



Anaconda
Mining

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)



Independent auditor's report

To the Shareholders of Anaconda Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Anaconda Mining Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019;
- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of cash flows for the years ended December 31, 2020 and 2019;
- the consolidated statements of changes in equity for the years ended December 31, 2020 and 2019; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of impairment indicators of exploration and evaluation assets and property, mill and equipment assets</p> <p><i>Refer to note 2 – Significant accounting policies, note 3 – Critical accounting judgments, estimates and assumptions, note 12 – Exploration and evaluation assets and note 13 – Property, mill and equipment to the consolidated financial statements.</i></p> <p>The book value of exploration and evaluation (E&E) assets amounted to \$45 million as at December 31, 2020. The net book value of property, mill and equipment (PME) assets amounted to \$10 million as at December 31, 2020. At each reporting period, management assesses whether there are indicators of impairment relating to E&E and PME assets. If any indication of impairment exists, then an impairment test is performed by management over the asset(s) to which the indicator relates. In undertaking this assessment, management is required to apply significant judgment in assessing whether changes to certain external and internal factors would be considered an indicator of impairment. For E&E assets, internal and external factors, such as (i) evidence indicating that licenses required to advance the projects have expired; (ii) the potential commercial viability of the projects; and (iii) the Company's continued ability and plans to further develop the projects, are evaluated by management in determining whether there are any indicators of impairment. For PME assets, internal and external factors, such as (i) changes in estimated future production; (ii) changes in gold prices; (iii) changes in operating cost and capital</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated management's assessment of indicators of impairment, which included the following:<ul style="list-style-type: none">For E&E assets:<ul style="list-style-type: none">– Assessed the completeness of external or internal factors that could be considered as indicators of impairment.– Obtained, by reference to government registries, evidence that the licenses required to advance the projects have not expired.– Read board minutes, obtained budget approvals and considered evidence obtained in other areas of the audit to assess the Company's continued ability and plans to further develop the projects and the potential commercial viability of the projects.For PME assets:<ul style="list-style-type: none">– Assessed the completeness of external or internal factors that could be considered as indicators of impairment.– Assessed the changes in estimated future production by considering the consistency with actual production and whether these factors were consistent with evidence obtained in other areas of the audit.



Key audit matter

expenditure estimates; and (iv) changes in estimates of recoverable reserves and the Company's ability to convert resources to reserves, are evaluated by management in determining whether there are any indicators of impairment. No impairment indicators were identified by management as at December 31, 2020.

We considered this to be a key audit matter due to (i) the significance of the E&E and PME assets and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment.

How our audit addressed the key audit matter

- Assessed the changes in gold prices, operating cost and capital expenditure estimates and changes in estimates of recoverable reserves and the Company's ability to convert resources to reserves, by considering (i) the consistency of gold prices with actual and external market data; (ii) the consistency of operating cost and capital expenditure estimates with actual operating cost and capital expenditure; and (iii) the consistency of the estimates of recoverable reserves and the Company's ability to convert resources to reserves with evidence obtained in other areas of the audit.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Craig Moffat.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 25, 2021

Anaconda Mining Inc.

Consolidated Statements of Comprehensive Income

(Canadian Dollars)

		Year ended December 31, 2020	Year ended December 31, 2019
	Notes	\$	\$
Gold		41,495,843	29,524,896
Silver		48,988	22,786
Aggregates		38,159	-
Total revenue		41,582,990	29,547,682
Cost of operations			
Operating expenses	5	20,953,142	18,638,582
Royalty expense	6	49,196	443,325
Depletion and depreciation		3,758,697	3,608,121
		24,761,035	22,690,028
Mine operating income		16,821,955	6,857,654
Expenses and other income			
Corporate administration		3,581,921	4,373,751
Gain on partial or full sale of a subsidiary	14	(1,355,247)	-
Share of loss from equity accounted investments	14	247,203	-
Share-based compensation expense	18	380,733	861,429
Write-down of exploration and evaluation assets	12	15,310	6,799
Finance expense		211,669	417,072
Other (income) expenses	7	(629,405)	381,697
		2,452,184	6,040,748
Income before income taxes		14,369,771	816,906
Current income tax expense	20	1,872,528	484,859
Deferred income tax expense (recovery)	20	4,269,000	(41,000)
		6,141,528	443,859
Net income and comprehensive income for the year		8,228,243	373,047
Net income per share - basic and fully diluted	19	0.06	0.00
Weighted average number of shares outstanding			
- basic		142,618,926	126,485,569
- fully diluted		146,209,439	127,197,272

Anaconda Mining Inc.

Consolidated Statements of Financial Position

(Canadian Dollars)

As at	Notes	December 31, 2020 \$	December 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		14,634,595	4,351,588
Restricted cash	8	208,838	208,838
Trade and other receivables	9	585,580	310,065
Inventory	10	6,830,360	5,576,343
Prepaid expenses and deposits		705,503	485,863
Marketable securities	11	-	316,480
		22,964,876	11,249,177
Non-current assets			
Restricted cash		79,790	71,790
Property, mill and equipment	13	10,398,054	7,053,657
Exploration and evaluation assets	12	44,804,280	42,754,341
Equity accounted investments	14	3,149,971	-
Deferred income tax asset		-	2,629,000
		81,396,971	63,757,965
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	15	4,796,494	5,134,304
Current portion of loans	16	1,889,080	2,311,210
Current portion of decommissioning liability	17	101,107	79,726
Flow-through premium	18	186,874	404,632
Advances	21	189,850	37,646
Current taxes payable	20	1,863,000	553,598
		9,026,405	8,521,116
Non-current liabilities			
Loans	16	753,675	2,382,001
Deferred income tax liability	20	3,393,000	1,753,000
Decommissioning liability	17	3,382,965	2,768,273
		16,556,045	15,424,390
Shareholders' equity			
Share capital, warrants and equity reserves	18	70,386,480	62,742,455
Accumulated deficit		(5,545,554)	(14,408,880)
		64,840,926	48,333,575
		81,396,971	63,757,965

Approved by the Board of Directors on February 25, 2021

"Mary-Lynn Oke"
Director

"Jonathan Fitzgerald"
Director

Commitments (Note 25)



Anaconda Mining Inc.

