

# Anaconda Mining Reports Second Quarter 2020 Results; Generates \$5.8 Million of Cash Flow From Operating Activities in the First Half of 2020

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TORONTO, July 30, 2020 - [Anaconda Mining Inc.](#) ("Anaconda" or the "Company") (TSX:ANX)(OTCQX:ANXGF) is pleased to report its financial and operating results for the three and six months ended June 30, 2020 ("Q2 2020"). The condensed interim consolidated financial statements and management discussion & analysis documents can be found at [www.sedar.com](http://www.sedar.com) and the Company's website, [www.anacondamining.com](http://www.anacondamining.com). All dollar amounts are in Canadian dollars unless otherwise noted.

## Second Quarter 2020 Highlights

- Anaconda sold 3,712 ounces of gold in Q2 2020, generating metal revenue of \$8.4 million at an average realized gold price\* of \$2,249 (US\$1,624) per ounce sold. As at June 30, 2020, the Company had 470 ounces of gold in gold doré inventory, which was subsequently sold in July.
- Operating cash costs per ounce sold\* at the Point Rouse Project in Q2 2020 were C\$1,372 (US\$991), compared to C\$1,421 (US\$1,062) in the three months ended June 30, 2019. Higher operating cash costs compared to Q1 2020 were the result of lower grade.
- All-in sustaining cash costs per ounce sold\* were C\$1,828 (US\$1,320) for Q2 2020, a 20% improvement over Q2 2019 when the Company sold fewer ounces and had increased development activity on the pushbacks to the Pine Cove pit.
- The Company invested \$1.4 million in its growth projects during Q2 2020, including \$0.8 million on the Goldboro Gold Project and \$0.6 million on exploration programs at the Tilt Cove Project and Point Rouse Project.
- The Point Rouse Complex generated EBITDA\* of \$3.3 million in Q2 2020 and \$7.8 million in the first half of 2020, compared with \$0.7 million and \$4.5 million for the respective 2019 periods.
- Net income for the three months ended June 30, 2020 was \$2.0 million, or \$0.01 per share, compared to a net loss of \$1.6 million, or \$0.01 per share, for the three months ended June 30, 2019. The improved net income for the period was due to a \$2.3 million increase in mine operating income and a \$1.9 million gain recognized on the spin-out of Novamera Inc.
- The Company initiated a 5,500-metre infill diamond drill program at the Goldboro Gold Project, to convert priority Inferred Mineral Resources, considered proximal to planned development under the ongoing feasibility study, into Indicated Mineral Resources.
- On July 16, 2020, Anaconda announced a non-brokered private placement for up to \$5.5 million, which will accelerate its highly prospective exploration and diamond drill programs in Atlantic Canada.
- As at June 30, 2020, the Company had a cash balance of \$5.5 million, working capital\* of \$5.8 million, and additional available liquidity of \$0.3 million from an undrawn revolving line of credit facility.

\*Refer to Non-IFRS Measures section below. A full reconciliation of Non-IFRS Measures can be found in the Management Discussion and Analysis for the three and six months ended June 30, 2020.

"During the second quarter, amid the ongoing uncertainty related to the COVID-19 pandemic, Anaconda sold 3,712 ounces of gold to generate metal revenue of \$8.4 million. The Point Rouse operation has continued to operate uninterrupted in a safe and responsible manner and remains on track to produce and sell between 18,000 and 19,000 ounces of gold in 2020. Due to variability to the block model that has impacted tonnes and grade, we are revising our operating cash costs per ounce sold guidance to between C\$1,150 and C\$1,250 and expect the record high Canadian gold prices to more than offset the higher costs per ounce sold. We are continuing to advance the development of Argyle and expect to announce further details on the mineral resource and reserve soon, with the potential to accelerate the contribution of ore from Argyle to production. The second quarter also saw the announcement of strong drill results at Stog'er Tight and the initiation of a 5,500 metre drill program at the Goldboro Gold Project. Our \$5.5 million of cash combined with our private placement of up to \$5.51 million, which is expected to close on July 31, 2020, gives us the

financial wherewithal to execute our growth strategy."

