



Anaconda
Mining

Management Discussion and Analysis

For the three and six months ended June 30, 2018 and May 31, 2017
(Expressed in Canadian Dollars)

ANACONDA MINING INC. Q2 2018 MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion (“MD&A”) dated August 1, 2018 of Anaconda Mining Inc. (“Anaconda” or the “Company”) provides a discussion of the Company’s consolidated financial position and the results of its consolidated operations for the three and six months ended June 30, 2018. This MD&A should be read in conjunction with the Company’s condensed interim consolidated financial statements and the related notes for the three and six months ended June 30, 2018 and May 31, 2017, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Since the condensed interim consolidated financial statements do not include all disclosure required by IFRS for annual statements, they should be read in conjunction with the Company’s audited consolidated financial statements as at and for the seven months ended December 31, 2017. This MD&A should also be read in conjunction with the risk factors described in the “Risk Factors” section at the end of this document. Additional information, including the condensed interim consolidated financial statements for the three and six months ended June 30, 2018, the audited annual financial statements for the seven months ended December 31, 2017, the Company’s Annual Information Form for the seven months ended December 31, 2017, and press releases, have been filed through the System for Electronic Document Analysis and Retrieval (“SEDAR”) and are available online under the Anaconda Mining Inc. profile at www.sedar.com.

All amounts presented are in Canadian Dollars unless otherwise stated.

Certain non-IFRS measures are included in this MD&A, including operating cash cost per ounce and all-in sustaining costs (“AISC”) per ounce. In the gold mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers. Anaconda believes that these measures, in addition to that information prepared in accordance with IFRS, provides investors with useful information to evaluate the Company’s performance and ability to generate cash flow from its operations. 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. For further information, refer to the “Non-IFRS Measures” section of this MD&A.

Company Overview

Anaconda Mining is a TSX-listed gold mining, development, and exploration company, focused in the prospective Atlantic Canadian jurisdictions of Newfoundland and Nova Scotia. The Company operates the Point Rouse Project (“Point Rouse”) located in the Baie Verte Mining District in Newfoundland, comprised of the Stog’er Tight Mine, the Pine Cove open pit mine, the Argyle Deposit, the fully-permitted Pine Cove Mill and tailings facility, a deep water port, and approximately 5,800 hectares of prospective gold-bearing property. Anaconda is also developing the Goldboro Gold Project (“Goldboro”) in Nova Scotia, a high-grade Mineral Resource, with the potential to leverage existing infrastructure at the Company’s Point Rouse Project.

The Company also has a pipeline of organic growth opportunities, including the Great Northern Project (“Great Northern”) on the Northern Peninsula of Newfoundland and the Tilt Cove Property on the Baie Verte Peninsula, also in Newfoundland.

Anaconda’s common shares trade on the Toronto Stock Exchange (“TSX”) under the symbol “ANX” and on the OTCQX under the symbol “ANXGF”. Anaconda Mining Inc. is incorporated under the laws of Ontario, with its registered head office located at 150 York Street, Suite 410, Toronto, Ontario, M5H 3S5. Further information about Anaconda Mining can be found in the Company’s regulatory filings, including the Annual Information Form, available on SEDAR at www.sedar.com and on the Company’s website at www.anacondamining.com.

Change in Year End – In 2017, Anaconda Mining announced a change to its fiscal year end to December 31, from its previous fiscal year end of May 31. Consequently, the Company has now reverted to a customary quarterly reporting calendar based on a December 31 financial year end, with fiscal quarters ending on the last day in March, June, September, and December each year.

In this MD&A, references to Q2 2018 relate to the three and six months period ended June 30, 2018. For comparative purposes, the results for Q2 2018 have been compared to the three and six months ended May 31, 2017.

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Consolidated Results Summary

Financial Results	Three months ended June 30, 2018	Three months ended May 31, 2017	Six months ended June 30, 2018	Six months ended May 31, 2017 (restated)
Revenue (\$)	7,451,617	7,831,048	15,048,217	13,904,846
Cost of operations, including depletion and depreciation (\$)	5,586,145	6,182,586	11,097,498	12,940,113
Mine operating income (\$)	1,865,472	1,648,462	3,950,719	964,733
Net loss (\$)	(549,543)	(1,890,260)	(400,325)	(2,830,292)
Net loss per share (\$/share) – basic and diluted	(0.01)	(0.03)	(0.00)	(0.05)
Cash generated from operating activities (\$)	2,944,700	3,172,938	3,936,505	3,496,083
Capital investment in property, mill and equipment (\$)	817,139	225,612	1,381,112	786,949
Capital investment in exploration and evaluation assets (\$)	1,121,070	763,988	2,656,434	1,292,695
Average realized gold price per ounce (\$)*	1,695	1,658	1,686	1,613
Operating cash costs per ounce sold (\$)*	872	866	885	1,019
All-in sustaining cash costs per ounce sold (\$)*	1,360	1,234	1,368	1,428

	June 30, 2018	December 31, 2017
Total assets (\$)	54,379,189	49,927,877
Non-current liabilities (\$)	5,196,684	5,511,935

*Refer to Non-IFRS Measures section for reconciliation

Operational Results	Three months ended June 30, 2018	Three months ended May 31, 2017	Six months ended June 30, 2018	Six months ended May 31, 2017
Ore mined (t)	32,833	92,167	176,673	194,698
Waste mined (t)	356,642	386,387	606,774	711,463
Strip ratio	10.9	4.2	3.4	3.7
Ore milled (t)	121,299	107,956	230,518	215,718
Grade (g/t Au)	1.38	1.49	1.41	1.35
Recovery (%)	85.9	85.8	85.6	85.5
Gold ounces produced	4,632	4,442	8,925	8,209
Gold ounces sold	4,330	4,658	8,856	8,255