Consolidated Statements of Cash Flows

(Canadian Dollars)

		-	-
		Year ended	Year ended
		December 31, 2020	December 31, 2019
	Notes	\$	\$
Operating activities			
Net income		8,228,243	373,047
Adjustments to reconcile net income to cash flow from operating activities:			
Depletion and depreciation		3,758,697	3,608,121
Gain on partial or full sale of a subsidiary	14	(1,368,874)	-
Share of loss from equity accounted investments	14	247,203	-
Write down of exploration assets	12	15,310	6,799
Share-based compensation expense	18	380,733	861,429
Taxes paid	20	(563,126)	(932,261)
Current income tax expense	20	1,872,528	484,859
Deferred income tax expense (recovery)	20	4,269,000	(41,000)
Deferred premium on flow-through shares	18	(594,569)	(175,019)
Interest accretion of decommissioning liability	17	7,921	44,557
Site closure and reclamation costs paid	17	-	(44,054)
Change in fair value of marketable securities	11	(83,191)	38,114
Change in non-cash working capital	22	(2,082,008)	147,632
Cash flow provided from operating activities		14,087,867	4,372,224
Investing activities			
Additions of property, mill and equipment	13	(2,960,787)	(2,181,896)
Additions of exploration and evaluation assets	12	(7,152,794)	(10,943,829)
Proceeds from sale of marketable securities	11	399,671	18,096
Cash disposed of through sale of subsidiary		(13,627)	-
Increase in restricted cash		(8,000)	(246,605)
Cash flow used in investing activities		(9,735,537)	(13,354,234)
Financing activities			
Proceeds from financing agreement, net of issuance costs	18	5,463,763	4,508,680
Proceeds from exercise of stock options	18	427,701	33,750
Proceeds from exercise of warrants	18	2,340,346	4,000
Proceeds from loans	16	-	5,000,000
Repayment of loans	16	(2,301,133)	(2,637,961)
Cash flow provided from financing activities		5,930,677	6,908,469
Net increase (decrease) in cash		10,283,007	(2,073,541)
Cash at beginning of year		4,351,588	6,425,129
Cash at end of year		14,634,595	4,351,588

Supplemental cash flow information (Note 22)



Anaconda Mining Inc.

Consolidated Statements of Changes in Equity

(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, 2018		118,766,635	53,935,351	1,817,540	2,224,068	(14,914,639)	43,062,320
Common shares issued for cash	18	15,145,886	4,690,646	-	-	-	4,690,646
Share issuance expense, net of tax	18	-	(631,058)	-	449,092	-	(181,966)
Flow-through share premium	18	-	(579,651)	-	-	-	(579,651)
Share-based compensation from issuance of share units	18	-	-	754,176	-	-	754,176
Redemption of share units	18	861,665	271,425	(271,425)	-	-	-
Share-based compensation from issuance of options	18	-	-	107,253	-	-	107,253
Exercise of stock options	18	125,000	49,300	(15,550)	-	-	33,750
Expiry of stock options transferred to deficit	18	-	-	(121,127)	-	121,127	-
Exercise of warrants	18	17,000	4,000	-	-	-	4,000
Expiry of warrants transferred to deficit	18	-	-	-	(11,585)	11,585	-
Issuance of shares for property acquisition	12	300,776	70,000	-	-	-	70,000
Net income for the year		-	-	-	-	373,047	373,047
Balance at December 31, 2019		135,216,962	57,810,013	2,270,867	2,661,575	(14,408,880)	48,333,575
Common shares issued for cash	18	9,500,000	5,510,000	-	-	-	5,510,000
Share issuance expense, net of tax	18	-	(46,237)	-	-	-	(46,237)
Flow-through share premium	18	-	(376,811)	-	-	-	(376,811)
Share-based compensation from issuance of share units	18	-	-	299,775	-	-	299,775
Redemption of share units	18	1,380,208	410,410	(410,410)	-	-	-
Share-based compensation from issuance of options	18	-	-	82,334	-	-	82,334
Exercise of stock options	18	1,804,124	750,345	(322,644)	-	-	427,701
Expiry of stock options transferred to deficit	18	-	-	(126,051)	-	126,051	-
Exercise of warrants	18	5,945,957	2,908,672	-	(568,326)	-	2,340,346
Expiry of warrants transferred to deficit	18	-	-	-	(509,032)	509,032	-
Issuance of shares for property acquisition	12	106,547	42,000	-	-	-	42,000
Net income for the year		-	-	-	-	8,228,243	8,228,243
Balance at December 31, 2020		153,953,798	67,008,392	1,793,871	1,584,217	(5,545,554)	64,840,926

Anaconda Mining Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(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 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.

Statement of compliance

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

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

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

These consolidated financial statements were approved by the Company’s Board of Directors on February 25, 2021.

Principles of consolidation

These consolidated financial statements comprise the financial statements of Anaconda Mining Inc. and its wholly-owned subsidiaries Orex Exploration Inc. (Canada), Colorado Minerals Inc. (Canada), and Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly “La Veta”), and the Company’s equity accounted investments in Novamera Inc. (“Novamera”) and Magna Terra Minerals Inc. (“Magna Terra”). The business and mineral properties of La Veta were sold during fiscal 2012.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

The Company’s presentation currency is the Canadian Dollar (“\$”). The functional currency of the Company and each subsidiary of the Company is the currency of the primary economic environment in which it operates. The functional currency of Anaconda and its Canadian subsidiaries is the Canadian Dollar. The translation difference arising from the translation of subsidiaries, with functional currency different than the consolidated functional currency, if any, is recorded on the consolidated statement of comprehensive income as currency translation adjustments.

Foreign currency translation

Foreign currency transactions are translated into Canadian Dollars (the Company’s functional currency) using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the

Anaconda Mining Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as foreign exchange loss (gain).

Cash and cash equivalents

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

Restricted cash

Restricted cash is cash held in banks that is not available for general corporate use.