~Kevin Bullock, Chief Executive Officer, [Anaconda Mining Inc.](#)

Updated Guidance - Anaconda is maintaining its guidance to produce and sell between 18,000 and 19,000 ounces of gold in 2020. Mill feed in 2020 continues to be primarily from mining in the Pine Cove Pit, with mill feed expected to transition to mining from Argyle in the fourth quarter of 2020. As a result of lower grades experienced in the second quarter (see operational review below) and its resulting impact on operating cash costs per ounce, the Company is revising its operating cash costs per ounce guidance to between C\$1,150 and C\$1,250 per ounce of gold sold (US\$850 - US\$950 at an approximate exchange rate of 0.75), an increase from initial guidance of between C\$1,050 and C\$1,100 per ounce sold (US\$775 - US\$825 at an approximate exchange rate of 0.75). The impact of higher costs per ounce sold is expected to be more than offset by the significantly higher gold price per ounce, both in US and Canadian dollar terms.

### Consolidated Results Summary

Financial Results	June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue (\$)	8,356,088	5,485,695	18,891,109	14,262,398
Cost of operations, including depletion and depreciation (\$)	5,926,361	5,361,391	12,827,960	11,816,085
Mine operating income (\$)	2,429,727	124,304	6,063,149	2,446,313
Net income (loss) (\$)	1,981,864	(1,638,464 )	3,453,263	(480,613 )
Net income (loss) per share (\$/share) - basic and diluted (\$)	0.01	(0.01 )	0.03	(0.00 )
Cash generated from operating activities (\$)	1,443,864	(2,770,728 )	5,823,989	1,364,346

Capital investment in property, mill and equipment (\$)

530,983 1,235,873 1,190,325 1,525,050

Capital investment in exploration and evaluation assets (\$)

1,391,057 2,538,791 2,487,687 6,896,181

Average realized gold price per ounce\*

US\$1,624 US\$1,300 US\$1,565 US\$1,272

Operating cash costs per ounce sold\*

US\$991 US\$1,062 US\$918 US\$858

All-in sustaining cash costs per ounce sold\* US\$1,32 US\$1,702 US\$1,221 US\$1,255  
 June 30, 2020 December 31, 2019

Total assets (\$)  
 67,182,541 63,757,965

Non-current liabilities (\$)  
 6,025,754 6,903,274

\*Refer to Non-IFRS Measures section for reconciliation

	Three months ended June 30, 2020	Three months ended June 30, 2019	June 30, 2020	Six months ended June 30, 2019
Operating Results				
Ore mined (t)	111,167	78,123	214,388	155,490
Waste mined (t)	561,950	427,425	1,123,714	706,837
Strip ratio	5.1	5.5	5.2	4.6
Ore milled (t)	111,333	96,895	231,469	176,653
Grade (g/t Au)	1.11	1.25	1.34	1.55
Recovery (%)	86.4	74.7	87.0	79.3

Gold produced	3,657	2,907	8,654	7,083
Gold sold	3,712	3,153	8,843	8,404

## Second Quarter 2020 Review

Operational Overview - Anaconda produced 3,657 ounces of gold in the second quarter of 2020, a 26% increase over Q2 2019, due to better mill availability and resulting higher throughput. Low mill availability in Q2 2019 was due to planned maintenance on the main ball mill and unplanned maintenance for the regrind mill. However, gold production in Q2 was down 37% from the first quarter of 2020 due to lower grade, as the mine operation has observed some variability in grade and tonnage in certain lower levels of the Pine Cove pit. Year-to-date production of 8,654 ounces is consistent with the mine plan and the Company remains on track to meet guidance and produce and sell between 18,000 and 19,000 ounces of gold. In light of recent Argyle drill results and advancement of the related development plan, the Company is exploring opportunities to accelerate the development of Argyle in the second half of 2020.

During the second quarter of 2020, the mine operations produced 111,167 tonnes of ore from the Pine Cove Pit, a 42% increase from Q2 2019, which reflects the higher mining rate at the Pine Cove Pit compared to the lower tonnage profile of mining at Stog'er Tight, which was the main mining area in the prior period. The Company ended the second quarter with an ore stockpile of over 36,000 tonnes. The mine operations achieved a strip ratio of 5.1 waste tonnes to ore tonnes at the Pine Cove Pit, a decrease compared to Q1 2020 as the operation moves into the bottom levels of the Pine Cove Pit.

