



Anaconda  
Mining

**Annual Management's Discussion and Analysis**

**As at and for the years ended May 31, 2017 and May 31, 2016**  
(Expressed in Canadian Dollars)

## **ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*This management discussion and analysis ("MD&A") dated August 24, 2017 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 year ended May 31, 2017. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the years ended May 31, 2017 and May 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 audited consolidated financial statements for the year ended May 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](http://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.*

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### **Company Overview**

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Anaconda Mining is a TSX-listed gold mining, exploration and development company, focused in the prospective Atlantic Canadian provinces of Newfoundland and Labrador and Nova Scotia. The Company operates the Point Rousse Operation located in the Baie Verte Mining District in Newfoundland and Labrador, Canada, comprised of the Pine Cove open pit mine, the fully-permitted Pine Cove Mill and tailings facility, the newly discovered Argyle Deposit, and approximately 6,300 hectares of prospective property. Anaconda is also developing the recently acquired Goldboro Project in Nova Scotia, a high-grade Mineral Resource, with the potential to leverage existing infrastructure at the Company's Point Rousse Project.

The Company also has a pipeline of organic growth opportunities to leverage existing infrastructure, including the Viking and Great Northern Projects and the Tilt Cove Property in Newfoundland and Labrador.

Anaconda's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "ANX". 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](http://www.sedar.com) and on the Company's website at [www.anacondamining.com](http://www.anacondamining.com).

### **Corporate Developments**

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On May 19, 2017, Anaconda Mining completed a Plan of Arrangement (the "Arrangement") with Orex Exploration Inc. ("Orex"), pursuant to which Anaconda Mining acquired all the issued and outstanding common shares of Orex. Under the terms of the Arrangement, each Orex shareholder received 0.85 of a common share of Anaconda (each, an "Anaconda Share") for each common share of Orex (each an "Orex Share") held. Upon completion of the Arrangement, Anaconda Mining issued 172,167,741 common shares to the shareholders of Orex.

As a result of the Arrangement, Anaconda has acquired the transformational Goldboro Project ("Goldboro") in Nova Scotia, which contains Measured and Indicated Mineral Resources of 2,556,000 tonnes at 5.57 g/t Au for 457,400 ounces, and an Inferred Mineral Resource of 2,669,000 tonnes at a grade of 4.35 g/t Au for 372,900 ounces (cut-off grade of 2.0 g/t Au). The Arrangement will provide significant benefits to shareholders, with the potential to accelerate the development of Goldboro by leveraging Anaconda's proven operating expertise and operating infrastructure at the Point Rousse Project, including the potential to substantially reduce capital cost at Goldboro through leveraging Anaconda's existing port, mill and tailings facilities.

Anaconda has established a strong platform for growth and consolidation in Atlantic Canada, which will lead to greater market presence, enhanced liquidity and a broader capital markets profile.

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**Consolidated Results Summary – For the Periods ended May 31, 2017 and 2016**