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Second Quarter Highlights

- Anaconda sold 4,330 ounces of gold in Q2 2018, generating metal revenue of \$7.4 million at an average realized gold price* of \$1,695 per ounce. As at June 30, 2018, the Company also had over 750 ounces in gold doré and bullion inventory, which was subsequently sold in July 2018.
- The Company generated approximately \$100,000 in revenue from the sale of aggregates for road construction purposes.
- Anaconda produced 4,632 ounces of gold during Q2 2018, a 4% increase over the three months ended May 31, 2017, and 8,925 ounces in the first half of 2018, a 9% increase over the comparative period.
- Strong revenue and lower costs enabled the Point Rouse Project to generate EBITDA* of \$3.3 million for the second quarter of 2018, and \$6.6 million for the first half of 2018, compared with \$3.7 million and \$4.9 million for the three and six months ended May 31, 2017.
- Operating cash costs per ounce sold* at the Point Rouse Project in the three and six months ended June 30, 2018 were \$872 (US\$675) and \$885 (US\$693), respectively.
- The Company has revised its 2018 annual guidance for operating cash costs per ounce sold from \$1,100 to below \$1,000, as a result of the strong operational performance from the first half of 2018, as well as the forecasted operating cost profile as the Company fully transitions to higher-grade production from Stog'er Tight.
- On a consolidated basis, EBITDA* for the three and six months ended June 30, 2018 was \$2.3 million and \$4.6 million, respectively, compared with \$3.0 million and \$3.6 million in the comparative periods.
- The Pine Cove Mill processed a quarterly record 121,299 tonnes during Q2 2018, a 12% increase over the comparative three month period ended May 31, 2017, at a throughput rate of 1,350 tonnes per day ("tpd").
- Mill feed during the quarter was comprised of 113,857 tonnes of ore stockpiled from the Pine Cove Pit, supplemented by 7,442 tonnes of ore mined from Stog'er Tight.
- Development of the Stog'er Tight West Pit was completed in Q2 2018, with the removal of 133,576 tonnes of waste in April and the commencement of production on May 1, 2018; ore produced from Stog'er Tight during the second quarter was 32,833 tonnes.
- All-in sustaining cash costs per ounce sold*, including corporate administration and sustaining capital expenditures, were \$1,360 (US\$1,053) and \$1,368 (US\$1,071) for the three and six months ended June 30, 2018, respectively, compared to \$1,234 (US\$919) and \$1,428 (US\$1,045) in the comparative periods.
- In the first half of 2018, the Company invested \$2.7 million in its exploration and development projects, including \$2.0 million on the Goldboro Gold Project in Nova Scotia.
- Net loss for the three months ended June 30, 2018 was \$549,543, or \$0.01 per share, which included transaction costs related to the takeover bid for Maritime Resources Corp. ("Maritime") of \$740,018, or \$0.01 per share, compared to a net loss of \$1,890,260, or \$0.03 per share, for the three months ended May 31, 2017. Excluding transaction costs, Q2 2018 net income was \$190,475, or \$0.00 per share.
- For the first half of 2018, net loss was \$400,325, or \$0.00 per share, compared to \$2,830,292, or \$0.05 per share, for the comparative period.
- As at June 30, 2018, the Company had a cash balance of \$7.9 million, net working capital* of \$9.9 million, and additional available liquidity of \$1,000,000 from an undrawn revolving line of credit facility.
- Anaconda completed a non-brokered private placement for \$4.5 million in June 2018, which will enable continued drilling at the Goldboro Gold Project, the Argyle Deposit, and other prospective targets at the Point Rouse Project.

*Refer to Non-IFRS Measures section below for reconciliation.

Company Strategy and Outlook

Anaconda Mining is creating an emerging Canadian gold producer with a significant growth profile, with a vision to becoming a prominent gold mining company with operations across Atlantic Canada and annual production exceeding 100,000 ounces. The Company has been an established gold producer in Atlantic Canada for over seven years, and has developed the infrastructure, management team, and experienced workforce to serve as the platform for near-term growth, both organically and through mergers and acquisitions.

Anaconda is well on track to creating an emerging gold producer with a strong production growth profile in the near-term, with two mine operating centers in the stable, low-risk mining jurisdiction of Atlantic Canada.

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Specifically, the Company took a significant step towards this goal with the announcement of a positive PEA on the Goldboro Gold Project in the first half of 2018. The PEA demonstrates gold production of 375,900 ounces over an 8.8-year mine life, or an average of 41,770 ounces per annum, at operating cash costs of \$654 per ounce and all-in sustaining costs of \$797 per ounce. From October 2017 to June 2018, the Company has drilled over 11,500 metres of diamond drilling which have yielded exciting results to date, continuing to prove that mineralization extends in all directions, while discovering new mineralized zones that contain broader, higher grade intersections that are among the best results reported from Goldboro to date.

Going forward, the Company has announced the commencement of a 10,000 metre drill program in July 2018, with the goals of infilling and upgrading Inferred Resources in areas of the West Goldbrook gold system, and expanding the West Goldbrook, East Goldbrook, and Boston Richardson gold systems at depth and down plunge. In addition, the Company announced on August 1, 2018 that it has received the permits required to proceed with the extraction of a 10,000 tonne underground bulk sample at Goldboro, which will provide valuable geological, operational, and processing information for design and optimization of the overall project in a feasibility study planned to start in September.

At Point Rouse, the Company announced in June 2018 plans for a resource expansion and exploration program for the summer/fall of 2018. The program consists of 5,000 metres of diamond drilling at three priority targets at Point Rouse: expansion drilling at the Argyle Deposit, and exploration drilling at the Anoroc and Deer Cove Prospects. The Exploration Program will also include 30-line kilometres of ground magnetic and Induced Polarization ("IP") geophysical surveys. At Argyle, drilling in the first half of 2018 has successfully expanded the deposit, built confidence in the current resource model through infill drilling, and discovered a new high-grade zone which is open for expansion. Environmental assessment application documents were submitted to the Newfoundland and Labrador Department of Environment in April 2018, with a target of obtaining all required production permits and approvals in the first half of 2019.

➤ **2018 Guidance**

For the 2018 calendar year, Anaconda expects to produce and sell approximately 18,000 ounces of gold. At a budgeted gold price of \$1,550, Anaconda expects to generate approximately \$28.0 million of revenue based on production guidance, noting that the Company achieved an average realized gold price of \$1,686 per ounce during the first half of 2018. The increase over the previous fiscal year guidance of 15,500 ounces reflects the increasing grade profile as the mine operation transitions to Stog'er Tight. Quarterly mill throughput is expected to remain consistent throughout the year, as lower relative tonnes mined from Stog'er Tight is supplemented by marginal ore stockpiles. The Company is revising its full year 2018 guidance for operating cash costs per ounce of gold sold from approximately C\$1,100 to below C\$1,000 due to strong operational performance in the first half of 2018, as well as a decreasing operating cost per ounce profile in the second half of 2018 as the operation transitions fully to higher-grade production from Stog'er Tight.

Corporate Developments

➤ **June 2018 Financing**

In June 2018, the Company completed a non-brokered private placement for aggregate gross proceeds of \$4,465,290, whereby it issued a total of 10,890,952 units (the "Units") at a price of \$0.41 per Unit. Each Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). The Warrants are exercisable at \$0.55 per share and expire in June 2020. In connection with the private placement, a total of 593,517 finders warrants were issued with the same terms of the Warrants. The gross proceeds from the private placement will be used for exploration activities primarily at the Company's Goldboro Gold Project and at the Point Rouse Project.

➤ **Takeover Bid of Maritime Resources Corp.**

On April 13, 2018, the Company announced that it had made a formal offer (the "Offer") to acquire all of the issued and outstanding common shares ("Maritime Shares") of Maritime Resources Corp. ("Maritime"), together with the associated rights (the "SRP Rights") issued under the shareholder rights plan of Maritime dated March 15, 2018, in exchange for consideration of 0.390 of a common share of Anaconda ("Anaconda Share") for each Maritime Share (the "Offer Consideration"). On July 12, 2018, the Company announced the withdrawal of the Offer in response to a dilutive private placement undertaken by Maritime. As at June 30, 2018, the Company had incurred \$740,018 in expenditures related to

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the Offer that were recorded as transaction costs on the consolidated statement of comprehensive loss for the three and six months ended June 30, 2018.

