Consolidated Financial Statements
Years Ended
May 31, 2015 and May 31, 2014
(Expressed in Canadian Dollars)

Management's responsibility for financial reporting

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

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

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

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

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

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

"Dustin Angelo"	"*Errol Farr*"
President and Chief Executive Officer	Chief Financial Officer
August 25, 2015	August 25, 2015

parker simone LLP | chartered professional accountants
licensed public accountants | Mississauga, Ontario, Canada
www.parker-simone.com

Independent Auditor's Report

To the Shareholders of
Anaconda Mining Inc.

We have audited the accompanying consolidated financial statements of Anaconda Mining Inc., which comprise the consolidated statements of financial position as at May 31, 2015 and 2014, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

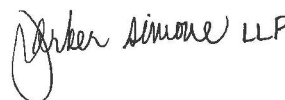
Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anaconda Mining Inc. as at May 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.



August 25, 2015

Anaconda Mining Inc.

Consolidated Statements of Financial Position

(Canadian dollars)

As at	**May 31 2015**	May 31 2014
	$	$
Assets		
Current assets		
Cash (note 3)	**1,435,160**	2,754,225
Trade and other receivables (note 4)	**49,042**	56,722
HST recoverable	**181,150**	292,596
Prepaid expenses and deposits	**181,658**	395,061
Inventory (note 5)	**3,027,959**	2,657,999
Milestone payment receivable (note 15)	**-**	1,989,601
	4,874,969	8,146,204
Investment (note 6)	**-**	50,000
Restricted cash (note 3)	**593,000**	595,726
Deferred income tax asset (note 17)	**4,881,000**	3,935,000
Exploration and evaluation assets (note 7)	**4,016,357**	2,233,299
Production stripping assets (note 8)	**1,045,958**	612,654
Property, mill and equipment (note 9)	**12,310,274**	14,825,416
	27,721,558	30,398,299
Liabilities		
Current liabilities		
Trade and other payables (note 10)	**2,954,190**	2,982,896
Current portion of loans (note 11)	**18,350**	96,831
	2,972,540	3,079,727
Loans (note 11)	**42,404**	31,545
Decommissioning liability (note 12)	**1,311,393**	1,253,961
	4,326,337	4,365,233
Shareholders' equity		
Share capital and share based compensation (note 13)	**34,231,909**	34,774,819
Deficit	**(10,836,688)**	(8,741,753)
	23,395,221	26,033,066
	27,721,558	30,398,299

Approved by the Board of Directors on August 25, 2015

"Maruf Raza"
Director

"Lewis Lawrick"
Director

Anaconda Mining Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Canadian dollars)

For the year ended	**May 31 2015 $**	May 31 2014 $
Revenue		
Gold sales	**22,234,071**	20,175,326
Cost of sales		
Mill operations	**7,387,511**	7,167,442
Mining costs	**8,462,275**	6,006,674
Net smelter royalty	**504,650**	599,245
Logistics	**164,699**	248,378
Project administration	**888,023**	846,413
Depletion and depreciation	**4,288,132**	2,970,568
	21,695,290	17,838,720
Gross margin	**538,781**	2,336,606
Expenses		
Corporate administration	**2,032,265**	1,909,310
Other revenues and expenses (note 15)	**(240,238)**	(4,265,630)
Write down of Chilean assets (note 15)	**2,260,158**	-
Share-based compensation (note 13)	**136,921**	200,583
Finance expense	**433**	272,771
Foreign exchange gain	**(11,927)**	(2,599)
Unrealized loss (gain) on forward sales contract derivative (note 19)	**65,800**	(39,185)
	4,243,412	(1,924,750)
Income (loss) before income taxes	**(3,704,631)**	4,261,356
Current income tax expense (note 17)	**16,135**	-
Deferred income tax recovery (note 17)	**(946,000)**	(31,000)
	(929,865)	(31,000)
Net income (loss) and comprehensive income (loss) for the year	**(2,774,766)**	4,292,356
Net income (loss) per share - basic	**(0.02)**	0.02
Net income (loss) per share - fully diluted	**(0.02)**	0.02
Weighted average number of shares outstanding		
- basic	**179,878,963**	179,878,963
- fully diluted	**179,878,963**	179,878,963

Anaconda Mining Inc.