Revenue recognition

Revenue from the sales of gold and silver is recognized based on the identification of contracts with a customer, the determination of performance obligation under the contract and the related transaction price, and the point at which the Company satisfies its performance obligation. The Company currently enters into gold and silver sales agreements with Auramet International LLC ("Auramet") whereby the Company will sell its refined gold and silver bullion to Auramet at market prices for those metals. The Company recognizes revenue from gold and silver when it has transferred the metals to Auramet, fulfilling its performance obligations under the sales agreement, and the resulting revenue can be measured at the contract price on the delivery date.

When the Company sells a portion of its future production for upfront proceeds, the Company records a corresponding amount of unearned revenue and recognizes revenue as it delivers the physical metal to settle those sales in fulfillment of its performance obligation under that contract. The Company applies the practical expedient under IFRS 15 where the consideration for these transactions is not adjusted for the effects of a significant financing component, as all physical deliveries are expected to be made within one year of the receipt of proceeds.

Revenue from the sales of aggregates is recognized based on the identification of contracts with a customer, the determination of performance obligation under the contract and the related transaction price, and the point at which the Company satisfies its performance obligation. The Company recognizes revenue from the sale of aggregates when the rock has been delivered to the buyer.

Inventory

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

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

Supplies and consumables are used during various stages of the gold mining, processing, and refining process, and are carried at the lower of cost, using the weighted average method, and net realizable value. Provisions are recorded to reduce materials and supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the materials or supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

Property, mill and equipment

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

Accumulated property and mill costs, which include site infrastructure and production stripping assets, are depreciated on a units-of production method ("UOP") over the expected life of mine, except in the case of an asset whose useful life is shorter than that of the mine life, in which case the straight-line method is applied. Mill assets and other site infrastructure

Anaconda Mining Inc.

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For the years ended December 31, 2020 and 2019

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

whose estimated useful lives extend to other mineral resources would correspondingly be depreciated on a UOP basis over the larger estimate of economically recoverable resources, as appropriate. The Company prospectively revises calculations of depreciation for PME depreciated using the UOP method, where the denominator is based on the life of mine.

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

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

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

Stripping costs in the Development Stage

During the development stage of a pit or project (before production begins) stripping costs are capitalized, after which time such costs are either capitalized to inventory or, if the costs qualify as open pit stripping activities that provide a future benefit, to PME.

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

Stripping costs in the Production Stage

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

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

Exploration and evaluation assets

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

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

Exploration and evaluation costs are capitalized as incurred and deferred until management establishes technical feasibility and economic feasibility of a property and commences permitting and development at which point the associated carrying costs are reclassified to property, mill and equipment as property. Net proceeds from the sales of processed materials related to the Goldboro Project bulk sample were credited against the capitalized bulk sample costs during the year ended December 31, 2020. Upon disposal or abandonment of exploration and evaluation assets, the carrying values are derecognized and a gain/loss is recorded in the consolidated statement of comprehensive income.

Anaconda Mining Inc.

Notes to the Consolidated Financial Statements

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

Equity accounted investments

Equity accounted investments are investments over which the Company has significant influence, but not control. Generally, the Company is considered to have the ability to exert significant influence when it holds more than a 20% interest in an entity. However, determining significant influence is a matter of judgment and specific circumstances.

The financial results of the Company's equity accounted investments are included in the Company's consolidated financial statements using the equity method, whereby the Company recognizes its share of earnings or losses and of other comprehensive income (losses) of the equity accounted investment in its own consolidated statement of income, as applicable. Dilution gains and losses arising from changes in the Company's interest in equity accounted investments are recognized in income (loss). If the Company's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Company has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment.

The Company assesses, at each reporting date, whether there is objective evidence that its interest in an equity accounted investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the equity accounted investment is written down to its estimated recoverable amount, with any difference charged to the consolidated statement of income.

Insurance

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

Borrowing costs

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

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

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

Financial instruments

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

(b) Measurement

Financial assets and liabilities at FVTPL and FVTOCI

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with

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the Company's own credit risk will be recognized in other comprehensive income. The Company recognizes marketable securities at FVTPL.

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

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company recognizes cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, and loans at amortized cost.

(c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Company recognizes in the consolidated statements of net income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was \$nil as at December 31, 2020 (December 31, 2019 - \$nil).

Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.

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

Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in net income on a straight-line basis over the term of the lease.

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The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property, mill and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are presented as property, mill and equipment and the lease liabilities are presented as loans on the consolidated statement of financial position.

Decommissioning, restoration and similar liabilities

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

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The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. Elements of uncertainty also exist in estimating the timing of incurring the liability which depends on the ultimate closure date of the operation.

Taxation

Current income tax

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

Deferred income tax

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

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

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

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

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

Provincial mining tax

The Company is subject to a Newfoundland mining tax of 15% calculated as income less applicable deductions, credits and allowances. The Newfoundland mining tax is accounted for under IAS 12, *Income Taxes*.

Flow-through share financing

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

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Research and development

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless they meet the criteria for capitalization, in which case they are capitalized and then amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits.

Government assistance

Non-repayable government assistance is recorded as a reduction in the related qualifying expenditure when it is reasonably assured that the conditions of the assistance will be complied with. Repayable government loans are recorded initially at fair value, with the difference between the book value and fair value recorded as a reduction of the related expenditures.

Share-based payments

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

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

Income per share

Basic income per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted income per common share is determined whereby the deemed proceeds on the exercise of share options, warrants, and other dilutive instruments are considered to be used to reacquire common shares at the average price for the period, with the incremental number of shares being included in the denominator of the diluted income per share calculation. The diluted income per share calculation excludes any potential conversion of options, warrants and other dilutive instruments that would decrease any loss per share. In the event of a share consolidation or share split, the calculation of basic and diluted income per share is adjusted retrospectively for all periods presented.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Critical accounting estimates and assumptions

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

- Estimates of the quantities of proven and probable mineral reserves and resources in the expected life of mine are used in the calculation of depletion and depreciation expense, to calculate the recoverable value of a CGU and/or exploration and evaluation assets, and any required impairment, and to forecast mine life of the Company's operations. The Company makes estimates of the quantities of reserves and resources, which requires significant subjective assumptions that arise from the evaluation of geological, engineering and economic data for a given ore

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body. These estimates could change over time due to various factors, including new information gained from mining and development, drill results and updated economic data.