Second Quarter Financial Review

Operational Performance

Point Rousse Mill Operations – The Pine Cove Mill processing facility remains a cornerstone asset of the Company, achieving record quarterly throughput of 121,299 tonnes in the second quarter of 2018. Mill throughput was 1,350 tonnes per day (“tpd”) in Q2 2018, a 12% increase over the comparative three months ended May 31, 2017, and an improvement from the 1,300 tpd in Q1 2018. Availability during the quarter was strong at 98.7%, up from 93.4% in the first quarter of 2018, when a planned preventative maintenance shutdown occurred. The Company continues to invest in the Pine Cove Mill, making upgrades to the regrind motor and jaw and cone crushers, while continuing to maintain consistent throughput from its crushed ore stockpiles.

Average grade during the second quarter of 2018 was 1.38 g/t, a decrease over both Q1 2018 and the three month comparative period ending May 31, 2017. The lower grade profile was in line with plan, with throughput being comprised mainly of ore stockpile from the Pine Cove Pit. The Company expects an increased grade profile in the second half of 2018, as ore feed is predominantly sourced from Stog’er Tight. The mill achieved an average recovery rate of 85.9%, an improvement over Q1 2018, resulting in gold production in Q2 2018 of 4,632 ounces.

Point Rousse Mine Operations – Mining activity in the first quarter of 2018 was focused on development activity at Stog’er Tight and the completion of mining in the main Pine Cove Pit. In Q1 2018, the nearby Fox Pond water level was lowered to allow mining at Stog’er Tight, and a settling pond and dewatering system was established. The Company completed development at Stog’er Tight in April, removing a further 133,576 tonnes of waste, from which costs have been capitalized as development. Ore production began in May, with 28,974 tonnes of ore mined from Stog’er Tight in May and June.

During Q2 2018, mine operations produced a total of 32,833 tonnes of ore, which included 3,859 tonnes mined from Stog’er Tight during development activities. Given the focus on development in the West Pit, the strip ratio of 10.9 waste tonnes to ore tonnes was high compared to previous periods; however, the strip ratio is expected to decrease over the life of the pit.

Mine activity in the Pine Cove Pit finished in the middle of March, and the Company has commenced planning for two pushbacks to the pit, which are expected to contribute ore in 2019. The Company is now converting the Pine Cove Pit into a fully-permitted in-pit tailings storage facility, which has approximately 15 years of capacity based on a throughput rate of 1,350 tonnes per day. Anaconda expects to begin tailings deposition in the third quarter of 2018.

Financial Performance

	Three months ended June 30, 2018	Three months ended May 31, 2017	Six months ended June 30, 2018	Six months ended May 31, 2017 (restated)
Revenue	7,451,617	7,831,048	15,048,217	13,904,846
Cost of operations				
Operating expenses, including royalties	3,884,333	4,151,450	7,958,680	8,961,978
Depletion and depreciation	1,701,812	2,031,136	3,138,818	3,978,135
Total cost of operations	5,586,145	6,182,586	11,097,498	12,940,113
Mine operating income	1,865,472	1,648,462	3,950,719	964,733

Anaconda sold 4,330 ounces of gold during the second quarter of 2018, generating metal revenue of \$7,351,525, and year-to-date has sold 8,856 ounces to generate metal revenue of \$14,948,125. As at June 30, 2018, the Company also had over 750 ounces of gold doré and bullion inventory, which were sold in early July. The Company continues to be on track to meet its 2018 production guidance of 18,000 ounces and its revised operating cash costs guidance of below \$1,000 per ounce,

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and has now transitioned to ore production at the Stog'er Tight Mine. In addition, the Company generated a further \$100,092 in revenue from the sale of aggregates during Q2 2018.

Operating expenses for the three and six months ended June 30, 2018 were \$3,865,256 and \$7,939,603, respectively, compared to \$4,151,450 and \$8,959,026 in the three and six months ended May 31, 2017, respectively. The decrease in operating costs was the result of lower mining costs as the operation moved 19% less material during the quarter and 14% less material in the first half of 2018. This was partially offset by higher processing costs, which were driven by a 12% increase in throughput in Q2 2018, and a 7% increase in throughput during the first six months of the year. The operating cash costs per ounce sold in the first three and six months of fiscal 2018 were \$872 (US\$675) and \$885 (US\$693), a reduction of 13% compared to operating cash costs of \$1,019 per ounce sold (US\$746) in the six months ended May 31, 2017, which has led the Company to revise its operating cash cost guidance from C\$1,100 to below C\$1,000, mainly due to better than expected grades in the bottom of the Pine Cove Pit.

Depletion and depreciation expense for the three and six months ended June 30, 2018 was \$1,701,812 and \$3,138,818, respectively, a decrease from \$2,031,136 and \$3,978,135 during the comparative periods. The lower depletion and depreciation was the result of lower depletion of stripping costs for the Pine Cove Pit, where mining was completed in Q1 2018. Capitalized development costs for Stog'er Tight for 2018 of \$993,502 are now being depreciated from May 1, 2018, the beginning of production. During the three months ended June 30, 2018, the Company reviewed the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill. The updated estimated residual values reduced the depreciation charges by approximately \$121,000 for the three months ended June 30, 2018.

Mine operating income for the three ended June 30, 2018 was \$1,865,472, compared to \$1,648,462 in the comparative period of 2017, as higher revenues due to higher gold sales in the prior year were offset by lower operating and depletion and depreciation expenses. During the first six months of 2018, the Company generated mine operating income of \$3,950,719, significantly higher than the \$964,733 generated in the six months ended May 31, 2017, due to a combination of 8% higher revenue and a 14% lower cost of operations.

Corporate administration expenditures were \$1,148,342 and \$2,242,696 for the first three and six months of fiscal 2018, up from \$657,283 and \$1,285,009 for the comparative periods. The lower comparative balances reflect the previously lower corporate cost profile prior to the significant Goldboro Gold Project acquisition, which occurred in May 2017. The higher expenditures in the current periods reflect the expanded senior management team to execute the Company's growth plans, greater market presence and investor relations activity, and the timing of certain corporate costs as a result of the change in year-end to December 31.

The Company also incurred research and development costs of \$63,466 and \$133,091 during the three and six months ended June 30, 2018, respectively, relating to the Narrow Vein Mining research project announced in June 2017.

Share-based compensation was \$190,407 during Q2 2018 and \$340,880 for the first half of 2018, compared to \$22,737 and \$45,367 in the comparative periods, reflecting the stock options granted during Q1 2018, as well as the impact of the share consolidation on the fair value of the options as determined by the Black-Scholes option pricing model.

The drawdown of the deferred premium on flow-through shares resulted in recoveries of \$96,663 and \$253,535 in the three and six months ended June 30, 2018, as the remaining exploration commitments from the October 31, 2017 flow-through financing were incurred.

Finance expense was \$26,380 for Q1 2018 and \$56,349 for the first half of 2018, compared to \$78,541 and \$108,309 for the three and six months ended May 31, 2017. Finance costs relate primarily to interest on the Company's capital lease obligations and accretion on its decommissioning liabilities.