Consolidated Statement of Changes in Equity

(Canadian dollars)

	Share capital		Share-based compensation	Subtotal	Deficit	Total
	#	$	$	$	$	$
Balance at May 31, 2013	**179,878,963**	**33,133,525**	**1,516,504**	**34,650,029**	**(13,109,902)**	**21,540,127**
Share-based compensation from issuance of options	-	-	200,583	200,583	-	200,583
Net income for the year	-	-	-	-	4,292,356	4,292,356
Expiry of stock options transferred to deficit	-	-	(75,793)	(75,793)	75,793	-
Balance at May 31, 2014	**179,878,963**	**33,133,525**	**1,641,294**	**34,774,819**	**(8,741,753)**	**26,033,066**
Share-based compensation from issuance of options	-	-	136,921	136,921	-	136,921
Net loss for the year	-	-	-	-	(2,774,766)	(2,774,766)
Expiry of stock options transferred to deficit	-	-	(679,831)	(679,831)	679,831	-
Balance at May 31, 2015	**179,878,963**	**33,133,525**	**1,098,384**	**34,231,909**	**(10,836,688)**	**23,395,221**

Anaconda Mining Inc.

Consolidated Statements of Cash Flows

(Canadian dollars)

For the year ended	**May 31 2015 $**	May 31 2014 $
Operations		
Net income (loss)	**(2,774,766)**	4,292,356
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Depletion and depreciation	**4,241,150**	2,915,652
Depreciation of stripping assets	**153,421**	368,214
Write down of Chilean assets	**2,086,325**	-
Share-based compensation expense	**136,921**	200,583
Deferred income tax recovery	**(946,000)**	(31,000)
Other revenue	**-**	(2,119,800)
Finance expense	**-**	273,918
Accretion of milestone payment receivable	**(46,589)**	(92,165)
Interest accretion of decomissioning liability	**57,432**	54,916
Unrealized loss (gain) on forward sales contract derivative	**65,800**	(39,185)
Unrealized foreign exchange gains	**(135)**	(51,554)
Net change in non-cash working capital items:		
Trade and other receivables	**(58,120)**	80,174
HST recoverable	**111,446**	137,336
Prepaid expenses and deposits	**213,403**	(121,061)
Inventory	**(350,150)**	(966,153)
Trade and other payables	**(28,706)**	413,511
Cash flow provided from operating activities	**2,861,432**	5,315,742
Financing		
Proceeds from bank loan	**-**	46,351
Repayment of bank loan	**(7,725)**	(7,081)
Repayment of capital lease	**(8,791)**	-
Repayment of government loans	**(89,106)**	(173,232)
Cash flow used in financing activities	**(105,622)**	(133,962)
Investments		
Purchase of property, mill and equipment	**(1,745,818)**	(1,452,627)
Additions to production stripping assets	**(586,725)**	(751,102)
Purchase of exploration and evaluation assets	**(1,745,058)**	(900,686)
Restricted cash	**2,726**	209,961
Cash flow used in investing activities	**(4,074,875)**	(2,894,454)
Net increase (decrease) in cash	**(1,319,065)**	2,287,326
Cash at beginning of year	**2,754,225**	466,899
Cash at end of year	**1,435,160**	2,754,225
Supplemental cash flow information:		
Interest paid	**4,871**	192
Taxes paid	**16,135**	-

General

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

Point Rousse Project – Baie Verte Mining District, Newfoundland, Canada
The Company owns 100% of the Pine Cove mine and mill (the "Pine Cove Mine"), and controls approximately 6,500 hectares on the Ming's Bight Peninsula, which is situated within the larger Baie Verte Peninsula on the north-central part of Newfoundland (the "Point Rousse Project" formerly named the Pine Cove Project). On September 7, 2010, the Company achieved Commercial Production with a processing capacity of approximately 1,000 tonnes per day. The Point Rousse Project originally included approximately 660 hectares of mining rights, an open pit mining operation and complete mill infrastructure capable of producing gold dore bars. In 2012, 2013 and 2015, the Company entered into option agreements to acquire a 100%-interest in seven additional exploration properties and staked five other properties (as described in note 7). The agreements and staked claims increased the Company's land package of the Point Rousse Project nine-fold to approximately 6,500 hectares.

1. Basis of preparation

Statement of compliance
The Company's Consolidated Financial Statements ("Financial Statements"), including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") for the year ended May 31, 2015.

The policies applied in these Financial Statements are based on IFRS issued and outstanding as of August 25, 2015, the date the Board of Directors approved the financial statements.

Basis of presentation
These Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 2.

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

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

- **IFRS 9, Financial Instruments ("IFRS 9")** was issued by the IASB on July 24, 2014, and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through

profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018.

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

2. Significant accounting policies

Principles of consolidation
These Financial Statements include the accounts of Anaconda and its legal subsidiaries, Colorado Minerals Inc., a Canadian company, and Inversiones La Veta Limitada and Inversiones La Veta Holding SpA (jointly "La Veta"), limited liability companies based in Chile. The business and mineral properties of La Veta were sold during fiscal 2012 (see note 15). All intercompany transactions and balances have been eliminated in these Financial Statements.