<b>Financial Results</b>	<b>Q4 2017</b>	<b>Q4 2016 (restated)</b>	<b>FY 2017</b>	<b>FY 2016 (restated)</b>	<b>FY 2015 (restated)</b>
Revenue (\$)	<b>\$7,722,202</b>	\$6,789,532	<b>\$25,696,629</b>	\$24,361,471	\$22,234,071
Cost of operations, including depletion and depreciation (\$)	<b>6,182,586</b>	6,432,303	<b>24,790,421</b>	22,791,735	20,237,595
Mine operating income (\$)	<b>1,539,616</b>	357,229	<b>906,208</b>	1,569,736	1,996,476
Net (loss) income (\$)	<b>(1,890,260)</b>	(456,641)	<b>(3,602,188)</b>	(1,356,233)	(1,835,071)
Net (loss) income per share (\$/share) – basic and diluted	<b>(0.01)</b>	(0.00)	<b>(0.02)</b>	(0.01)	(0.01)
Cash generated from operating activities (\$)	<b>3,172,938</b>	2,029,157	<b>4,782,426</b>	5,387,441	3,085,137
Capital investment in mine development, property, plant and equipment (\$)	<b>(225,612)</b>	(891,268)	<b>(3,414,163)</b>	(4,813,998)	(2,556,249)
Average realized gold price per ounce (\$)*	<b>1,658</b>	1,618	<b>1,651</b>	1,520	1,279
Operating cash costs per ounce sold (\$)*	<b>699</b>	1,231	<b>1,126</b>	1,091	1,086
All-in sustaining cash costs per ounce sold (\$)*	<b>1,066</b>	1,733	<b>1,735</b>	1,648	1,370
Total assets			<b>46,074,065</b>	32,129,102	30,460,429
Non-current liabilities			<b>5,801,863</b>	4,535,346	3,540,797
<b>Operational Results</b>	<b>Q4 2017</b>	<b>Q4 2016</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>
Ore Mined (t)	<b>92,167</b>	98,214	<b>432,081</b>	397,821	321,532
Waste mined (t)	<b>386,387</b>	634,746	<b>2,197,251</b>	2,421,880	1,762,312
Strip Ratio	<b>4.2</b>	6.5	<b>5.1</b>	6.1	5.5
Ore Milled (t)	<b>107,956</b>	104,163	<b>423,204</b>	387,694	343,178
Grade (g/t Au)	<b>1.49</b>	1.26	<b>1.33</b>	1.5	1.72
Recovery (%)	<b>86%</b>	85%	<b>85%</b>	85%	83%
<b>Gold Oz Produced</b>	<b>4,442</b>	3,606	<b>15,566</b>	15,818	15,228
<b>Gold Oz Sold</b>	<b>4,658</b>	4,196	<b>15,562</b>	16,023	15,821

**Annual Highlights**

- Anaconda achieved gold sales of 15,562 ounces during the fiscal year ended May 31, 2017, in line with revised mid-year guidance for fiscal 2017 of 15,500 – 16,000 ounces.
- The Company generated \$25.7 million in revenue at an average sale price of \$1,651 (USD \$1,248) per ounce, a 5% increase in revenue from the 2016 fiscal year and in line with revised mid-year guidance for fiscal 2017 of \$1,625 - \$1,675.
- The Pine Cove Mill increased throughput by 8% to 1,223 tonnes per day compared to the previous fiscal year, while maintaining an increased grade profile for the second half of fiscal 2017 in line with mid-year revised guidance.
- The Company generated a further \$0.9 million from the sale of waste rock as aggregate from its Pine Cove pit.
- As at May 31, 2017, the Company had cash and cash equivalents of \$2.5 million, net working capital of \$3.3 million and additional available liquidity of \$1,000,000 from an undrawn upon revolving line of credit facility.

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- Operating cash cost per ounce sold\* at the Point Rouse Project for the year ended May 31, 2017, was \$1,126 (USD \$856), in line with revised mid-year guidance for fiscal 2017 of \$1,100 - \$1,175.
- All-in sustaining cash cost per ounce sold ("AISC")\*, including corporate administration, capital expenditures and exploration costs for the year ended May 31, 2017, was \$1,735 (USD \$1,318), in line with revised mid-year guidance for fiscal 2017 of \$1,675 - \$1,750.
- At the Point Rouse Project, EBITDA\* for the year ended May 31, 2017, was \$8,010,964.
- On a consolidated basis, EBITDA\* for the year ended May 31, 2017, was \$6,311,777.
- Net loss for the year ended May 31, 2017, was \$3,602,188 primarily due to higher non-cash charges including depletion and depreciation expense and deferred tax expense.
- Additions of property, mill and equipment for the year ended May 31, 2017 were \$4.2 million. Key items included tailings and polishing pond construction of \$1.9 million, mill equipment upgrades of \$0.7 million, production stripping asset additions of \$1.1 million and permitting/legal costs of \$0.1 million related to the construction of the dock facility to enable to sale of waste rock as an aggregates product.
- The acquisition of Orex Exploration Inc. resulted in the addition to the Company's exploration and evaluation assets of \$14.9 million for the Goldboro Project in Nova Scotia.
- Approximately \$3.3 million was spent on exploration for the year ended May 31, 2017, which included drilling, trenching, mapping and mineral resource estimates.