Net loss for the three months ended June 30, 2018, was \$549,543, or \$0.01 per share, compared to \$1,890,260, or \$0.03 per share, in the comparative period. For the first half of 2018, net loss was \$400,325, or \$0.00 per share, compared to a net loss of \$2,830,292, or \$0.05 per share, for the six months ended May 31, 2017. The improvement was the result of higher mine operating income, which was partially offset by higher corporate administration expenditures and share-based compensation. Net loss for the period was further impacted by the recognition of \$740,018 in transaction costs related to the takeover bid of Maritime. The Company also recorded a current income tax expense of \$672,445 relating to provincial mining tax and a deferred income tax expense of \$431,000 during the six months ended June 30, 2018 (six months ended May 31, 2017 – \$nil and \$2,322,000, respectively).

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Liquidity and Capital Resources

Anaconda has managed liquidity by achieving positive cash flows from the Point Rouse Project. The Company's primary uses of cash include operating production costs, capital expenditures, exploration and corporate expenses.

<i>(In \$)</i>	June 30, 2018	December 31, 2017
Cash and cash equivalents	7,853,330	3,963,181
Inventory	6,273,833	7,126,240
Other current assets	836,555	571,804
	14,963,718	11,661,225
Trade and other payables	3,632,339	3,958,933
Current taxes payable	666,000	118,000
Current portion of loans	555,795	671,881
Other current liabilities	195,393	409,217
	5,049,527	5,158,031
Working capital	9,914,191	6,503,194

As at June 30, 2018, the Company continued to maintain a robust working capital position of \$9,914,191, which included cash and cash equivalents of \$7,853,330. The increased cash balance reflects the successful flow-through financing of \$4,465,290 completed in June 2018, as well as ongoing cash flow generation from the Point Rouse Project, which has been partially offset by continued investment into exploration programs and the continued advancement of the Goldboro Gold Project. Inventory included \$2,728,837 in stockpiled ore, which will enable the Company to maintain consistent throughput as it transitions to Stog'er Tight.

The Company maintains a \$1,000,000 revolving credit facility as well as a \$500,000 revolving equipment lease line of credit with the Royal Bank of Canada. Under the terms of the Agreement, RBC maintains a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers. As at June 30, 2018, the Company had not drawn against the revolving credit facility.

Cash Flow Analysis

During the three months ended June 30, 2018, Anaconda generated cash flow from operations of \$2,944,700, after accounting for corporate administration costs. Revenue less operating expenses from the Point Rouse Project were \$3,586,361, based on quarterly gold sales of 4,330 ounces at an average price of C\$1,695 per ounce sold and operating cash costs of \$897 per ounce sold. Corporate administration costs in the second quarter were \$1,148,342 and there was a net increase in operating cash flows of \$1,348,388 from changes in working capital. Trade and other receivables decreased by \$552,288 due to the collection of HST refunds.

During the second quarter of 2018, the Company continued to invest in its key growth projects in Newfoundland and Nova Scotia. The Company spent \$1,121,070 in Q2 2018 on exploration and evaluation assets (adjusted for amounts included in trade payables and accruals at June 30, 2018), primarily on the continued advancement of the Goldboro Project. The Company also invested \$817,139 during Q1 2018 and \$1,381,112 during the first half of 2018 into the property, mill and equipment at the Point Rouse Project, with capital investment focused largely on development activity at Stog'er Tight, where a total of \$993,502 was capitalized in the first half of 2018.

In June 2018, the Company successfully completed a flow-through financing of \$4,465,290. Other financing activities during the second quarter of 2018 were primarily limited to the repayment of capital lease obligations and government loans. The Company also received cash proceeds of \$116,000 from the exercise of stock options in Q2 2018.

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Commitments

As of June 30, 2018, the Company has the following contractual obligations:

	1 year	1 - 3 years	More than 3 years	Total
	\$	\$	\$	\$
Trade payables and accrued liabilities	3,632,339	-	-	3,632,339
Provincial government loan	78,930	165,136	35,698	279,764
Federal government loan	100,800	201,600	21,200	323,600
Capital leases and other loans	376,065	77,445	43,120	496,630
Operating leases	80,817	38,777	1,540	121,134
	4,268,951	482,958	101,558	4,853,467

As at June 30, 2018, the Company has a commitment to spend \$4,465,290 of flow-through funds on eligible exploration expenses, related to the private placement completed in June 2018. During the three months ended June 30, 2018, the Company fully satisfied its previous exploration commitments under the flow-through financing completed in October 2017.

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

- A net profits interest (“NPI”) agreement over the Point Rousse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At December 31, 2017, the Company has determined it has approximately \$36 million in expenditures deductible against future receipts.
- A net smelter return (“NSR”) of 3% is payable to a third-party on gold produced from the Stog’er Tight Property.
- A \$3,000,000 capped NSR on 4 mineral exploration licenses in the Point Rousse Project, which forms part of the Argyle property, is calculated at 3% when the average price of gold is less than US\$2,000 per ounce for the calendar quarter and is 4% when the average price of gold is more than US\$2,000 per ounce for the calendar quarter.
- A \$3,000,000 capped NSR of 3% on a property that forms part of the Argyle Property. Once the aggregate limit has been met and 200,000 ounces of gold has been sold from the property, the NSR decreases to 1%.

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

In June 2017, the Company commenced a research and development project to potentially develop new technology to mine steeply-dipping narrow gold veins (the “Narrow Vein Mining Project” or the “Project”). The total Project cost is estimated at \$3,787,000, of which over \$2,000,000 will be funded through agreements in place with various government agencies.

Off-Balance Sheet Items

As at June 30, 2018, the Company did not have any off-balance sheet items.

Growth and Business Development

THE GOLDBORO GOLD PROJECT

On January 17, 2018, Anaconda announced a positive PEA on the Company’s Goldboro Gold Project in Nova Scotia. The PEA base case contemplates developing the Goldboro Mineral Resource by open pit and underground mining, on site concentration through gravity and flotation circuits and leaching of the concentrate, and a gold recovery at Anaconda’s Pine Cove Mill in Newfoundland.

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Based on a long-term gold price assumption of C\$1,550 (US\$1,250 per ounce at an exchange rate of approximately 0.80 USD:CAD), highlights of the PEA are as follows:

- Pre-tax NPV (7%) of **\$120 million** and a pre-tax IRR ("IRR") of **38%**, with a pre-tax payback period of **2.9 years**;
- Gold production of **375,900 ounces** over a life of mine of **8.8 years**, or average production of **41,800 ounces**;
- LOM average operating cash cost of **\$654 per ounce (~US\$525 per ounce)** and all-in sustaining cash cost of **\$797 per ounce (~US\$640 per ounce)** at an 0.80 USD:CAD exchange rate;
- After-tax NPV at a discount rate of 7% of **\$61 million** and an after-tax IRR of **26%**, implying an after-tax payback period of **3.4 years**;
- Total capital expenditures of **\$89 million**, including pre-production capital expenditures of **\$47 million**.

The PEA demonstrates a robust mine operation that has strong leverage to increasing gold prices, demonstrating a **pre-tax NPV (7%) of \$134 million at a \$1,600 gold price** (post-tax NPV of \$69 million) and **pre-tax NPV (7%) of \$162 million at a \$1,700 gold price** (post-tax NPV of \$86 million).