Significant accounting judgments and estimates
The preparation of these Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations, the useful lives of property, mill and equipment, profitability of future operations as impacting realization of tax losses, life of the Pine Cove mine as it impacts depletion expense, recoverability of property, mill and equipment (see note 9) and exploration and evaluation assets and the valuation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, assessment of the going concern assumption and the determination of the economic viability of a project.

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

Revenue recognition
Revenue from the sales of metal or mineral in concentrate is recognized when persuasive evidence of a sales agreement exists, title and risk is transferred to the customer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sales of metal or mineral may be subject to adjustment upon final settlement of shipment weights, assays and estimated metal prices. Adjustments to revenue for metal or mineral prices are recorded monthly and other adjustments are recorded on final settlement. Interest revenue is accrued as earned.

The Company also recognizes revenue from royalty income based on gross sales of iron ore, pursuant to the terms of the royalty agreement, when management can reliably estimate the value and collectability of the royalty. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition is deferred until management can make a reasonable estimate.

Stripping costs

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 ore bodies, the costs are capitalized as stripping activity asset, as part of the existing mining asset, provided there is a reasonable expectation of recovering the benefit of these assets. When the actual waste to ore stripping ratio in a period is greater than the expected life of mine waste to ore stripping ratio for an identified ore body, the excess is capitalized as production stripping assets. These assets are amortized when the benefits of the production stripping assets accrue to the ore body on a units-of-mine-production basis over the remaining proven and probable reserves of the ore body.

Property, mill and equipment ("PME")

Property, mill and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PME consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Interest and amortization related to equipment used for exploration is capitalized.

Assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, mill and equipment, and depreciation will commence when the asset is available for its intended use.

Depletion and depreciation are provided at rates calculated to write off the cost of PME, less their estimated residual value, using the declining balance method or unit-of-production method over the following expected useful lives:

Equipment	20%
Property and mill	units-of-production

Equipment and leasehold improvements are recorded at cost and are amortized on a straight-line basis over their estimated useful life, estimated at between 2 and 5 years.

Property, mill and equipment at the Pine Cove project are depleted over the expected life of the mine using the units-of-production ("UOP") method for determining depreciation, depletion and amortization. The expected useful lives used in the UOP calculations are determined based on the facts and circumstances associated with the mineral interest and is the portion of mineral resources considered to be probable of economic extraction. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PME and any changes arising from the assessment are applied by the Company prospectively. The expected useful life used in determining UOP does not exceed the estimated life of the ore body based on recoverable ounces to be mined. Any changes in estimates of useful lives are accounted for prospectively from the date of the change.

Where an item of PME comprises major components with different useful lives, the components are accounted for as separate items of PME. Expenditures incurred to replace a component of an item of PME that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Financial instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income, and; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

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

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

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for significant and prolonged losses in value which are recorded in earnings.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly-attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income.

Transaction costs
Transaction costs associated with FVTPL financial assets and FVTPL financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Impairment of financial assets
The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of

estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit and loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale
If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income ("AOCI") to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Credit risk and the fair value of financial assets and financial liabilities
The Company's credit risk and the credit risk of its counterparties are considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments.

Impairment of non-current assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible non-current assets to determine whether there is an indication that those assets have suffered an impairment loss. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased 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 cash-generating unit) in prior years.

Decommissioning, restoration and similar liabilities
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and PME, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. 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 unit-of-production 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.

Income taxes
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 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 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 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 statement of financial position.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the 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 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 if, and only if, a legally-enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the

liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share-based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Upon expiry, the fair value of share-based payments are transferred to retained earnings.

Equity-settled transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Income per share and comprehensive income per share
Earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. For stock options/warrants, the number of additional shares for inclusion in diluted earnings per share calculations is determined using the treasury stock method. Under this method, stock options/warrants, whose exercise price is less than the average market price of our common shares, are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options/warrants and repurchased from proceeds is included in the calculation of diluted earnings per share. For convertible debentures, the number of additional shares for inclusion in diluted earnings per share calculations is determined using the as-if-converted method. The incremental number of common shares issued is included in the number of weighted average shares outstanding and interest on the convertible debentures is excluded from the calculation of income.

Inventory
The Company's accounting policy for inventory assumes that material extracted from our Pine Cove project is either ore or waste. Ore represents material that, at the time of extraction, is expected to be processed, or to have

been processed, into saleable form and sell at a profit. Ore is recorded as an asset and included in inventory as it is extracted from the open pit. Ore is accumulated in stockpiles that are subsequently processed into gold in saleable form. Gold work-in-process represents gold in the processing circuit that has not completed the production process, and is not yet in saleable form.