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

### Company Outlook and Strategy

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Looking ahead, the Company is poised to grow through the development of the newly acquired Goldboro Project in Nova Scotia, and the continued exploration success in the Point Rouse Project area, such as the Argyle discovery. Leveraging existing mill and tailings infrastructure, Anaconda is positioned to increase production through organic growth from its portfolio of exploration and development properties, in addition to evaluating other potential growth opportunities in Atlantic Canada. The Company plans to substantially increase production from the current profile of approximately 16,000 ounces of gold per year, with a target of 50,000 ounces per year in the near-term.

Anaconda took a significant step towards this goal with the acquisition of the Goldboro Project. This transaction has the potential to accelerate the development of Goldboro to production by combining significant mineral resources with Anaconda's proven operating expertise and resources at Point Rouse. It also provides the potential for substantial capital cost reductions at Goldboro through leveraging Anaconda's existing port, mill and tailings facilities at Point Rouse as well as the potential for two mining operations in two low-risk mining jurisdictions in Atlantic Canada.

In the first drill program at Goldboro in June, the Company hit the highest-grade gold intercepts at Goldboro, amongst multiple other, high-grade intercepts, including **2,513.20 g/t gold over 0.5 meters within 485.07 g/t gold over 2.6 metres (33.1 to 35.7 metres) and 33.26 g/t gold over 1.0 meter (110.0 to 111.0 metres)**. The Company also confirmed the growth potential down-plunge and along strike (see further detail below). Consistent with historical exploration work, the Company continues to see significantly high-grades, very good thickness in the drill core, and results consistent with the predictable geological model.

The Company also continues to have success at its Point Rouse Project, most notably at the Argyle discovery located approximately 4.5 kilometers from the Company's fully-operational Pine Cove Mill and tailings. In a recent drill program, the Company had multiple gold intercepts including **3.63 grams per tonne ("g/t") gold over 12.0 metres (58.0 to 70.0 metres) and 3.22 g/t gold over 4.0 metres (45.0 to 49.0 metres)**, expanding Argyle up to 100 meters down-dip in the northeast and demonstrated continuity of a higher-grade zone over a further 50 meters down-dip to the north than previously known.

On a larger scale, the Company's vision is to become a prominent junior gold mining company with operations across Atlantic Canada, with annual production of approximately 100,000 ounces per year via organic and corporate growth. As the only pure-play gold producer in the region, Anaconda has the infrastructure and experienced workforce to serve as the platform for future growth.

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### **Guidance 2018**

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In the fiscal year of 2018, the Company is projecting to produce and sell approximately 15,500 ounces of gold, which at a budgeted gold price of CAD\$1,550 will generate revenue of over \$24.2 million. Production in the first three quarters is expected to be primarily from the Pine Cover Pit, and will transition to the Stog'er Tight pit early in the 2018 calendar year. Operating cash costs for the upcoming year are projected to be in the range of \$1,000 - \$1,050 per ounce of gold sold, lower than historical levels of \$1,100 over the past three years as the Company continues to focus on cost savings and operational efficiencies.

### **Restatement of Prior Period Financial Information**

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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. A summary of the adjustments is as follows:

- The depletion and depreciation calculations for the production stripping asset and property, mill and equipment were revised, resulting in an increase in the net book value of property, mill and equipment in prior periods. The adjustments primarily relate to calculating units of production depletion.
- Deferred income tax expense was revised to reflect the impact of the deferred tax liability associated with Newfoundland Mining taxes.
- The impact of the errors described above also resulted in changes in the Company's deferred income tax assets and liabilities.

The amounts of each adjustment and a reconciliation between the previously published statement of financial position as at May 31, 2015 and May 31, 2016, as well as the statement of comprehensive loss for the year ended May 31, 2016, have been presented in note 4 of the audited consolidated financial statements.

### **Annual Review**

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#### ***Operational Performance***

Anaconda sold 15,562 ounces of gold during the 2017 fiscal year compared to 16,023 ounces sold in fiscal 2016. The decrease was attributable to a decrease in grade of 11%, which was partially offset by 9% higher throughput, with 423,204 tonnes of ore being processed during the year, up from 387,694 tonnes in fiscal 2016.