On August 1, 2018, the Company announced that it had received the permits required to proceed with the extraction of a 10,000 tonne underground bulk sample at Goldboro, which will provide valuable geological, operational, and processing information for design and optimization of the overall project in a feasibility study planned to start in September.

➤ Mineral Resource Upgrade and Expansion

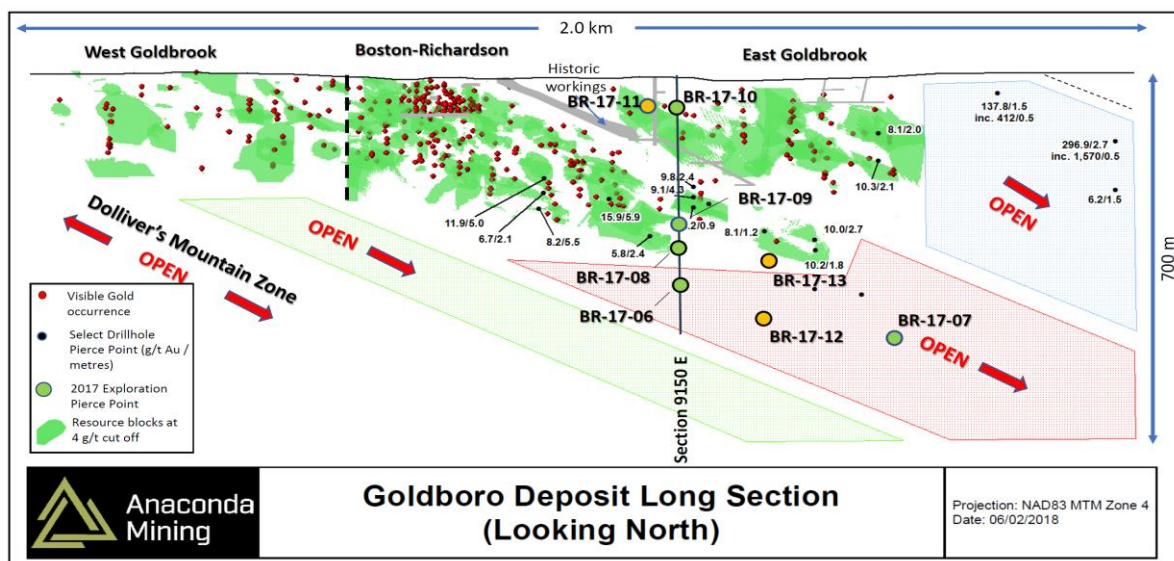
Anaconda believes that gold mineralization will continue both along strike and at depth within the East Goldbrook ("EG gold system"), Boston-Richardson ("BR gold system") and West Goldbrook ("WG gold system") gold systems, and that the structures hosting gold mineralization extend down-plunge of the current Mineral Resource, providing strong valuation upside to the Goldboro PEA. Since October 2017, the Company has drilled 11,588 metres of diamond drilling at Goldboro focused on the EG and BR gold systems. This was in addition to a previous drill program of 1,173 metres. The aim of these drill programs was to test the under-explored portions of the deposit, which have the potential to expand or upgrade Mineral Resources, particularly in the areas identified for development in the PEA.

Going forward, the Company has announced the commencement of a 10,000 metre drill program in July 2018, with the goals of infilling and upgrading Inferred Resources in areas of the West Goldbrook gold system, and expanding the West Goldbrook, East Goldbrook, and Boston Richardson gold systems at depth and down plunge.

Key results from the diamond drill programs completed by Anaconda at Goldboro include:

- Intersected the highest-grade assays recorded in the Goldboro Deposit (2,513.20 g/t gold over 0.5 metres within 485.07 g/t gold over 2.6 metres);
- 11.27 g/t gold over 13.5 metres (201.1 to 214.5 metres) in hole BR-18-22;
- 4.13 g/t gold over 20.5 metres (324.5 to 345.0 metres) in hole BR-18-23, including 9.93 g/t gold over 7.5 metres and 79.34 g/t gold over 0.5 metres;
- 2.21 g/t gold over 25.5 metres (506.1 to 531.6 metres) in hole BR-18-30, including 12.39 g/t gold over 3.2 metres;
- 34.70 g/t gold over 3.5 metres (82.0 to 85.5 metres) in hole BR-17-09;
- 24.34 g/t gold over 3.8 metres (389.9 to 393.7 metres) in hole BR-17-06;
- 9.12 g/t gold over 3.2 metres (293.8 to 2.97 metres) in hole BR-17-08;
- Expanded the mineralized zones along the limbs of both the EG and BR gold systems;
- Extended known mineralization down plunge by as much as 375 metres and demonstrated the structure, which hosts the deposit, extends farther down plunge than previously known and is still open for expansion;
- Confirmed the geological model of the deposit through infill and expansion drilling.

The following longitudinal section through the Goldboro Deposit (viewed towards the north) shows the plunge of the three main gold systems at Goldboro and their potential down-plunge extensions with select composites illustrating the presence of high-grade and thickness at depth.



The drill program was successful in hitting the eight mineralized zones targeted in the EG gold system and discovered two mineralized zones that were not previously known. Within the BR gold system, all eight mineralized zones were intersected, extending the BR gold system vertically an additional 250 metres to a depth of 550 metres in section 9050E. Mineralization encountered in section 9050E also extended both the EG and BR gold systems westward by an additional 50 metres up plunge. Nineteen separate occurrences of visible gold were observed.

THE POINT ROUSSE PROJECT

Point Rouse, which is comprised of five mining leases and nine mineral licenses, is located on the Ming's Bight Peninsula, in the north-central part of Newfoundland. Point Rouse includes the Pine Cove Open Pit mine operation, where mining at the bottom of the pit was completed in March 2018, the Stog'er Tight and Argyle Deposits.

Point Rouse is anchored by complete mill infrastructure capable of processing approximately 400,000 tonnes of ore annually. The Pine Cove Mill throughput is currently approximately 1,200 – 1,400 tonnes per day with a recovery rate of 85-87%. The Company will further strengthen its Point Rouse infrastructure in 2018, having received government approval during the seven month period ended December 31, 2017 to convert the Pine Cove Pit into a tailings storage facility with a 15 year storage capacity based on existing throughput rates.

➤ Continued Exploration Upside

Anaconda is drilling within the prolific Scrape Trend, a 6-kilometre strike length of fertile geology that includes the Pine Cove Open Pit, the Stog'er Tight Mine, the Argyle Deposit, and several other gold prospects. The Scrape Trend has produced approximately 100,000 ounces of gold and generated over \$40 million dollars in EBITDA over the past seven years. With ease of access to drill targets and the Pine Cove Mill already running, exploration is very cost effective and the duration from discovery to production typical of many developers can be compressed because of the Company's existing processing infrastructure and operating team.