Raw materials (gold in stockpiles) are measured by estimating the number of tons added and removed from stockpile and the associated estimate of gold contained therein (based on empirical assay data) and applying estimated metallurgical recovery rates. Stockpile or tonnages are verified by periodic surveys. Costs are allocated to ore stockpiles based on quantities of material stockpiled using current mining costs incurred up to the point of stockpiling the ore and include cost allocations from waste mining costs and overheads relating to mining operations. Once ore is processed, costs are removed based on recoverable quantities of gold using the stockpile's average cost per unit. Provisions are deducted in order to reduce the inventory to net realizable value. Gold in process and gold dore are recorded at average costs, less provisions required to reduce inventory to market value. Average cost is calculated based on the costs of inventory at the beginning of a period plus the cost of inventory produced during the current period. Costs capitalized to in-process and finished goods inventory include the cost of stockpiles processed, direct and indirect materials and consumables, direct labour, repairs and maintenance, utilities, amortization of property, mill and equipment and local mine administrative expenses. Costs are removed from inventory and recorded in cost of sales and amortization expense based on the average cost per ounce of gold in inventory.

Included in inventory are a number of materials consumed as part of the gold refining process. Consumable inventories are recorded at the lower of cost, using the weighted average method and net realizable value.

Estimated recoverable reserves and resources

The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs and recoveries amongst other factors. Changes in reserve and resource estimates may impact the carrying value of property, plant and equipment, goodwill, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation, depletion and amortization.

Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian Dollar ("CAD"), and the functional currency of the Chilean subsidiaries of the Company is the US dollar ("USD"). The Financial Statements are presented in Canadian Dollars, which is the Company's presentation currency. The translation difference arising from the translation of subsidiaries, with functional currency different than the consolidated functional currency is recorded to 'other comprehensive income'.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in operations.

The results and financial position of the Company's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- All resulting exchange differences are recognized in other comprehensive loss and the cumulative effect as a separate component of equity; and
- On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive loss and shareholders equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in operations.

Non-hedge derivatives
Derivative instruments that do not qualify as either fair value or cash flow hedges are recorded at their fair value in the statement of financial position, with changes in fair value recognized in the consolidated statement of comprehensive income.

Exploration and evaluations assets ("E&E")
E&E assets consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into development or the properties are disposed of either through sale or abandonment.
E&E costs consist of:

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

Account reclassifications
Certain prior year amounts have been reclassified to conform to account presentation adopted in the current year.

3. Cash and restricted cash

The Company's cash balances consist of cash on deposit with a Canadian Chartered bank totaling $1,435,160 (May 31, 2014 - $2,754,225).

Restricted cash balance consists of long-term cash on deposit with a Canadian Chartered bank in interest-generating Guaranteed Investment Certificates maturing September 9, 2015, totaling $593,000 (May 31, 2014 - $595,726). Anaconda has issued letters of credit in the amount of $565,500 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development in concert with the Company's decommissioning liabilities (note 12). The Company also has corporate credit cards that have authorized limits secured by cash collateral of $27,500.

4. Trade and other receivables

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

As at	**May 31 2015 $**	May 31 2014 $
Unrealized gain on non-hedged forward sales contract derivatives	**-**	39,185
Gold sales receivable	**20,458**	-
Accrued interest	**8,211**	3,439
Other	**8,378**	4,599
Due from related parties	**11,995**	9,499
	49,042	56,722

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

As at	**May 31 2015 $**	May 31 2015 $
Less than 1 month	**20,458**	-
30-60 days	**8,378**	43,784
60+ days	**20,206**	12,938
	49,042	56,722

At May 31, 2015, the Company anticipates full recovery of the amount due from related parties therefore no impairment has been recorded. The credit risk on the receivables has been further discussed in note 20. The Company holds no collateral for any receivable amounts outstanding as at May 31, 2015.

5. Inventory

As at	**May 31 2015 $**	May 31 2014 $
Ore in stock piles	**1,031,203**	1,484,035
Raw materials	**504,601**	300,060
Work in progress	**1,137,155**	873,904
Parts inventory	**355,000**	-
	3,027,959	2,657,999

Cost of sales for fiscal 2015 of $21,695,290 (2014 - $17,838,720) includes a credit of $35,920 (2014 - $43,997) relating to the sale of silver by-product.

6. Investment

The investment acquired from the Chilean asset sale is described as follows:

As at	**May 31 2015 $**	May 31 2014 $
1.25% carried interest in Compania Portuaria Tal Tal S.A.	**-**	50,000

See note 15.