The Pine Cove Mill processed 118,333 tonnes during Q2 2020, an increase of 22% compared to the second quarter of 2019. Since the challenges experienced in the second quarter of 2019, the mill has operated consistently and effectively, maintaining high levels of mill availability and throughput since. Average grade during Q2 2020 was 1.11 g/t, an 11% decrease over the second quarter of 2019, when mill feed was primarily from the higher-grade Stog'er Tight Mine, and a decrease of 31% from Q1 2020 as the mine experienced variability to the block model in certain lower areas of the pit. The mill achieved an average recovery rate of 86.4%, an increase from 74.7% achieved in Q2 2019 despite the lower grade profile in Q2 2020. The higher throughput and better recovery resulted in gold production of 3,657 ounces, an increase of 26% compared to the second quarter of 2019.

Financial Results - Anaconda sold 3,712 ounces of gold during the second quarter of 2020, generating gold revenue of \$8.3 million at an average realized gold price of C\$2,249 per ounce (US\$1,624).

Operating expenses for the three months ended June 30, 2020 were \$5,101,316, compared to \$4,337,552 in the three months ended June 30, 2019. Operating expenses for Q2 2020 included mining costs of \$2,589,012 and were higher than the comparative period primarily due to the 33% increase in material mined at Pine Cove compared to Stog'er Tight in Q2 2019. Processing costs of \$2,466,037 in Q2 2020 were also higher than the comparative period due to the 22% increase in ore tonnes milled during the period. Operating cash costs per ounce sold in the first half of 2020 were C\$1,252 (US\$918), higher than the upper range of the initial guidance provided for operating cash costs per ounce sold, due to lower than planned grades in the second quarter of 2020. The Company has now revised its operating cash costs per ounce guidance to between C\$1,150 and C\$1,250 per ounce of gold sold (US\$850 - US\$950 at an approximate exchange rate of 0.75).

There was no royalty expense for Q2 2020 compared to \$145,436 in Q2 2019, as production in the prior year was predominantly from Stog'er Tight, which carries a 3% net smelter royalty. Depletion and depreciation for the three months ended June 30, 2020 was \$825,045, consistent with \$878,403 recognized in Q2 2019.

Mine operating income for Q2 2020 was \$2,429,727, compared to \$124,304 in the corresponding period of 2019, with higher comparable operating costs during Q2 2020 being more than offset by higher revenue resulting from significantly higher gold prices.

Corporate administration costs were \$771,640 for Q2 2020, a decrease of 28% from Q2 2019, as the

Company has streamlined corporate costs over the second half of 2019. The Company also recorded a one-time gain of \$1,902,894 associated with the spin-out of Novamera and its narrow vein mining technology.

Finance expense for the quarter was \$52,521 for Q2 2020, compared to \$156,346 for the three months ended June 30, 2019. Finance costs in the prior year were higher as a result of a gold loan that was delivered into in Q2 2019.

In Q2 2020, the Company recorded a write-down of exploration and evaluation assets of \$15,310 due to the termination of an option agreement.

Net comprehensive income for the three months ended June 30, 2020, was \$1,981,864, or \$0.01 per share, compared to a net loss of \$1,638,464, or \$0.01 per share. The improvement compared to the three months ended June 30, 2019 was the result of higher mine operating income and the gain of \$1,902,894 related to the spin-out of Novamera. These factors were offset by a higher net income tax expense, as the Company recorded a current income tax expense of \$235,000 relating to provincial mining tax and a deferred income tax expense of \$1,275,000 during the three months ended June 30, 2020 (three months ended June 30, 2019 - recovery of \$20,000 and an expense of \$54,000, respectively).

#### Financial Position and Cash Flow Analysis

As at June 30, 2020, the Company had working capital of \$5,778,954, which included cash and cash equivalents of \$5,534,687. Trade and other payables have decreased since the prior year mainly due to severance payments and timing of payables. Current taxes payable reflect the Newfoundland mining taxes payable for 2019 and an estimate for the taxes for the first half of 2020. Working capital as at period end was impacted by net assets held for sale of \$1,437,120 related to the sale of ExploreCo. Subsequent to June 30, 2020, mining taxes of \$563,126 relating to 2019 were paid. The current portion of loans includes \$1,444,874 outstanding from a \$5.0 million term loan with the Royal Bank of Canada ("RBC"), entered into in March 2019. The term loan carries a fixed interest rate of 4.6% and performance guarantee fee by Export Development Canada ("EDC") of 1.85%, payable quarterly based on the proportional amount outstanding.

Anaconda generated \$1,443,864 in operating cash flows during the three months ended June 30, 2020, after accounting for corporate administration costs of \$771,640. The Point Rouse Project generated EBITDA of \$3,176,968, based on gold sales of 3,712 ounces at an average gold price of C\$2,249 per ounce sold and operating cash costs of C\$1,372 per ounce sold. The Company's operating cash flows were impacted by the \$850,243 reduction in accounts payable and accrued liabilities during Q2 2020.