In June 2018, the Company announced plans for a resource expansion and exploration program for the summer/fall of 2018. The program consists of 5,000 metres of diamond drilling at three priority targets at Point Rouse: expansion drilling at the Argyle Deposit, and exploration drilling at the Anoroc and Deer Cove Prospects. The Exploration Program will also include 30-line kilometres of ground magnetic and Induced Polarization ("IP") geophysical surveys.

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The Argyle Deposit – In January 2018, the Company announced a maiden Mineral Resource Estimate ("Resource") prepared in accordance with National Instrument 43-101 for the Argyle Deposit. Highlights of the Resource and related developments associated with the deposit are as follows:

- Indicated Resources of 38,300 ounces (543,000 tonnes grading 2.19 g/t gold); Inferred resources of 30,300 ounces (517,000 tonnes grading 1.80 g/t gold at a cut-off grade of 0.5 g/t gold and a grade capping of 12.0 g/t gold);
- The deposit remains open in all directions and shows evidence of contained higher grade zones or shoots;
- Approximately 45% of currently defined Mineral Resources are contained within an initial conceptual open pit shell prepared by Anaconda staff;
- Argyle is located 4.5 kilometres from the Pine Cove Mill and the area is accessible by existing road networks;

The Company has completed a drill program at Argyle with a combination of step-out and infill drilling. The step-out drilling was along strike to the east, as well as down dip from the known mineralized area. The step-out drilling was focused on the mapped and projected continuation of the Argyle gabbro, the host rock to mineralization, and is coincident with geophysical anomalies (magnetic and chargeability) similar to those associated with the Argyle Deposit.

The Company has announced results from the drill program, which include 7.87 g/t gold over 7.0 metres in hole AE-18-74 located east of the current Argyle resource, which shows that mineralization continues at least another 85 metres east, and approximately 40 metres from surface, and demonstrates the strike of the deposit remains open for further expansion.

Environmental assessment application documents were submitted to the Newfoundland and Labrador Department of Environment in April 2018, with a target of obtaining all required production permits and approvals in the first half of 2019.

➤ **Option Agreements**

During the six months ended June 30, 2018, the Company completed its earn-in under the Fair Haven option agreement, which was amended in July 2017. Under the amendment, the Company was required to make two further payments of \$30,000 to complete its earn-in, with the final payment being made in January 2018. The title to the applicable exploration licenses has been transferred to the Company.

As at June 30, 2018 and as at the date of this MD&A, the Company had met all required property option commitments and accordingly the properties were in good standing.

THE GREAT NORTHERN PROJECT

The Great Northern Project is located near the community of Jackson's Arm, Newfoundland, and is centered along the Doucer's Valley Fault, a regional splay off the fertile Long Range Fault system and significant geological control on and host to as many as nine gold deposits, including the Thor and Rattling Brook Deposits within Great Northern.

Anaconda also maintains an option agreement to acquire a 100%-undivided interest in the Viking Property, as well as a separate option agreement over the contiguous Kramer Property, which contains numerous gold prospects and showings similar in geological character and setting to both the Thor and Rattling Brook Deposits. The Company has also staked additional 2,200 hectares of prospective mineral lands contiguous to both the Viking and Kramer Properties.

➤ **Highlights of the Great Northern Project**

- Located adjacent to the Doucers Valley Fault, part of the Long Range Fault system – a fertile gold bearing structure, similar to that associated with Marathon Gold's Valentine Lake project in central Newfoundland, which has been the focus of recent Mineral Resource growth and discovery;
- Two gold Resources with a combined Inferred Mineral Resource of 526,000 ounces and an Indicated Mineral Resource of 83,000 ounces;
- Includes 9,975 hectares coincident with approximately 20 kilometres of strike along highly prospective geology of the Doucers Valley Fault;
- Potential to upgrade the size and grade of the existing resource through Resource evaluation in light of geological interpretations;
- Excellent infrastructure with road access to the key areas of interest.

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➤ Strategic Plans

Great Northern is a sizeable exploration package of highly prospective targets in an under-explored area, underpinned by two existing gold deposits. Based on historic data and Anaconda's own exploration work, the Company believes there is a potential to expand the known Mineral Resources and discover more throughout its project area. With continued focus on the development of Goldboro and extending the mine life at the Point Rousse, the Company is reviewing strategic options to maximize the value of the Great Northern Project. With the recent addition of Rattling Brook, Anaconda has strengthened its Great Northern portfolio to drive maximum value for the entire project area.

Outstanding Share and Equity Instrument Information

The Company's share capital and equity instruments outstanding comprised the following:

	June 30, 2018	December 31, 2017
Authorized: Unlimited number of common shares		
Issued: Fully paid common shares	118,691,635	105,644,965
Issued: Common share purchase warrants	16,360,071	10,576,078
Issued: Stock options	8,664,375	8,039,875

On January 18, 2018, the company completed the consolidation of its share capital on the basis of four (4) existing common shares for one (1) new common share. As a result of the share consolidation, the number, exchange basis, and exercise price of all stock options and warrants were adjusted, as applicable, to reflect the four-for-one consolidation.

As at the date of this MD&A, the full paid common shares outstanding of Anaconda was 118,691,635.

Warrants

As at June 30, 2018, the Company had 16,360,071 share purchase warrants outstanding, which includes 8,155,750 common share purchase warrants assumed as part of the acquisition of Orex Exploration Inc.

During the six months ended June 30, 2018, 255,000 share purchase warrants were exercised at an average price of \$0.34 for proceeds of \$87,000.

Stock Options

As at June 30, 2018, the Company has a total of 8,664,375 options outstanding with a weighted average exercise price of \$0.30 and expiration dates ranging from May 29, 2018 (as the Company was in a black out period on the expiry date, the ending date of the term of the options was extended to the tenth business day following the black out period in accordance with the Company's stock option plan) to June 20, 2023, which include 2,815,625 stock options assumed by the Company in connection with the acquisition of Orex Exploration Inc.

During the first six months of 2018, the Company has granted a total of 1,412,500 stock options to directors and management, which carry an average exercise price of \$0.46 and expiry dates of January 19, 2023 and June 20, 2023. Also during the first half of 2018, 787,500 stock options were exercised at an average price of \$0.24 for proceeds of \$186,000.

In July 2018, the Company granted 25,000 stock options to certain employees, which have an exercise price of \$0.36 and an expiry date of July 9, 2020.

Financial Instruments Risk Exposure

The Company is exposed to financial risks sensitive to changes in commodity prices, foreign exchange, and interest rates. The Company's Board of Directors has overall responsibility for risk management oversight. Currently, the Company has not entered into any options, forward, and future contracts to manage its price-related exposures. Similarly, derivative financial instruments are not currently used to reduce these financial risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

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

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

Liquidity Risk

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables that are outstanding past their due dates.

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

At June 30, 2018, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

Market Risk

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

Foreign Currency Risk

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

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

Interest Rate Risk

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

Quarterly Information

For the purposes of the presentation of historical quarterly information:

- "FY2017" refers to the twelve-month period ended May 31, 2017;
- "2017" refers to the seven-month period ended December 31, 2017, with the corresponding "Q1 2017" relating to the three months ended August 31, 2017, and "Q2 2017" relating to the four months ended December 31, 2017; and

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- “2018” refers to the twelve-month ended December 31, 2018, with “Q1 2018” relating to the three months ended March 31, 2018, and “Q2 2018” relating to the three months ended June 30, 2018.