7. Exploration and evaluation assets

Properties	Interest	Balance as at May 31 2014	Option of mining property	Expenditures	Balance as at May 31 2015
	%	$	$	$	$
Newfoundland					
Point Rousse Project					
Pine Cove Lease Area	100	1,428,912	-	353,390	1,782,302
Tenacity	100	171,220	50,000	240,608	461,828
Fair Haven	100	47,398	-	179,290	226,688
Froude	100	23,107	-	34,919	58,026
Duffitt and Strong	100	29,668	-	21,171	50,839
Stog'er Tight	100	50,689	25,000	487,608	563,297
Deer Cove	100	95,691	25,000	260,031	380,722
Regional (unallocated)	100	386,614	-	106,041	492,655
		2,233,299	**100,000**	**1,683,058**	**4,016,357**

Properties	Interest	Balance as at May 31 2013	Option of mining property	Expenditures	Balance as at May 31 2014
	%	$	$	$	$
Newfoundland					
Point Rousse Project					
Pine Cove Lease Area	100	927,490	-	501,422	1,428,912
Tenacity	100	119,032	50,000	2,188	171,220
Fair Haven	100	45,160	-	2,238	47,398
Froude	100	22,378	-	729	23,107
Duffitt and Strong	100	27,380	-	2,288	29,668
Stog'er Tight	100	-	25,000	25,689	50,689
Deer Cove	100	-	25,000	70,691	95,691
Regional (unallocated)	100	191,173	-	195,441	386,614
		1,332,613	**100,000**	**800,686**	**2,233,299**

The Company owns 100% of the Point Rousse Project, which contains five mining leases totaling 1,052 hectares and 28 mining licenses totaling approximately 5,294 hectares not accounted for within the mining leases. The mining leases were optioned from Tenacity Gold Mining Company Ltd. ("Tenacity") and 1512513 Alberta Ltd. ("Alberta"), a subsidiary of Coordinates Capital Corporation ("Coordinates") and Seaside Realty Ltd. ("Seaside"), while the mining licenses were optioned from several different parties including Tenacity, Alberta, Fair Haven Resources Inc. ("Fair Haven"), Herb Froude, and Messrs Alexander Duffitt and Paul Strong. Five of the licenses are owned by Anaconda.

The current operating area of the Point Rousse Project comprises two contiguous mining leases (the "Pine Cove Lease Area") acquired from Tenacity totaling 660 hectares that contains the operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility. It is subject to two royalty agreements, the first with Tenacity, whereby the Company was required to pay Tenacity a net smelter royalty ("NSR") of 3% of the metal sales from the mining lease to a maximum of $3 million. The Company has extinguished this obligation as at May 31, 2015. The second is a Net Profits Interest ("NPI") agreement with Royal Gold, Inc. ("Royal")

whereby the Company is required to pay Royal a royalty of 7.5% of the net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At May 31, 2015, the Company has determined it has approximately $36 million in carry forward expenditures deductible against future receipts.

Option Agreements
On May 7, 2012, the Company entered into a five-year property option agreement (the “Tenacity Agreement”) with Tenacity to acquire a 100%-undivided interest in 4 mineral exploration licenses (the "**Tenacity Property**") totaling 63 claims or approximately 1,575 hectares contiguous to the Pine Cove License Area. The Tenacity Agreement requires the Company to pay to Tenacity $25,000 at closing (paid), an additional $275,000 in cash payments over the option period (of which $125,000 has been paid) and incur $750,000 in expenditures over the life of the option. At the Company’s option, 50% of the cash payments can be settled with the issuance of common shares, with value determined based on a weighted average of the 30 trading days preceding payment. The Tenacity Agreement also entitles Tenacity to a net smelter royalty (“NSR”) of 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter or at 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter, with a cap on the NSR of $3 million.

On July 19, 2012, the Company entered into a five-year property option agreement (the “Fair Haven Agreement”) with Fair Haven to acquire a 100%-undivided interest in 11 exploration licenses (the “**Fair Haven Property**”) totaling 71 claims or approximately 1,804 hectares near its Pine Cove Mine. The Fair Haven Property runs adjacent to the optioned Tenacity Property. The Fair Haven Agreement requires the Company to pay to Fair Haven $10,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of $750,000. The Fair Haven Agreement also entitles Fair Haven to an NSR of 2% to an aggregate sum of $3 million; following this and after 200,000 ounces of gold has been sold from the Fair Haven Property, Fair Haven is then entitled to a 1% NSR.

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

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

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

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

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

As at May 31, 2015 and the financial statement report date, the Company had met all required property option commitments and accordingly the properties were in good standing.