The Company mined 432,081 tonnes of ore during the 2017 fiscal year, a 9% increase over the prior year. The increased production is notable given weather-related challenges experienced in the fourth quarter, which limited operation to 58 days. As the mine operations advance to lower levels of the Pine Cover Pit, the strip ratio continues to decrease as expected, down to a 5.1 waste to ore ratio, down from 6.1 in 2016. This is expected to continue into the 2018 fiscal year, as the Company expects to deplete the Pine Cove Pit by the end of the calendar year, when it will transition production to its Stog'er Tight deposit.

Increased mill throughput was driven by the continued strong mill availability throughout the 2017 fiscal year, which included a 98% availability rate in the fourth quarter. Preventative maintenance continues to be the focus, which is expected to maintain higher throughput rates into the 2018 fiscal year. The Company has also introduced a new furnace in its refinery, which is now operational, and is expected to contribute optimized recovery rates, lower costs and safer operations.

In September of 2016, the Company executed an agreement with a third party to mine, crush, and ship 3,500,000 tonnes of the Company's surplus stockpile and in-situ waste rock as an aggregates product for a project located on the eastern seaboard of the United States. Under the agreement, which is expected to last approximately 14 months, ending in December 2017. Anaconda has granted a right to Shore Line Aggregates ("SLA") to mine, crush and ship an aggregates

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product made from Anaconda's surplus stockpiled rock and in-situ rock for \$0.60 per tonne. The Company generated other income of \$938,089 from this agreement in the 2017 fiscal year.

The Company also continued to expand its footprint over prospective mineral properties in proximity to its mine and mill infrastructure. In addition to the transformational acquisition of the Goldboro Project, the Company in November 2016 acquired the Jackson's Arm property on the Northern Peninsula of Newfoundland, and staked a further 5,050 hectares of contiguous mineral lands, which is collectively known as the Great Northern Project. The Company also acquired 350 hectares referred to as the Tilt Cove Property in November 2016, located 60 kilometers east of the Company's Point Rouse Project.

### Financial Performance

	Q4 2017	Q4 2016 (restated)	FY 2017	FY 2016 (restated)
Revenue	7,722,202	6,789,532	25,696,629	24,361,471
Cost of operations				
Operating expenses, including royalties	3,257,148	5,163,688	17,528,338	17,473,740
Depletion and depreciation	2,925,438	1,268,615	7,262,083	5,317,995
Total cost of operations	6,182,586	6,432,303	24,790,421	22,791,735
Mine operating income	1,539,616	357,229	906,208	1,569,736

For the year ended May 31, 2017, the Company generated \$25,696,629 in revenue, a 5% increase from the year ended May 31, 2016. The comparatively higher revenue was primarily a result of a 9% increase in mill throughput and a 9% increase in realized gold price from CAD\$1,520 to CAD\$1,651 per ounce sold. The Company also generated other revenue of \$938,089 from the sale of waste rock to be used as aggregates, compared to \$nil in fiscal 2016.

For the year ended May 31, 2017, cost of operations was \$24,790,421, yielding a mine operating income of \$906,208 compared to fiscal 2016, which generated cost of operations of \$22,791,735, yielding a mine operating income of \$1,569,736. Mine operating income was negatively impacted as a result of non-cash charges for depletion and depreciation expense of \$1,944,088. Depletion and depreciation expense, which is calculated using the unit-of-production methodology, increased due to a decline in reserve base. Mill operations expense increased by \$143,983 largely due to increased maintenance costs and project administration increased by \$89,976 for personnel costs. This was partially offset by a decline in mining costs of \$59,904, logistics expenses of \$55,106 and NSR expenses of \$64,351. Mining costs were lower due to purchase discounts received from suppliers. Logistics expenses were reduced due to a change in refiner which resulted in cost savings. NSR expenses only relate to Stog'er Tight production as the obligation for Pine Cove pit was extinguished in fiscal 2016.