<i>(\$ thousands unless otherwise stated)</i>	Q2 2018	Q1 2018	Q2 2017	Q1 2017	Q4 FY2017	Q3 FY2017 (restated)	Q2 FY2017 (restated)	Q1 FY2017 (restated)
Revenue	7,452	7,597	8,042	8,127	7,831	6,074	7,810	4,920
Mine operating income (loss)	1,865	2,085	1,587	818	1,648	(684)	1,093	(214)
Net income (loss)	(550)	149	1,229	(324)	(1,890)	(940)	185	(957)
Net income (loss) per share (basic and diluted) (<i>\$ per share</i>)	0.00	0.00	0.01	(0.00)	(0.03)	(0.02)	0.00	(0.02)
Cash flow from (used in) operations	2,945	992	1,495	540	3,173	323	1,706	(419)
Total assets	54,379	50,607	49,928	44,710	46,074	30,853	32,454	31,946
Non-current liabilities	5,197	5,398	5,512	5,575	5,802	4,856	4,866	4,561

Restatement of Financial Information from Prior Quarters

As part of the preparation of the audited consolidated financial statements for the year ended May 31, 2017, the Company undertook a comprehensive review of the capitalization and units-of-production depletion calculations for its production stripping asset and property, mill infrastructure and equipment and deferred taxes and discovered that certain errors had been made. As a result, the Company amended the treatment of these balance sheet items resulting in a restatement of prior periods.

The amounts of each adjustment and a reconciliation between the previously published consolidated statement of comprehensive loss for the six months ended May 31, 2017, have been presented in Note 4 of the condensed interim consolidated financial statements.

Related Party Transactions

Remuneration of Key Management and Transactions with Related Parties

Key management personnel include the members of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer, and starting on June 1, 2017, the Chief Operating Officer. Compensation of key management personnel (including directors) was as follows for the three and six months ended June 30, 2018 and May 31, 2017:

	Three months ended June 30, 2018	Three months ended May 31, 2017	Six months ended June 30, 2018	Six months ended May 31, 2017
Salaries, bonuses, fees and short-term benefits (\$)	220,486	194,332	567,045	381,303
Share based compensation (\$)	110,680	12,954	202,441	25,464
	331,166	207,286	769,486	406,767

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As at June 30, 2018, included in trade and other payables is \$45,000 (December 31, 2017 - \$16,250) of amounts due for directors' fees.

Non-IFRS Measures

Anaconda has included in this MD&A 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 sold by dividing operating expenses per the consolidated statement of comprehensive income (loss), net of silver sales and aggregate 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.

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The operating cash costs per ounce and all-in sustaining costs per ounce are reconciled to the consolidated statement of comprehensive income (loss) as follows:

	Three months ended June 30, 2018	Three months ended May 31, 2017	Six months ended June 30, 2018	Six months ended May 31, 2017
Operating expenses per the consolidated statement of comprehensive income (loss), including royalties	3,884,333	4,151,450	7,958,680	8,961,978
By-product silver sales credit	(10,528)	(7,078)	(16,986)	(12,020)
By-product aggregate sales credit	(100,092)	(108,846)	(100,092)	(539,233)
Operating cash costs (\$)	3,773,713	4,035,526	7,841,602	8,410,725
Sustaining expenditures – property, mill and equipment	817,139	225,612	1,381,112	786,949
Sustaining expenditures – exploration and evaluation	(55,894)	763,988	282,386	1,207,959
Corporate administration costs	1,148,342	689,279	2,242,696	1,315,673
Share-based compensation	190,407	22,737	340,880	45,367
Rehabilitation – accretion and amortization (operating)	14,288	8,939	27,353	19,470
All-in sustaining cash costs (“AISC”) (\$)	5,887,995	5,746,081	12,116,029	11,786,143
Gold ounces sold	4,330	4,658	8,856	8,255
Operating cash costs per ounce sold (\$ / ounce)	872	866	885	1,019
AISC per ounce sold (\$ / ounce)	1,360	1,234	1,368	1,428
Average US Dollar exchange rate during period	0.7747	0.7446	0.7827	0.7321
Operating cash costs per ounce sold (US\$ / ounce)	675	645	693	746
AISC per ounce sold (US\$ / ounce)	1,053	919	1,071	1,045

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.

Average realized gold price per ounce sold is reconciled to the consolidated statement of comprehensive income (loss) as follows:

	Three months ended June 30, 2018	Three months ended May 31, 2017	Six months ended June 30, 2018	Six months ended May 31, 2017
Gold revenue (\$)	7,340,997	7,715,124	14,931,139	13,353,593
Gold ounces sold	4,330	4,658	8,856	8,255
Average realized gold price per ounce sold (\$)	1,695	1,656	1,686	1,618

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

Point Rouse Project EBITDA is EBITDA before corporate administration and all other expenses and other income.

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The EBITDA and Point Rousse Project EBITDA amounts are reconciled to the consolidated statements of comprehensive income (loss) as follows:

	Three months ended June 30, 2018	Three months ended May 31, 2017	Six months ended June 30, 2018	Six months ended May 31, 2017
Net loss, per the consolidated statement of comprehensive income (loss)	(549,543)	(1,890,260)	(400,325)	(2,830,292)
Adjustments:				
Transaction costs	740,018	-	740,018	-
Finance expense	26,380	78,541	56,349	108,309
Current income tax expense	199,445	-	672,445	-
Deferred income tax expense	169,000	2,785,000	431,000	2,322,000
Depletion and depreciation	1,701,812	2,031,136	3,138,818	3,978,135
EBITDA	2,287,112	3,004,417	4,638,305	3,578,152
Corporate administration	1,148,342	689,279	2,242,696	1,315,673
Other (income) expenses	(122,043)	(4,839)	(265,435)	34,340
Point Rousse Project EBITDA	3,313,411	3,688,857	6,615,566	4,928,165

Working Capital – Working capital is a common measure of near-term liquidity and is calculated by deducting current liabilities from current assets. Working capital is reconciled to the amounts in the consolidated statement of financial position in the Liquidity and Capital Resources section of this MD&A.

Risk Factors

The exploration, development and mining of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Anaconda is subject to several financial and operational risks that could have a significant impact on its cash flows and profitability. The most significant risks and uncertainties faced by the Company include: the ability to obtain or generate additional funding for development and exploration; the fluctuating price of gold; success of exploration, development and operations activities; health, safety and environmental risks and hazards; uncertainty in the estimation of mineral reserves and mineral resources; replacement of depleted mineral reserves; the potential of production and cost overruns; risks relating to obtaining and maintaining licenses and permits; obligations as a public company; risks relating to government and taxation regulation; volatility in the market price of the Company's securities; risks relating to title and First Nations; risks relating to the construction and development of new mines; the availability of adequate infrastructure; limitations on insurance coverage; the prevalence of competition within the mining industry; currency exchange rates (such as the Canadian dollar versus the United States dollar); risks relating to potential litigation; risks relating to the dependence of the Company on outside parties and key management personnel; and risks from potential conflicts of interest. Risk related to taxation exists with respect to tax audits and the interpretation of tax regulations by the responsible tax authority. Possible areas of tax audit and interpretation may include the Company's judgements in respect of qualifying Canadian exploration expenses and the related tax deductions renounced to investors under flow-through common share financings.