8. Production stripping assets

As at	**May 31 2015 $**	May 31 2014 $
Opening balance	**612,654**	229,766
Additions	**586,725**	751,102
Depreciation	**(153,421)**	(368,214)
Closing balance	**1,045,958**	612,654

9. Property, mill and equipment

For the year ended May 31, 2015

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

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

For the year ended May 31, 2014

	Cost beginning of year $	Additions $	Disposals/ transfers $	Cost end of year $
Mill	6,434,601	779,356	-	7,213,957
Equipment	621,490	542,286	-	1,163,776
Property	14,050,573	566,844	-	14,617,417
Capital in progress	794,075	1,638,096	(2,073,955)	358,216
	21,900,739	**3,526,582**	**(2,073,955)**	**23,353,366**

	Accumulated deprecation beginning of year $	Depreciation/ depletion $	Accumulated deprecation end of year $	Net book value $
Mill	1,652,652	865,125	2,517,777	4,696,180
Equipment	242,474	268,443	510,917	652,859
Property	3,335,973	2,163,283	5,499,256	9,118,161
Capital in progress	-	-	-	358,216
	5,231,099	**3,296,851**	**8,527,950**	**14,825,416**

The Company completed an assessment of the carrying value of its cash generating unit ("CGU"), the Point Rousse Project, as at May 31, 2015. Exploration and evaluation assets are not included in the CGU assets and separate impairment testing has been done in accordance with IFRS 6. The key assumptions used in determining the recoverable amount (value in use) for the CGU were long-term gold prices, discount rates, cash costs of production and capital expenditures. To determine the recoverable amount of the CGU at May 31, 2015, management used:

- Discount rate of 8.5% for various assets of the CGU.
- Gold price of CAD$1,500 in fiscal 2016 and subsequent years.

As at May 31, 2015, the estimated recoverable amount of the CGU supported its carrying amount.

10. Trade and other payables

As at	**May 31 2015 $**	May 31 2014 $
Trade payables	**2,184,196**	2,282,610
Accrued liabilities	**391,262**	463,095
Accrued payroll costs	**378,732**	237,191
	2,954,190	2,982,896

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

11. Loans

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

As at	**May 31 2015 $**	May 31 2014 $
ACOA Loan	**-**	89,106
Bank loan	**31,545**	39,270
Capital Lease	**29,209**	-
	60,754	128,376
Less: current portion	**18,350**	96,831
Non-current portion	**42,404**	31,545

ACOA Loan payable, due December 14, 2014, is non-interest bearing and is repayable in one payment of $41,666 on June 1, 2011, 35 monthly payments of $12,732 commencing on January 1, 2012 and one final payment of $12,714. On December 1, 2014, the final payment of $12,714 was made, retiring the loan.

The balance is made up as follows:

As at	**May 31 2015 $**	May 31 2014 $
Principal balance repayable	**-**	89,106
Less: current portion	**-**	89,106
Non-current portion	**-**	-

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

The balance is made up as follows:

As at	**May 31 2015 $**	May 31 2014 $
Principal balance repayable	**31,545**	39,270
Less: current portion	**7,725**	7,725
Non-current portion	**23,820**	31,545

Capital Lease payable, due October 1, 2017, is repayable in 39 monthly payments of $1,242 commencing on July 4, 2014. Remaining net minimum lease payments are $36,018 with total interest of $6,809 resulting in a present value of net minimum capital lease payments of $29,209.

The balance is made up as follows:

As at	**May 31 2015 $**	May 31 2014 $
Principal balance repayable	**29,209**	-
Less: current portion	**10,625**	-
Non-current portion	**18,584**	-

12. Decommissioning liability

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

As at	**May 31 2015 $**	May 31 2014 $
Opening balance	**1,253,961**	1,199,045
Interest accretion	**57,432**	54,916
Closing balance	**1,311,393**	1,253,961

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. The provision for reclamation is provided against the Company's Pine Cove Mine and is based on the project plan approved by the Government of Newfoundland.

In concert with the Company's decommissioning liabilities, it has issued letters of credit in the amount of $565,500 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development and that may only be lifted by the Newfoundland and Labrador government.

13. Capital stock

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

Warrants
There were no outstanding warrants as at May 31, 2015 or May 31, 2014.

Options
As at May 31, 2015, 17,987,896 common shares were available for the grant of stock options to directors, officers, employees and service providers in connection with the Company's stock option plan (the "Plan"). The Plan is a 10% rolling option plan based on the number of common shares issued and outstanding. As at May 31, 2015, 14,150,000 options were outstanding with 12,725,000 exercisable and 3,837,896 left unallocated. Most stock options issued to date under the Plan vest in two installments over 12 months and expire five years from the date of grant unless specifically approved otherwise by the Board of Directors.