Corporate administration expenses consist of consulting/professional fees, corporate salaries/benefits, office and general expenses, travel and regulatory related costs. For the year ended May 31, 2017, administrative expenses totaled \$2,637,276 and in line with \$2,630,745 in fiscal 2016.

Finance expenses of \$176,882 include costs related to the gold prepayment agreement, accretion on the Company's decommissioning liability and interest paid on loans.

Deferred income tax expense was \$2,475,000 compared to a deferred tax recovery of \$33,000 in fiscal 2016. The expense resulted from a \$2,520,000 increase in unrecognized portion of the deferred tax asset.

Net loss for the year ended May 31, 2017, was \$3,602,188 compared with net loss for the year ended May 31, 2016 of \$1,356,233. The increase in net loss is primarily due to a decrease in mine operating income of \$663,528, increase in deferred tax expense of \$2,508,000 partially offset by other revenue of \$938,089.

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## Fourth Quarter Financial Review

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### **Operational Performance**

Despite challenging weather conditions impacting mining rates, Anaconda achieved record quarterly gold sales of over 4,600 ounces at the Point Rousse Project. The Pine Cove Mill maintained strong levels of productivity due to continued maintenance and availability at 98% during the fourth quarter of fiscal 2017.

Anaconda sold a record 4,658 ounces of gold in the fourth quarter at an average sales price of \$1,658 per ounce, an 11% increase in gold ounces sold over Q4 2016. The Company generated \$7.72 million in gold sales revenue in the fourth quarter ended May 31, 2017, an increase of 14% over the corresponding quarter of 2016.

Mining operations were challenged in the fourth quarter of 2017 due to snowfall and related weather conditions, limiting operating days to 58 days. Mine production was 92,167 tonnes of ore and 386,387 tonnes of waste for a strip ratio of 4.2:1 waste to ore. Tonnes mined were significantly lower than the fourth quarter of fiscal 2016, partly due to weather conditions, but also significantly impacted by a lower stripping ratio profile of 4.2:1, compared to 6.5:1 in the corresponding period of 2016. Due to inclement weather conditions, the Company ensured appropriate focus on monitoring final pit walls and dewatering of the open pit to maintain ore production to the mill in the fourth quarter and into the next fiscal year.

The Pine Cove Mill operated at an availability rate of 98%, achieving an average run rate of 1,200 tonnes per operating day compared to 1,197 tonnes per operating day in the fourth quarter of fiscal 2016. The Pine Cove Mill processed 107,956 dry tonnes of ore during the quarter compared to 104,163 dry tonnes of ore in the similar period of fiscal 2016, at relatively similar recovery rates over the comparative periods. Average feed grade during the quarter was 1.49 grams per tonne compared to 1.26 grams per tonne in the similar period of fiscal 2016, an 18% increase. Preventative maintenance continues to be a focus to maintain consistent levels of production which included cone crusher liner changes during the fourth quarter of fiscal 2017. A new refinery is scheduled to be installed in fiscal 2018, with the aim of optimizing recovery rates, reducing related costs, and providing improved safety conditions in the refining process.

### **Financial Performance**

For the three months ended May 31, 2017, the Company generated \$7,722,202 in revenue at an average sales price of \$1,658 per ounce. Revenue increased 14% and gold ounces sold increased by 11% respectively from the same period in fiscal 2016. Gold sales volume was higher due to a 18% increase in grade over the comparative periods. Revenue was increased due to the increased sales volume as well as a higher average sales price for the year ended May 31, 2017, 2% above the realized sales price during the same period in fiscal 2016. Driven by the higher gold price and mill throughput, gross revenue for the three months ended May 31, 2017 was \$932,670 higher than the same period in fiscal 2016.

For the three months ended May 31, 2017, cost of operations was \$6,182,586 yielding a mine operating income of \$1,539,616 compared to the same period in fiscal 2016, which generated a cost of operations of \$6,432,303, yielding a mine operating income of \$357,229. The higher mine operating income during the three months ended May 31, 2017 relative to the same period in fiscal 2016 is attributed to higher revenue of \$932,670, reduced mill operations expenses of \$427,294 and lower mining costs of \$1,455,660. Mill operations expenses were lower due to the receipt of \$750,000 for a business interruption claim filed earlier in fiscal 2017. Mining expenses were reduced driven by a 35% reduction in tonnes mined and 13 less operating days in the comparative periods. This was partially offset by increased depletion and depreciation expense of \$1,656,823. Depletion and depreciation expense, which is calculated using the unit-of-production methodology, increased due to a decline in reserve base.