The Company's ability to generate positive cash flow to generate returns and fund capital requirements and future growth and development is primarily dependent on the price of gold and the Company's ability to meet its production estimates at expected costs. The gold price is impacted by numerous macroeconomic factors outside of the Company's control, including but in no way limited to: global and regional political and economic conditions, supply and demand factors, inflation or deflation expectations, interest rate expectations, and central bank decisions. A sustained decrease in the price of gold would impact the Company's profitability, may result in mineral property write-downs and could eventually result in liquidity

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difficulties. Furthermore, actual production results may vary from Company estimates due to various factors, including but not limited to: mine dilution, lower than expected grades, recovery issues, power outages, weather related matters, or equipment and/or supply shortages. Lower than expected production could impact the Company's ability to generate cash flows to cover the cost of operations and fund sustainable capital expenditures. The Company mitigates the above risks by diligently tracking the gold price and production performance compared to forecast and budget and re-forecasting production plans accordingly so that required financial decisions can be made in a timely manner.

Readers are encouraged to read a full outline and description of the risk factors described in the Company's Annual Information Form for the seven month period ended December 31, 2017 filed on SEDAR under the Anaconda Mining profile. The occurrence of any one, or combination of, the aforementioned risks could materially adversely impact the Company's business and as a result, the trading price of the Company's common shares could decline, and investors could lose part or all of their investment.

Critical Accounting Estimates and Judgements

The Company's significant accounting policies are described in Note 2 to the condensed interim consolidated financial statements for the three and six months ended June 30, 2018, and Note 2 to the audited annual consolidated financial statements for the seven month period ended December 31, 2017. The preparation of the consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the consolidated financial statements and reported amounts of expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets and are based on historical experience and other factors considered relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The accounting judgments and estimates discussed below reflect updates from those applied and disclosed in Note 3 of the Company's audited consolidated financial statements as at and for the seven month period ended December 31, 2017. For related details, please refer to the Company's consolidated financial statements, which are available on the Company's website and on SEDAR.

During the three months ended June 30, 2018, the Company completed a review of the residual values of certain buildings, machinery, and equipment at the Pine Cove Mill which resulted in changes in the estimated residual values for these long-lived assets. The changes in the estimated residual values have been accounted for as changes in estimate. The residual value estimates required management to make judgments and apply assumptions in respect of the useful lives of the assets, including the Company's life of mine plan, the selection of transaction data for comparable assets and the economic conditions that will exist at the end of the life of the mine.

Adoption of New Accounting Standards

The Company has adopted the following accounting standards, effective January 1, 2018. These adoptions were made in accordance with applicable transitional provisions, and resulted in the changes in accounting policies described in Note 2 of the condensed interim consolidated financial statements for the three months ended June 30, 2018.

- **IFRS 9 – Financial Instruments (“IFRS 9”)** was issued by the IASB on July 24, 2014, and has replaced 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. IFRS 9 was adopted retrospectively as at January 1, 2018 without restatement of comparatives, and there were no changes to the consolidated financial statements as a result of the adoption of IFRS 9, with the exception of certain disclosures.

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- **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. In the Company’s condensed interim consolidated financial statements as at and for the three months ended March 31, 2018, the modified retrospective transition method was applied, which had no impact on the Company’s condensed interim consolidated financial statements. During the three months ended June 30, 2018, the Company changed its accounting policy and applied the full retrospective transition method. During the three months ended June 30, 2018, the Company entered into a contract to sell aggregates from the Point Rousse Project to a third party and determined that this change in accounting policy increases the comparability and relevance of the comparative financial information for the three and six months ended May 31, 2017. The application of the full retrospective transition method had no impact on the Company’s condensed interim consolidated financial statements other than the reclassification of the income from aggregate arrangements from other income to aggregates revenue.

Recently issued but not adopted accounting guidance includes IFRS 16 *Leases* and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*.

- **IFRS 16 – Leases (“IFRS 16”)** was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.
- **IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments (“IFRIC 23”)** was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019.

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

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported to senior management, including the President and Chief Executive Officer (“CEO”) and the Chief Financial officer (“CFO”) on a timely basis so that appropriate decisions can be made regarding public disclosure.

Anaconda’s management, including the CEO and CFO, have as at June 30, 2018, designed Disclosure Controls and Procedures (as defined in National Instrument N1 52-109 of the Canadian Securities Administrators), or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the issuer is made to them by others, especially in a period where public filings are being prepared; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Company’s management, with the participation of the CEO and the CFO, has evaluated the design of the Company’s disclosure controls and procedures as defined in *National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings of the Canadian Securities Administrators* and has concluded that disclosure controls and procedures were effective as of June 30, 2018.

Internal Control over Financial Reporting

Anaconda's management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management used the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design, and evaluate the effectiveness of, the Company's internal controls over financial reporting for the period ended December 31, 2017. Based on this evaluation, management concluded that the Company's internal control over financial reporting was operating effectively as at December 31, 2017 to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three and six months ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

Anaconda's management, including the CEO and CFO, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed.

Cautionary Statement

This MD&A contains forward-looking information and forward-looking statements about Anaconda Mining Inc. under Canadian securities legislation. Except for statements of historical fact relating to the Company, forward-looking information includes, but is not limited to, information with respect to the Company's expected production from, and the further potential of, the Company's properties; the Company's ability to raise additional funds; the future price of minerals, particularly gold; the estimation of mineral resources and mineral reserves; conclusions of economic evaluations; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements 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 as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on assumptions underlying mineral resource and reserve mineral estimates and the realization of such estimates. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of construction and mining costs and other factors. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include: the requirement for additional funding for development and exploration; the fluctuating price of gold; success of exploration, development and operations activities; health, safety and environmental risks and hazards; uncertainty in the estimation of mineral reserves and mineral resources; replacement of depleted mineral reserves; the potential of production and cost overruns; obligations as a public company; risks relating to government and taxation regulation; volatility in the market price of the Company's securities; risks relating to title and First Nations; risks relating to the construction and

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development of new mines; the availability of adequate infrastructure; limitations on insurance coverage; the prevalence of competition within the mining industry; currency exchange rates (such as the Canadian dollar versus the United States dollar); risks relating to potential litigation; risks relating to the dependence of the Company on outside parties and key management personnel; and risks in the event of a potential conflict of interest.

Although management of the Company 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. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Technical Information

The technical information contained within this MD&A, except for the exploration section, has been reviewed and approved by Gordana Slepcev, P. Eng., Chief Operating Officer with Anaconda Mining Inc., a "Qualified Person" as defined under National Instrument 43-101.

The technical information contained within the exploration section above has been reviewed and approved by Paul McNeill, P. Geo., VP Exploration with Anaconda Mining Inc., a "Qualified Person" as defined under National Instrument 43-101.