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

	Options #	Weighted average exercise price $
Outstanding, May 31, 2013	**14,840,000**	**0.12**
Granted	400,000	0.08
Expired/Forfeited	(310,000)	0.17
Outstanding, May 31, 2014	**14,930,000**	**0.12**
Granted	2,550,000	0.08
Expired/Forfeited	(3,330,000)	0.20
Outstanding, May 31, 2015	**14,150,000**	**0.10**
Options exercisable, May 31, 2015	**12,725,000**	**0.10**

The following table sets out the details of the stock options granted and outstanding as at May 31, 2015:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
5,150,000	5,150,000	0.71 years	$0.11	February 15, 2016
150,000	150,000	1.16 years	$0.08	July 26, 2016
500,000	500,000	1.24 years	$0.10	August 25, 2016
500,000	500,000	1.67 years	$0.09	January 27, 2017
1,500,000	1,500,000	1.73 years	$0.10	February 17, 2017
300,000	300,000	1.93 years	$0.11	May 1, 2017
300,000	300,000	2.45 years	$0.15	November 8, 2017
2,800,000	2,800,000	3.01 years	$0.08	May 29, 2018
400,000	400,000	3.37 years	$0.08	October 9, 2018
2,250,000	1,125,000	4.04 years	$0.08	June 10, 2019
300,000	-	4.95 years	$0.05	May 4, 2020
14,150,000	**12,725,000**	**1.85 years**		

The following table sets out the details of the valuation of stock option grants during the years ended May 31, 2014 and May 31, 2015:

Date of grant	Number	Risk free interest rate	Expected dividend yield	Expected volatility	Expected life
October 9, 2013	400,000	1.89%	Nil	107.9%	5 years
June 10, 2014	2,250,000	1.60%	Nil	97.9%	5 years
May 4, 2015	300,000	1.07%	Nil	97.7%	5 years

On June 1, 2015, the Board of Directors authorized the issuance of 2,300,000 stock options, exercisable at $0.05 for a period of 5 years from the date of issuance, which vest 50% on December 1, 2015, and 50% on June 1, 2016.

Share-based compensation expense

The fair value of the stock options granted for the year ended May 31, 2015 was $143,730 (May 31, 2014 - $26,840). The fair value of options vested for the year ended May 31, 2015 was $136,921 (May 31, 2014 - $200,583), an amount which has been expensed as share-based compensation in the statement of comprehensive income.

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

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

For the year ended May 31	**2015**	2014
	$	$
Salaries and short term benefits [1]	**759,414**	727,450
Share based payments [2]	**92,104**	178,264
	851,518	905,714

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

[2] Includes share based payments vested during the period

For the year ended May 31, 2015, Raven Hill Partners Inc. ("Raven Hill') charged Anaconda a total of $nil in respect of corporate administration and accounting services provided by employees of Raven Hill and $nil in rent for the Company's head office ($22,500,and $157,500 respectively for the year ended May 31, 2014). Raven Hill is beneficially owned by Lewis Lawrick and Dustin Angelo, directors of the Company.
As at May 31, 2015, included in trade and other payables is $46,000 (May 31, 2014 - $44,500) of amounts due for directors' fees.

15. Chilean mining interest

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

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

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

During fiscal 2014, the Company received its first Commercial Production milestone payment of US$1 million. It also recognised the second payment of US$2 million that is due no later than May 20, 2015 as a milestone

payment receivable discounted at 10%. The Company also began receiving a gross sales royalty of 0.80% of iron ore product sold from the property and sales price-related milestone payments.

During fiscal 2015, the Company recorded an impairment charge of $2,210,158 upon completion of its assessment of the carrying value of the milestone and royalty payment receivable. The non-cash impairment charge was mainly a result of Tal Tal's inability to make future royalty, sales price and milestone payments. See note 16.