- Significant estimates and assumptions are made in determining the nature, timing and amount of future expenditures required to settle the Company's rehabilitation liabilities and closure costs. These estimates could change in the future due to increased disturbance, technological changes, changes in the regulatory environment, cost changes, and changes to the discount rate.
- Estimates are made in determining the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill. The residual value estimates require management to make judgments and apply assumptions in respect of the useful lives of the assets, including the Company's life of mine plan, the selection of transaction data for comparable assets and the economic conditions that will exist at the end of the life of the mine.
- The Company allocates production costs to metal inventory, which requires an estimate of contained gold and recovery rates. Estimates of recoverable gold on the stockpiles are calculated from the quantities of ore placed on the stockpiles (measured tonnes added to the stockpiles), the grade of ore placed on the stockpiles (based on assay data) and a recovery percentage (based on ore type). Ultimate ounces recovered will only be known once metal is poured and refined. The measurement of inventory, including the determination of its net realizable value, especially as it relates to ore in stockpiles, involves the use of estimates. Estimation is required in determining the tonnage, recoverable gold contained therein, and in determining the remaining costs of completion to bring inventory into its saleable form. Judgment also exists in determining whether to recognize a provision for obsolescence on mine operating supplies, and estimates are required to determine salvage or scrap value of supplies.
- The Company's management makes significant estimates and judgments in determining the Company's tax expense for the period and the deferred tax assets and liabilities. Management interprets tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. In addition, management makes estimates related to expectations of future taxable income based on cash flows from operations and the application of existing tax law. Assumptions used in the forecast of taxable profit are based on management's estimates of future production and sales volume, commodity prices, operating costs, capital expenditures, and decommissioning and reclamation expenditures. These estimates are subject to risk and uncertainty and could result in an adjustment to the deferred tax asset and a corresponding credit or charge to the consolidated statement of comprehensive income.

Critical accounting judgments

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

- Whether there are any indicators that the Company's property, mill and equipment assets and exploration and evaluation assets are impaired. For exploration and evaluation assets, the Company considers indicators including the Company's continued ability and plans to further develop the projects, the potential commercial viability of the projects, evidence indicating that licenses required to advance the projects have expired, and whether exploration results have not led to the discovery of commercially viable quantities of mineral resources. For property, mill and equipment assets, the Company considers changes in estimated future production, gold prices, operating cost and capital expenditure estimates, and estimates of recoverable reserves and the Company's ability to convert resources to reserves. Where an indicator of impairment exists for its long lived assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.
- Whether the recognition criteria for deferred tax assets have been met based on forecasts of future taxable profit.
- Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Company establishes provisions where it determines that a present obligation exists and that it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made. The amount of such provisions for tax matters is based on various factors, such as previous tax audits and the interpretation of tax regulations by the responsible tax authority. Such areas of audit and interpretation may include the Company's judgements in respect of qualifying Canadian exploration expenses and related tax deductions renounced to investors under a flow-through common share financing.
- The 2019 novel coronavirus ("COVID-19") was characterized as a global pandemic by the World Health Organization on March 11, 2020. Point Rousse continues to operate under strict health and safety protocols, including social distancing, which are continually reviewed based on recommendations from medical authorities.

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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 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 equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company's property, mill, and equipment assets and exploration and evaluation assets in relation to the COVID-19 pandemic and did not note any indicators as of December 31, 2020. Based on management's judgment, as at the date of these 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 any impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgments in the future.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been issued that are not mandatory for reporting periods ending December 31, 2020 and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

5. OPERATING EXPENSES

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
Mining costs	10,458,651	9,366,509
Processing costs (including refining and transport)	9,928,022	8,923,013
Mine support costs	1,697,152	1,345,037
Inventory adjustment	(1,130,683)	(995,977)
	20,953,142	18,638,582

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.

During the year ended December 31, 2019, the Company recorded insurance proceeds of \$615,820 regarding a business interruption claim pertaining to the failure of a jaw crusher in the mill during 2018. The proceeds have been included as a reduction in processing costs in the prior period.

6. ROYALTY EXPENSE

During the year ended December 31, 2020, a royalty expense of \$49,196, reflecting the net smelter return of 3% payable to a third party on gold sold from the Stog'er Tight Property was recorded on the consolidated statement of comprehensive income (year ended December 31, 2019 – \$443,325).

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7. OTHER INCOME

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
Deferred premium on flow-through shares	(594,570)	(175,019)
Research and development	81,417	592,942
Change in fair value of marketable securities	(83,191)	38,114
Interest income	(29,779)	(77,153)
Foreign exchange (gain) loss	(3,282)	2,813
	(629,405)	381,697

8. RESTRICTED CASH

In July 2019, the Company began shipping bulk sample material from Goldboro to the Point Rousse 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 December 31, 2020, \$208,838 was recorded as restricted cash on the 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 December 31, 2020, 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.

9. TRADE AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
	\$	\$
HST receivable	448,082	310,065
Other receivables	55,886	-
Due from related parties	81,612	-
	585,580	310,065

As at December 31, 2020, included in trade and other receivables is \$81,612 (December 31, 2019 - \$nil) of amounts charged under the service level agreement with Magna Terra (note 24).

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10. INVENTORY

	December 31, 2020	December 31, 2019
	\$	\$
Gold dore	681,000	712,000
Gold-in-circuit	1,648,000	1,717,000
Ore in stockpiles	3,024,000	1,686,000
Supplies and consumables	1,477,360	1,461,343
	6,830,360	5,576,343

As at December 31, 2020, gold dore, gold-in-circuit, and ore in stockpiles were recorded at cost.

11. MARKETABLE SECURITIES

In September 2018, the Company purchased common shares of a publicly traded junior mining company at a total purchase price of \$372,625. In the year ended December 31, 2020, the Company sold 3,956,000 common shares of the junior mining company for net proceeds of \$399,671 (\$70,000 in the year ended December 31, 2019). For the year ended December 31, 2020, the Company recorded a gain on the change in fair value of marketable securities of \$83,191 as a result of the sale and revaluation of marketable securities, which was included in other income on the consolidated statement of comprehensive income (\$38,114 for the year ended December 31, 2019).