During Q2 2020, the Company continued to invest in its key growth projects in Newfoundland and Nova Scotia. The Company spent \$1,391,057 on exploration and evaluation assets (adjusted for amounts included in trade payables and accruals at June 30, 2020), primarily on the continued advancement of the Goldboro Gold Project and exploration activities at Tilt Cove, and invested \$530,983 into capitalized stripping at the Pine Cove Pit and sustaining capital for the Pine Cove Mill. During the three months ended June 30, 2020, the Company also generated \$113,570 in net proceeds from the sale of marketable securities.

Financing activities during the three months ended June 30, 2020 were limited to the repayment of loans and lease obligations, including the RBC term loan. The Company also received \$87,500 from the exercise of stock options.

#### Non-IFRS Measures

Anaconda has included in this press release certain non-IFRS performance measures as detailed below. In the gold mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

**Operating Cash Costs per Ounce of Gold** - Anaconda calculates operating cash costs per ounce by dividing operating expenses per the consolidated statement of operations, net of silver sales by-product revenue, by the gold ounces sold during the applicable period. Operating expenses include mine site operating costs such as mining, processing and administration as well as royalties, however excludes depletion and depreciation and rehabilitation costs.

**All-In Sustaining Costs per Ounce of Gold** - Anaconda has adopted an all-in sustaining cost performance measure that reflects all of the expenditures that are required to produce an ounce of gold from current operations. While there is no standardized meaning of the measure across the industry, the Company's definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its guidance dated June 27, 2013. The World Gold Council is a non-regulatory, non-profit organization established in 1987 whose members include global senior mining companies. The Company believes that this measure will be useful to external users in assessing operating performance and the ability to generate free cash flow from current operations.

The Company defines all-in sustaining costs as the sum of operating cash costs (per above), sustaining capital (capital required to maintain current operations at existing levels), corporate administration costs, sustaining exploration, and rehabilitation accretion and amortization related to current operations. All-in sustaining costs excludes capital expenditures for significant improvements at existing operations deemed to be expansionary in nature, exploration and evaluation related to growth projects, financing costs, debt repayments, and taxes. Canadian and US dollars are noted for realized gold price, operating cash costs per ounce of gold and all-in sustaining costs per ounce of gold. Both currencies are considered relevant and the Company uses the average foreign exchange rate for the period.

**Average Realized Gold Price per Ounce Sold** - In the gold mining industry, average realized gold price per ounce sold is a common performance measure that does not have any standardized meaning. The most directly comparable measure prepared in accordance with IFRS is gold revenue. The measure is intended to assist readers in evaluating the revenue received in a period from each ounce of gold sold.

**Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")** - EBITDA is earnings before finance expense, deferred income tax expense and depletion and depreciation.

Point Rousse Project EBITDA is EBITDA before corporate administration and other expenses (income).

**Working Capital** - Working capital is a common measure of near-term liquidity and is calculated by deducting current liabilities from current assets.

## ABOUT ANACONDA

Anaconda is a TSX and OTCQX-listed gold mining, development, and exploration company, focused in Atlantic Canada. The company operates mining and milling operations in the prolific Baie Verte Mining District of Newfoundland which includes the fully-permitted Pine Cove Mill, tailings facility and deep-water port, as well as ~11,000 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 high-grade resource and the subject of an on-going feasibility study.

## FORWARD-LOOKING STATEMENTS

*This news release contains "forward-looking information" within the meaning of applicable Canadian and United States securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is based on the opinions and estimates of management at the date the information is made, and is based on a number of assumptions and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Anaconda to be materially different from those expressed or implied by such forward-looking information, including risks associated with the*

*exploration, development and mining such as economic factors as they effect exploration, future commodity prices, changes in foreign exchange and interest rates, actual results of current production, development and exploration activities, government regulation, political or economic developments, risks related to the COVID-19 pandemic, environmental risks, permitting timelines, capital expenditures, operating or technical difficulties in connection with development activities, employee relations, the speculative nature of gold exploration and development, including the risks of diminishing quantities of grades of resources, contests over title to properties, and changes in project parameters as plans continue to be refined as well as those risk factors discussed in Anaconda's annual information form for the year ended December 31, 2019, available on [www.sedar.com](http://www.sedar.com). Although Anaconda has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Anaconda does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

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