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

16. Segmented information

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

As at		**May 31 2015**		May 31 2014
	Non-current assets	**Total assets**	Non-current assets	Total assets
	$	**$**	$	$
Canada	**22,846,589**	**27,715,682**	22,202,095	27,866,060
Chile	**-**	**5,876**	50,000	2,532,239
	22,846,589	**27,721,558**	22,252,095	30,398,299

For the year ended		**May 31 2015**		May 31 2014
	Canada	**Chile**	Canada	Chile
Revenue segments	**$**	**$**	$	$
Gold sales	**22,234,071**	**-**	20,175,326	-
Production milestone payments	-	**-**	-	3,161,858
Sales price payments	-	**-**	-	275,675
Royalty revenue	-	**260,952**	-	728,578
Accretion income	-	**46,589**	-	92,165
Foreign exchange gain	-	**135**	-	39,254
Chile expenses	-	**(67,438)**	-	(31,900)
	22,234,071	**240,238**	20,175,326	4,265,630

Supplemental information				
Write down of Chilean assets	**-**	**2,260,158**	-	-
Interest accretion	**-**	**-**	-	273,918

17. Income taxes

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

The Canadian statutory income tax rate of 28.7% (2014 – 28.7%) is comprised of the federal income tax rate at approximately 15.0% (2014 – 15.0%) and the provincial income tax rate of approximately 13.7% (2014 – 13.7%).

	May 31 2015 $	**%**	May 31 2014 $	%
Income tax expense (recovery) at statutory rates	**(1,063,000)**	**0.29**	1,220,000	0.29
Difference between Canadian and foreign tax rates (2015 – 20%)	**176,000**	**(0.05)**	(349,000)	(0.08)
Tax benefit on foreign income	**(68,000)**	**0.02**	(978,000)	(0.23)
Non-deductible expenses for tax purposes:				
Write down of Chilean assets	**452,000**	**(0.12)**	-	-
Share-based compensation	**39,000**	**(0.01)**	58,000	0.01
Interest accretion and other	**(88,865)**	**0.03**	17,000	0.00
Asset retirement obligation	**(377,000)**	**0.10**	-	-
Change in valuation allowance	**-**	**-**	1,000	0.00
Income taxes expense (recovery)	**(929,865)**	**0.26**	(31,000)	(0.01)

The primary differences which give rise to the deferred income tax balances at May 31, 2015 and 2014 are as follows:

	May 31 2015 $	May 31 2014 $
Deferred income tax assets		
Temporary timing differences on non-current assets	**1,312,000**	709,000
Deductible financing fees	**1,000**	9,000
Capital loss carry forward	**213,000**	213,000
Asset retirement obligation	**377,000**	-
Operating losses carried forward	**3,244,000**	3,270,000
	5,147,000	4,201,000
Less: valuation allowance	**(266,000)**	(266,000)
Net deferred tax assets	**4,881,000**	3,935,000

The unamortized balance, for income tax purposes, of deductible financing fees amounts to approximately $4,200 (2014 - $31,400) and will be deductible in Canada next year.

The Company also has cumulative Canadian exploration and development expenditures of $17,013,000 (2014 - $15,565,000) that may be carried forward indefinitely.

As at May 31, 2015, the Company has non-capital loss carry-forwards expiring as follows:

	Canada	Chile	Total
	$	$	$
2029	1,947,200	-	1,947,200
2030	2,413,800	-	2,413,800
2031	6,738,600	-	6,738,600
Indefinite	-	6,905,463	6,905,463
	11,099,600	**6,905,463**	**18,005,063**

18. Capital management

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended May 31, 2015. Unless otherwise noted (i.e. restricted cash), the Company is not subject to externally-imposed capital requirements.

19. Financial instruments

Classifications
The Company has classified its cash and restricted cash and forward sales contract derivatives as fair value through profit and loss, which are measured at fair value. The Company's investment has been classified as available-for-sale, which is measured at fair value. Trade and other receivables and the milestone payment receivable are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and loans and debentures are classified as other financial liabilities, which are measured at amortized cost.

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

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

At May 31, 2015, the following forward gold contracts are outstanding:

	Expiry range	Ounces	Price CAD$ per ounce	Fair Value at May 31, 2015 $
Gold forward	June to November 2015	300	1,452	(8,923)
CAD$ denominated	June to November 2015	300	1,472	(2,922)
contracts	June to November 2015	300	1,512	9,077
	June to November 2015	300	1,442	(23,847)
		1,200		**(26,615)**

20. Property and financial instrument risk factors

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

Credit risk
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash and trade and other receivables and a milestone payment receivable. Cash is held with a tier-1 Canadian chartered bank; as such, management believes the risk of loss to be minimal. Trade receivables consist of amounts due from the Company's metals broker regarding processed gold and silver en route to the broker. Management believes the credit risk associated with its trade receivables to be remote as the counter-party is a well-capitalized international metals merchant. No bad debts were incurred during the years ended May 31, 2015 and 2014.

Liquidity risk
Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at May 31, 2015, the Company had positive working capital of $1,902,429 (May 31, 2014 – $5,066,477). The Company utilizes the cash flow generated from the Point Rousse Project's operations throughout the year for its working capital requirements. If necessary, the Company may seek further financing for capital projects or general working capital purposes. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

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

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

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

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