2021 and March 31, 2020:

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
	\$	\$
Salaries, bonuses, fees and short term benefits	151,591	216,138
Share based compensation	60,664	71,839
	212,255	287,977

As at March 31, 2021, included in trade and other payables is \$36,250 (December 31, 2020 – \$215,000) of amounts due for directors' fees and bonuses.

Magna Terra Minerals Inc.

The Company and Magna Terra have certain key management personnel in common. As described in note 10, the Company completed a transaction with Magna Terra on July 30, 2020, whereby Magna Terra acquired all of the issued and outstanding common shares of the Company's wholly-owned subsidiary, ExploreCo. The Company and Magna Terra have entered into a service level agreement whereby the Company provides certain services to Magna Terra, including technical geology services and exploration program management, corporate services, and finance and accounting support. As at March 31, 2021, included in trade and other receivables in note 6 is \$73,978 (December 31, 2020 - \$81,612) of amounts charged under the service level agreement.

21. COMMITMENTS

As at March 31, 2021, the Company has a commitment to spend a total of \$655,265 of flow-through funds on eligible exploration expenses, related to the private placement completed in July 2020 (note 14).

In the first quarter of 2021, the Company locked into forward sales on a delivery basis for a total of 1,350 ounces of its production for the second quarter of 2021. The gold price for the orders was locked in at an average of \$2,204 per ounce with delivery in the second quarter of 2021.

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

- A net smelter return ("NSR") of 3% is payable to a third-party on gold sold from the Stog'er Tight Property.
- A \$3,000,000 capped NSR on 4 mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle property, is calculated at 3% when the average price of gold is less than US\$2,000 per ounce for the calendar quarter and is 4% when the average price of gold is more than US\$2,000 per ounce for the calendar quarter.
- A \$3,000,000 capped NSR of 3% on a property that forms part of the Argyle Property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.
- A net profits interest ("NPI") agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. As at March 31, 2021, the Company has determined it has approximately \$12 million in expenditures deductible against future receipts.

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

22. SUBSEQUENT EVENTS

In April 2021, the Company announced a brokered private placement for aggregate proceeds of up to \$8.5 million, consisting of up to 10,241,000 flow-through common shares of the Company at a price of \$0.83 per flow-through share. The proceeds of the financing will be used primarily for exploration and diamond drill programs at the Goldboro Project in Nova Scotia and

Anaconda Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

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

the Tilt Cove Project in Newfoundland, as well as multiple targets at the Point Rousse Project. The financing is expected to close on or around May 20, 2021.