Corporate administration expenses consist of consulting/professional fees, corporate salaries/benefits, office and general expenses, travel and regulatory related costs. For the three months ended May 31, 2017, administrative expenses totaled \$689,279 compared to \$872,406 for the same period in fiscal 2016. Corporate expenses have decreased due to a reduction in accrued personnel costs.

Deferred income tax expense was \$2,785,000 compared to a deferred tax recovery of \$29,000 in fiscal 2016. The expense resulted from a \$2,520,000 increase in unrecognized portion of the deferred tax asset.

Net loss for the three months ended May 31, 2017, was \$1,890,260 compared with net loss for the three months ended May 31, 2016 of \$456,641. The change in net income is primarily due to an increase in deferred income tax expense of

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\$2,814,000 partially offset by an increase in mine operating income of \$1,182,387, a decrease in corporate administration of \$183,127 and other income of \$108,846.

During the fourth quarter ended May 31, 2017, the Company also spent \$763,988 on exploration and evaluation at its Point Rousse and Viking Projects.

### Growth and Business Development

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The Company is pursuing a strategy to leverage the existing operating infrastructure at Point Rousse (Pine Cove Mill, tailings facilities and Port Rousse) through the development of the Company's mineral properties in Newfoundland and Nova Scotia. Exploration efforts at Point Rousse are primarily focused on expanding and infilling the Argyle discovery, located 4.5 km from the Pine Cove mill. At Goldboro exploration is primarily focused on infill drilling and upgrading the Goldboro deposit as well as expanding the resource through drilling.

### THE GOLDBORO PROJECT

During the 2017 fiscal year, the Company acquired the transformational Goldboro Project in Nova Scotia, which contains Measured and Indicated Mineral Resources of 2,556,000 tonnes at 5.57 g/t Au for 457,400 ounces, and an Inferred Mineral Resource of 2,669,000 tonnes at a grade of 4.35 g/t Au for 372,900 ounces (cut-off grade of 2.0 g/t Au). There is now the potential to accelerate the development of Goldboro by leveraging Anaconda's proven operating expertise and operating infrastructure at the Point Rousse Project, including the potential to substantially reduce capital development costs for Goldboro by leveraging existing fully-owned infrastructure at the Company's Point Rousse operation in Newfoundland, which currently comprises a 1,300-tonne per day mill, tailings capacity for approximately 15 years (based on the current mill throughput rate) and a tide-water port facility.

The Company commenced initial exploration and development programs in May and early June of 2017. These are designed to provide various data required to advance permitting, metallurgical evaluations and economic modeling, culminating in the publishing of a Preliminary Economic Assessment ("PEA") by the end of the year.

#### ➤ **Strong Exploration Results**

Anaconda has already achieved strong drill results from its first infill drill program, which comprised a five-hole diamond drill program, totaling 649 meters, targeting the Boston Richardson and East Goldbrook gold systems of the Goldboro Deposit (see figure below). Multiple occurrences of visible gold and assays with high-grade tenor were observed in all five holes.