12. EXPLORATION AND EVALUATION ASSETS

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 Rousse 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.

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Properties	Balance as at December 31, 2018 \$	Payments under option agreements* \$	Expenditures/ acquisition* \$	Transfers \$	Write-offs \$	Balance as at December 31, 2019 \$
Goldboro Project, Nova Scotia	25,946,234	65,000	6,227,192	-	-	32,238,426
Point Rouse Project, Newfoundland	6,772,069	-	557,421	(377,815)	-	6,951,675
Tilt Cove Project, Newfoundland	231,498	116,000	949,283	-	-	1,296,781
Great Northern Project, Newfoundland	2,031,711	45,000	30,846	-	(6,799)	2,100,758
Cape Spencer, New Brunswick	81,013	60,000	25,688	-	-	166,701
	35,062,525	286,000	7,790,430	(377,815)	(6,799)	42,754,341

* As at December 31, 2019, \$716,471 of expenditures/payments were in trade payables and accrued liabilities.

As at December 31, 2020, 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 25. 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. During the year ended December 31, 2019, the Company had transferred Pine Cove Pond pushback exploration and evaluation assets to PME as the Company commenced development of the pushback in the year ended December 31, 2019.

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

- During the year ended December 31, 2019, the Company processed the bulk sample material from the Goldboro Project at the Point Rouse Complex. As at December 31, 2019, \$1,773,091 of net proceeds from the sale of processed materials, was credited against the bulk sample costs which were all capitalized to exploration and evaluation assets.
- 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 \$35,000 has been paid) in cash and \$85,000 in common shares of Anaconda (of which \$25,000 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.

- 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

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\$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 \$63,500 has been paid) in cash and \$169,500 in common shares of Anaconda (of which \$27,000 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.

13. PROPERTY, MILL AND EQUIPMENT

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.

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Cost	Property	Mill and Infrastructure	Equipment	Work in Progress	Total
Beginning of year	28,441,768	10,589,655	2,839,252	475,030	42,345,705
IFRS 16 transition (note 2)	65,812	-	-	-	65,812
Additions*	1,212,055	223,526	344,688	846,474	2,626,743
Transfers	396,234	477,024	75,990	(516,404)	432,844
Disposals	-	-	(58,325)	-	(58,325)
	30,115,869	11,290,205	3,201,605	805,100	45,412,779
Accumulated depreciation					
Beginning of year	25,852,960	7,513,806	1,548,361	-	34,915,127
Depreciation/depletion	2,153,743	992,664	355,913	-	3,502,320
Disposals	-	-	(58,325)	-	(58,325)
	28,006,703	8,506,470	1,845,949	-	38,359,122
Net book value	2,109,166	2,783,735	1,355,656	805,100	7,053,657

* As at December 31, 2019, \$189,554 of additions were in trade payables and accrued liabilities. During the year ended December 31, 2019, \$337,298 of PME additions were financed through leases.

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

	Property	Mill and Infrastructure	Equipment	Total
	\$	\$	\$	\$
As at January 1, 2019	65,812	514,800	336,836	917,448
Additions	-	-	337,298	337,298
Depreciation	(21,344)	(194,955)	(157,055)	(373,354)
As at December 31, 2019	44,468	319,845	517,079	881,392
Additions	-	-	123,390	123,390
Depreciation	(22,352)	(113,620)	(143,851)	(279,823)
Net book value as at December 31, 2020	22,116	206,225	496,618	724,959

14. EQUITY ACCOUNTED INVESTMENTS

	Magna Terra	Novamera	Total
	\$	\$	\$
Balance as at December 31, 2019	-	-	-
Acquisitions/recognition of retained investment	1,749,087	1,648,087	3,397,174
Share of equity loss	(22,577)	(224,626)	(247,203)
Balance as at December 31, 2020	1,726,510	1,423,461	3,149,971

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The following tables provide a summary of the consolidated financial information of Magna Terra for the period from the date of acquisition (July 30, 2020) and Novamera for the period from the recognition of the retained investment (April 9, 2020):

	Magna Terra		Novamera	
	December 31, 2020	As at Acquisition*	December 31, 2020	As at Recognition of Retained Investment*
	\$	\$	\$	\$
Total current assets	2,535,137	3,895,716	1,296,900	1,999,759
Total non-current assets	5,086,796	4,338,470	3,112,556	3,111,587
Total current liabilities	(1,191,840)	(1,833,811)	(214,839)	(254,806)
Total non-current liabilities	-	-	-	-
Total net assets	6,430,093	6,400,375	4,194,617	4,856,540

* The Magna Terra balances are based on available July 30, 2020 financial information. The Novamera balances are based on available April 9, 2020 financial information.

	Magna Terra	Novamera
	\$	\$
Revenue	-	-
Net loss	(82,782)	(661,923)
Comprehensive loss	(82,782)	(661,923)

The following table provides a reconciliation of the summarized financial information for Magna Terra and Novamera to the Company's carrying values in the equity accounted investments.

	Magna Terra	Novamera
	\$	\$
Net assets at acquisition/recognition of retained investment	6,400,375	4,856,540
Net loss	(82,782)	(661,923)
Common shares issued for exploration and evaluation assets	112,500	-
Net assets as at December 31, 2020	6,430,093	4,194,617
Anaconda ownership interest	27.0%	33.9%
Anaconda share of net assets	1,736,125	1,421,975
Other adjustments	(9,615)	1,486
Equity accounted investments as at December 31, 2020	1,726,510	1,423,461

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 December 31, 2020, the Company had significant influence over Magna Terra from an

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accounting perspective and recorded a loss of \$22,577 for the Company's share of Magna Terra's net loss for the year ended December 31, 2020.

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.

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 December 31, 2020, the Company had significant influence over Novamera from an accounting perspective and recorded a loss of \$224,626 for the Company's share of Novamera's net loss for the year ended December 31, 2020.

15. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
	\$	\$
Trade payables	3,325,545	3,270,984
Accrued liabilities	733,149	1,257,281
Accrued payroll costs	737,800	606,039
	4,796,494	5,134,304

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.

16. LOANS AND REVOLVING CREDIT FACILITY

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

	December 31, 2020	December 31, 2019
	\$	\$
RBC loan	1,981,519	3,384,124
Provincial government loan	140,064	160,473
Federal government loan	147,200	172,400
Lease liabilities	373,972	644,616
Other loans	-	331,598
	2,642,755	4,693,211

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	December 31, 2020	December 31, 2019
	\$	\$
Current portion		
RBC loan	1,475,831	1,407,853
Provincial government loan	83,180	82,559
Federal government loan	100,800	100,800
Lease liabilities	229,269	388,400
Other loans	-	331,598
	1,889,080	2,311,210
Non-current portion		
RBC loan	505,688	1,976,271
Provincial government loan	56,884	77,914
Federal government loan	46,400	71,600
Lease liabilities	144,703	256,216
	753,675	2,382,001

* During the year ended December 31, 2020, the Company recognized \$nil and \$3,523 of expenses in the consolidated statement of operations relating to short-term leases and leases of low value assets, respectively (year ended December 31, 2019 - \$13,642 and \$3,523, 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 \$724,959 as at December 31, 2020 (December 31, 2019 – \$881,459). 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.

In 2019 and 2020, the Company financed insurance premiums through a loan, bearing interest at a rate of 5.1% per annum with a maturity date of October 31, 2020. As at December 31, 2020, there was no outstanding balance in relation to this financing arrangement (December 31, 2019 – \$331,598).

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 October 1, 2016.

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Revolving Credit 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 December 31, 2020, an irrevocable letter of credit in the amount of \$908,119 as collateral for the Company's surety bonds (note 17) has been issued under the revolving demand facility (December 31, 2019 – \$nil).

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%. The Company made the final payment relating to the agreement in July 2020.

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 36 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 December 31, 2020, there was an outstanding balance of \$87,594 on the revolving equipment lease line of credit (December 31, 2019 - \$358,699).

The following summary sets out the movement in loans over the years ended December 31, 2020 and 2019:

	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

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	RBC Loan \$	Provincial Government Loan \$	Federal Government Loan \$	Lease Liabilities \$	Other Loans \$	Total \$
As at December 31, 2018	-	240,594	273,200	781,116	199,260	1,494,170
Changes from financing cash flows:						
Proceeds	5,000,000	-	-	-	-	5,000,000
Repayments of loans/leases	(1,615,876)	(80,122)	(100,800)	(539,609)	(301,554)	(2,637,961)
Interest paid	(151,477)	(6,122)	-	(36,842)	(10,647)	(205,088)
	3,232,647	154,350	172,400	204,664	(112,941)	3,651,122
Other changes:						
IFRS 16 transition	-	-	-	65,812	-	65,812
Insurance premiums financed through loans	-	-	-	-	433,892	433,892
Property, mill, and equipment acquired through leases	-	-	-	337,298	-	337,298
Interest expense	151,477	6,122	-	36,842	10,647	205,088
As at December 31, 2019	3,384,124	160,472	172,400	644,616	331,598	4,693,211

17. DECOMMISSIONING LIABILITY

The provision for asset retirement obligations is as follows:

	December 31, 2020 \$	December 31, 2019 \$
Opening balance	2,847,999	2,868,364
Interest accretion	7,921	44,557
Additions/change in estimates	609,098	(39,000)
Site closure and reclamation costs paid	-	(44,054)
Change in inflation/discount rates	19,053	18,132
Closing balance	3,484,072	2,847,999
Current portion	101,107	79,726
Non-current portion	3,382,965	2,768,273

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

As at December 31, 2020, the Company had entered an agreement with an insurance company to provide a surety bond for \$3,481,243 (December 31, 2019 – \$2,700,963) to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

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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 16).

18. 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 December 31, 2020, the Company had 153,953,798 (December 31, 2019 – 135,216,962) 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 Company in favour of the purchasers of the flow-through common shares with an effective date of December 31, 2020. As at December 31, 2020, \$2,777,400 of the flow-through funds were spent on eligible exploration expenses, with \$2,732,600 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 December 31, 2020, the Company derecognized a cumulative amount of \$189,938 of the flow-through liability and recognized a corresponding income amount, 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 consists 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 consists of one common share and one-half of one Warrant. Each Warrant entitles 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 is 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. As at December 31, 2020, \$2,630,495 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. As at December 31, 2020, the Company derecognized a cumulative amount of \$579,651 of the flow-through liability and recognized a corresponding income amount (for the year ended December 31, 2020 – \$404,632), representing the portion of the liability that had been fulfilled by incurring qualifying exploration expenditures.

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Warrants

A summary of the Company's warrant activities for the years ended December 31, 2020 and 2019 is presented below:

	Warrants #	Weighted average exercise price \$
Outstanding, December 31, 2018	16,360,071	0.40
Granted	7,837,544	0.45
Exercised	(17,000)	0.24
Expired/forfeited	(385,000)	0.28
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	0.37

During the year ended December 31, 2020, 5,945,957 warrants were exercised (year ended December 31, 2019 – 17,000). The corresponding grant date fair value of \$568,326 (year ended December 31, 2019 – \$15,550) was reclassified from warrants to issued capital.

During the year ended December 31, 2020, 6,038,993 warrants expired unexercised (year ended December 31, 2019 – 385,000). The corresponding grant date fair value of \$509,032 (year ended December 31, 2019 – \$11,585) was reclassified from warrants to accumulated deficit.

On July 10, 2019, the Company issued warrants in relation to a non-brokered private placement to acquire 7,572,944 common shares, which are exercisable at \$0.45 per share and expiring on January 10, 2021, and 264,600 non-transferable finder warrants, which are exercisable at \$0.45 per share and expiring on January 10, 2021. The warrants and finder warrants issued were valued using a risk-free rate of 1.58%, and expected dividend yield of nil, an expected volatility of 63.79%, and an expected life of 18 months.