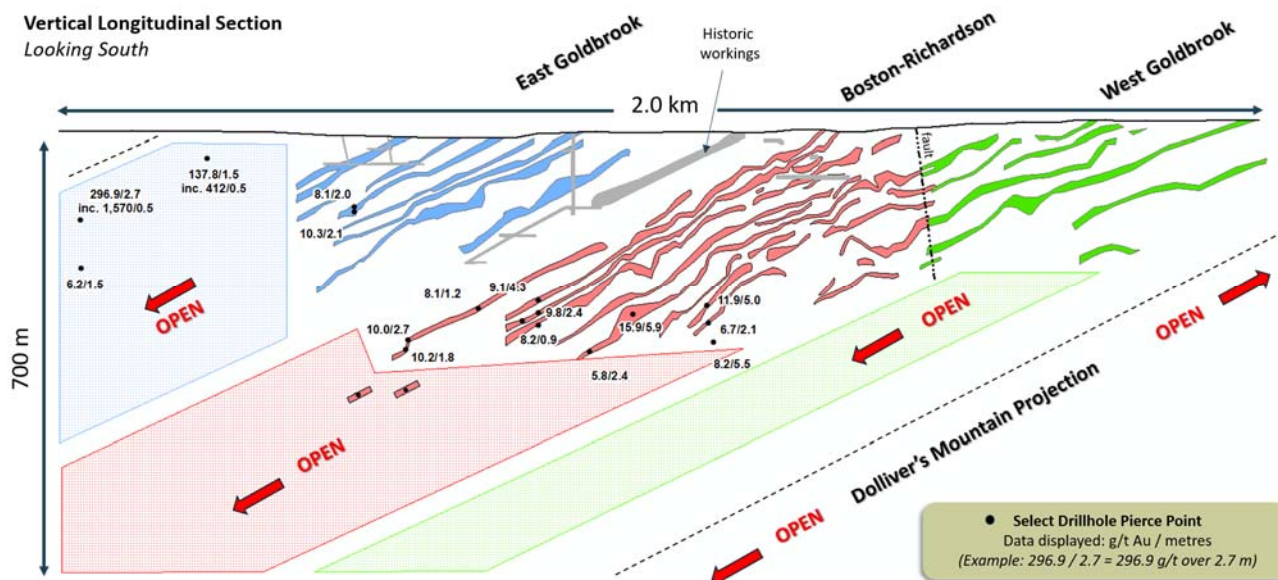
Assay highlights from the program, including the highest grades yet recorded at Goldboro, are as follows:

- **2,513.20 g/t gold over 0.5 metres within 485.07 g/t gold over 2.6 metres (33.1 to 35.7 metres) and 33.26 g/t gold over 1.0 metre (110.0 to 111.0 metres) in hole BR-17-04;**
- **7.85 g/t gold over 3.7 metres within 3.22 g/t gold over 11.4 metres (169.2 to 180.6 metres) in hole BR-17-02;**
- **9.77 g/t gold over 2.3 metres within 2.33 g/t gold over 13.4 metres (17.4 to 30.8 metres) in hole BR-17-03;**
- **16.96 g/t gold over 1 metre within 3.96 g/t gold over 5.5 metres (115.5 to 121 metres) in hole BR-17-05;**  
and
- **5.56 g/t gold over 1.2 metres within 1.35 g/t gold over 10 metres (25.0 to 35.0 metres) and 13.00 g/t over 0.5 metres within 3.65 g/t gold over 2 metres (53.5 to 55.5 metres) in hole BR-17-01**

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



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The Boston Richardson gold system of the Goldboro Deposit is host to 15 tightly-stacked, high-grade, gold-bearing vein zones. Holes BR-17-01 to BR-17-03 are located within the core of the Boston Richardson system and intersected up to 7 of the 15 vein zones, which are characterized by thick gold bearing quartz veins and thin vein arrays within highly altered argillite, separated from the neighboring vein zones by un-mineralized greywacke as predicted by recent geological modelling. The high-grade assays returned from these drill holes are of a tenor consistent with previous drill programs on the deposit as well as with recent geological and resource modelling, and confirms the validity of the geological and resource models.

The East Goldbrook gold system is characterized by 7 stacked vein zones and is generally drilled at a broader spacing (~100 meters) than Boston Richardson. Hole BR-17-05 intersected 5 of the 7 East Goldbrook vein zones including vein zones 3 and 4, which appear to extend 40 and 100 meters, respectively, farther to the west beyond what has been currently modelled. Hole BR-17-04 within East Goldbrook contains the highest-grade intercepts within the entire Goldboro Deposit as shown in the highlights above.