As at December 31, 2020, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
July 10, 2019	6,179,415	\$0.45	January 10, 2021
May 19, 2017*	5,312,500	\$0.28	September 15, 2021
May 19, 2017*	318,750	\$0.28	October 11, 2021
	11,810,665	\$0.37	

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

Subsequent to December 31, 2020, 6,243,165 warrants were exercised and the Company received proceeds of \$2,798,737).

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

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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 December 31, 2020, 15,395,380 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 December 31, 2020, 3,380,834 options under the Company's Stock Option Plan were outstanding with 2,936,111 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 December 31, 2020, 2,550,000 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, over the years ended December 31, 2020 and 2019:

	Options #	Weighted average exercise price \$
Outstanding, December 31, 2018	8,310,375	0.28
Granted	225,000	0.28
Exercised	(125,000)	0.27
Expired/forfeited	(637,500)	0.32
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
Options exercisable, December 31, 2020	5,486,111	0.29

During the year ended December 31, 2020, 578,750 options were granted (year ended December 31, 2019 – 225,000) were granted to employees of the Company at a weighted average exercise price of \$0.40 (year ended December 31, 2019 – \$0.28). The options vest over an 18-month period in 3 equal instalments.

During the year ended December 31, 2020, 1,804,124 options were exercised (year ended December 31, 2019 – 125,000). The corresponding grant date fair value of \$322,644 (year ended December 31, 2019 – \$15,550) was reclassified from equity reserves to issued capital. Subsequent to December 31, 2020, 318,750 options were exercised and the Company received proceeds of \$76,500.

During the year ended December 31, 2020, 616,667 options expired unexercised or were forfeited (year ended December 31, 2019 – 637,500). The corresponding grant date fair value of \$126,051 (year ended December 31, 2019 – \$121,127) 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 December 31, 2020. The weighted average exercise price for the outstanding stock options was \$0.30 as at December 31, 2020.

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Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
168,750	168,750	0.15 years	\$0.24	February 22, 2021
2,125,000	2,125,000	0.26 years	\$0.24	April 6, 2021
542,500	542,500	0.40 years	\$0.24	May 26, 2021
425,000	425,000	0.96 years	\$0.24	December 15, 2021
125,000	125,000	1.40 years	\$0.28	May 23, 2022
725,000	725,000	1.48 years	\$0.24	June 21, 2022
62,500	62,500	1.77 years	\$0.28	October 5, 2022
12,500	12,500	1.87 years	\$0.26	November 13, 2022
50,000	50,000	1.98 years	\$0.32	December 22, 2022
1,162,500	1,162,500	2.06 years	\$0.46	January 19, 2023
262,084	87,361	4.18 years	\$0.21	March 3, 2025
125,000	-	4.69 years	\$0.64	September 3, 2025
125,000	-	4.72 years	\$0.58	September 14, 2025
20,000	-	4.87 years	\$0.61	November 6, 2025
5,930,834	5,486,111	1.26 years	\$0.30	

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

The following table sets out the details of the valuation of stock option grants for the years ended December 31, 2020 and 2019:

Date of grant	Number of options	Risk-free interest rate	Expected dividend yield	Expected volatility	Expected life
February 11, 2019	100,000	1.82%	Nil	104.7%	5 years
July 15, 2019	125,000	1.51%	Nil	101.3%	5 years
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

The fair value of the stock options granted for the year ended December 31, 2020 was \$156,911 (year ended December 31, 2019 – \$46,368). Share-based compensation expense recognized in relation to stock options during the year ended December 31, 2020 was \$82,334 (year ended December 31, 2019 – \$107,253).

Share Unit Plan

The Share Unit Plan provides for the issuance of share units to directors, officers, employees, and consultants of the Company. Share units are units representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined 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.

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As at December 31, 2020, 1,466,567 share units were outstanding. The following summary sets out the activity in the Share Unit Plan over the years ended December 31, 2020 and 2019:

	Share units #	Weighted average fair value \$
Outstanding, December 31, 2018	-	-
Granted	2,953,921	0.31
Redeemed	(861,665)	0.32
Forfeited	(125,000)	0.32
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

During the year ended December 31, 2020, 1,019,520 share units (year ended December 31, 2019 – 2,953,921) were granted to directors, officers, employees, and consultants of the Company at an average fair value of \$0.23 (year ended December 31, 2019 – \$0.31). The vesting terms of these share units were as follows: 208,751 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 746,667 share units vest over an 18 month period in three equal instalments.

During the year ended December 31, 2020, 1,380,208 share units were redeemed (year ended December 31, 2019 – 861,665). The corresponding grant date fair value of \$410,410 (year ended December 31, 2019 – \$271,425) was reclassified from equity reserves to issued capital.

During the year ended December 31, 2020, 140,001 share units were forfeited (year ended December 31, 2019 – 125,000).

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 year ended December 31, 2020 was \$235,420 (year ended December 31, 2019 – \$919,507). Share-based compensation expense recognized in relation to share units during the year ended December 31, 2020 was \$298,399 (year ended December 31, 2019 – \$754,176).

19. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended December 31, 2020	Year ended December 31, 2019
Net income for the year	\$ 8,228,243	\$ 373,047
Weighted average basic number of shares outstanding	142,618,926	126,485,569
Weighted average dilutive shares adjustment:		
Stock options	1,669,613	711,703
Warrants	1,553,290	-
Share units	367,610	-
Weighted average diluted number of shares outstanding	146,209,439	127,197,272
Net income per share:		
Basic and diluted	\$ 0.06	\$ 0.00

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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.

	Year ended December 31, 2020	Year ended December 31, 2019
Stock options	4,261,221	7,061,172
Warrants	11,443,055	23,795,615
Share units	76,835	-
	15,781,111	30,856,787

20. INCOME TAXES

Income tax expense

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate.

The Canadian statutory income tax rate of 29.7% (December 31, 2019 – 29.6%) is comprised of the federal income tax rate at approximately 15.0% (December 31, 2019 – 15.0%) and the provincial income tax rate of approximately 14.7% (December 31, 2019 – 14.6%). A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	December 31 2020 \$	December 31 2019 \$
Income tax expense at statutory rates	4,274,194	242,054
Change in tax rates	11,915	(14,182)
Flow through share expenditures	1,372,299	779,432
Mining tax deduction	(625,821)	11,852
Newfoundland mining taxes	2,104,000	(40,000)
Partial or full sale of a subsidiary	133,543	-
Prior period true-up	9,528	(68,739)
Flow through share premium	(176,851)	(51,859)
Other	(132,149)	152,963
Non-deductible expenses for tax purposes:		
Share-based compensation	113,247	255,247
Change in unrecognized temporary differences	(942,375)	(822,909)
Income taxes expense	6,141,528	443,859

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The primary differences which give rise to the deferred income tax balances at December 31, 2020 and December 31, 2019 are as follows:

	December 31 2020	December 31 2019
	\$	\$
Deferred income tax assets		
Temporary timing differences on non-current assets	5,507,000	(1,076,000)
Deductible financing fees	104,000	152,000
Capital loss carried forward	-	219,000
Asset retirement obligation	1,037,000	844,000
Advances	56,000	11,000
Non-capital loss carried forward	3,899,000	3,476,000
	10,603,000	3,626,000
Less: deferred tax assets not recognized	(55,000)	(997,000)
Less: set-off against deferred income tax liabilities	(10,548,000)	-
Net deferred income tax assets	-	2,629,000

	December 31 2020	December 31 2019
	\$	\$
Deferred income tax liabilities		
Temporary timing differences on non-current assets	13,941,000	1,753,000
Set-off of deferred income tax assets	(10,548,000)	-
Net deferred income tax liabilities	3,393,000	1,753,000

During the year ended December 31, 2020, a net deferred income tax expense of \$4,269,000 (year ended December 31, 2019 – recovery of \$41,000) was recognized in the consolidated statement of comprehensive income, relating to the use of certain tax pools to offset the Company's taxable income, and the recognition of a deferred tax expense of \$189,000 arising as a result of the difference in the tax basis and the carrying value of the Company's investment in Novamera (note 14). This was partially offset by the recognition of a deferred tax recovery of \$844,000 related to the sale of ExploreCo (note 14).

The Company also has cumulative Canadian exploration and development expenditures of \$27,942,628 (December 31, 2019 - \$38,757,621) that may be carried forward indefinitely.

As at December 31, 2020, the Company has non-capital loss carry-forwards expiring as follows:

	Canada	Chile	Total
	\$	\$	\$
2026-2030	3,424,338	-	3,424,338
2031-2035	2,982,736	-	2,982,736
2036-2040	5,225,406	-	5,225,406
Indefinite	-	6,905,463	6,905,463
	11,632,480	6,905,463	18,537,943

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21. 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 year ended December 31, 2020, the Company received \$534,850 as an advance from the Centre and \$345,000 was credited against eligible costs incurred in relation to advances received from the Centre. As at December 31, 2020, \$189,850 related to amounts received from the Centre for future project expenditures was included as an advance in the consolidated statement of financial position.

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
Change in non-cash working capital:		
Trade and other receivables	(275,515)	521,311
Prepaid expenses and deposits	(92,353)	199,140
Inventory	(1,141,017)	(832,701)
Advances	152,204	(48,554)
Trade payables and accrued liabilities	(725,327)	308,436
	(2,082,008)	147,632
Supplemental cash flow information:		
Interest paid	192,994	205,088
Property, mill and equipment acquired through leases	123,390	337,298
Insurance premiums financed through loans	127,287	433,892

23. FINANCIAL INSTRUMENTS

Classifications

Fair values of cash and restricted cash are based on quoted prices in active markets for identical assets, resulting in a level-one valuation. The carrying amount of the Company's financial instruments that are measured at amortized cost approximates fair value due to their short-term nature and market conditions and amount involved.

Capital management

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

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

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

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Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2020. Unless otherwise noted (i.e. restricted cash), the Company is not subject to externally-imposed capital requirements.

Financial risk factors

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

Credit risk

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

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

Liquidity risk

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables that are outstanding past their due dates. As at December 31, 2020, the Company had a net working capital of \$13,938,471 (December 31, 2019 - \$2,728,061), including cash of \$14,634,595 (December 31, 2019 - \$4,351,588).

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

At December 31, 2020, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

The contractual cash flow obligations of the Company as at December 31, 2020 are as follows:

	1 year	1 - 3 years	More than 3 years	Total
	\$	\$	\$	\$
Trade payables and accrued liabilities	4,796,495	-	-	4,796,495
RBC loan	1,558,868	511,029	-	2,069,897
Provincial government loan	86,244	57,495	-	143,739
Federal government loan	100,800	46,400	-	147,200
Lease liabilities	235,491	110,279	37,488	383,258
	6,777,898	725,203	37,488	7,540,589

Market risk

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

Foreign currency risk

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

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

Interest rate risk

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

24. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, the Chief Executive Officer, President, Chief Financial Officer, and the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$
Salaries, bonuses, fees and short term benefits	890,364	1,039,974
Severance costs	-	694,243
Share based compensation	223,414	734,450
	1,113,778	2,468,667

As at December 31, 2020, included in trade and other payables is \$215,000 (December 31, 2019 – \$442,750) of amounts due for directors' fees, bonuses, and one-time severance costs.

During the year ended December 31, 2020, the Company purchased a warehouse building at the Goldboro Project from a director of the Company for \$100,000.

Magna Terra Minerals Inc.

The Company and Magna Terra have certain key management personnel in common. As described in note 14, 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 December 31, 2020, included in trade and other receivables in note 9 is \$81,612 (December 31, 2019 - \$nil) of amounts charged under the service level agreement.

25. COMMITMENTS

As at December 31, 2020, the Company has a commitment to spend a total of \$2,732,600 of flow-through funds on eligible exploration expenses, related to the private placement completed in July 2020 (note 18).

In December 2020, the Company locked into forward sales on a delivery basis for a total of 1,393 ounces of its production for January 2021. The gold price for the orders was locked in at an average of \$2,371 per ounce with delivery in January 2021.

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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 Rouse 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 Rouse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At December 31, 2020, the Company has determined it has approximately \$10 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.