➤ **Deposit Expansion Potential**

To date, the Boston Richardson gold system has been modelled to a depth of 350 meters and plunges moderately eastward beneath East Goldbrook (Exhibit B). Sparse historic drilling from the 1980s, under East Goldbrook, intersected similar geological structures and gold bearing vein zones below depths of 425 vertical meters. These vein zones represent the down-plunge extension of the Boston Richardson gold system. In addition, East Goldbrook has only been modelled to approximately 300 meters and West Goldbrook, which includes the faulted offset extension of Boston Richardson, has been modelled to just a depth of 225 meters.

Based on all historic and current exploration information related to the Goldboro Deposit, Anaconda believes the deposit continues at depth. Historic drill results from some of the deepest and eastern most drilling at the margins of the Boston Richardson and East Goldbrook gold systems returned significant values both in grade and width, as demonstrated in the highlights of historic drill results, including the following assay highlights from selected historic core at depth at the Goldboro Deposit:

- **15.9 g/t gold over 5.9 metres (293.7 to 299.6 metres) in hole BR-87-35A.**
- **11.9 g/t gold over 5.0 metres (276.3 to 281.3 metres) in hole BR-87-43.**
- **8.2 g/t gold over 5.5 metres (360.3 to 365.8 metres) in hole BR-87-31.**
- **10.0 g/t gold over 2.7 metres (345.3 to 348.0 metres) in hole BR-87-07.**

## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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Consequently, Anaconda believes that gold mineralization will continue at depth along the East Goldbrook, Boston Richardson and West Goldbrook gold systems and down-plunge of the current resource.

In addition, the current known strike length of the Goldboro Deposit is approximately 1.6 kilometers and is associated with a geophysical anomaly (IP conductor). The anomaly is known to extend east and west beyond the limits of the current strike length of the known and includes the Dolliver Mountain prospect immediately west and along strike from the Goldboro Deposit. Gold mineralization of similar style and tenor as that found in the Goldboro Deposit has been intersected in drill core from historical holes beyond the current strike length. Assay highlights from selected historic drill core in the potential strike extension area are as follows:

- **1,570.0 g/t gold over 0.5 metres within 269.9 g/t gold over 2.7 metres (193.8 to 196.5 metres) in hole OSK-11-04;**
- **412.0 g/t gold over 0.5 metres within 137.8 g/t gold over 1.5 metres (117.0 to 118.5 metres) in hole OSK-11-02;**
- **10.3 g/t gold over 2.1 metres (116.4 to 118.5 metres) in hole BR-87-12; and**
- **6.2 g/t gold over 1.5 metres (223.0 to 224.5) in hole OSK-11-04.**

Anaconda believes there is potential to expand the Goldboro Deposit east and west along strike.

### ➤ *Towards a Preliminary Economic Assessment*

Other exploration and development programs which will support the publishing of a PEA by the end of the year include:

- Diamond drilling to test historic areas of drilling in the core of the deposit and to collect samples necessary for metallurgical test work;
- Ore characterization and metallurgical test work including crushing and grinding characterization, gravity, floatation and leachability and acid rock drainage testing;
- Environmental baseline studies including wildlife, fauna, and aquatic surveys, MEKS (Mi'kmaq ecological knowledge study) and archeological studies;
- Optimization of the Goldboro Resource to mirror the development plan;
- Government and community consultations including meetings with the Federal and Provincial Governments, Mi'kmaq First Nations and community organizations;
- Geotechnical investigations including rock and surface quality to support open pit, underground and waste dump designs;
- Transportation costing associated with various development scenarios.

## THE POINT ROUSSE PROJECT

The Point Rousse Project comprises five mining leases totaling 1,053 hectares and 27 mining licenses totaling 5,263 hectares not accounted for within the mining leases. Five of the licenses are owned by Anaconda. The Point Rousse Project contains the operating Pine Cove open pit mine, the Pine Cove Mill and related processing plant and equipment, permitted tailings storage and a dock facility.

During the course of Anaconda's exploration and development efforts at the Point Rousse Project, three primary gold trends have been identified within the Point Rousse area - the Scrape, Goldenville and Deer Cove Trends, with a cumulative prospective strike length of approximately 20 kilometers. The Company's recent exploration work, combined with historical results, has brought more clarity, understanding and confidence to the Company's geological interpretations and models. The Company believes it has the potential to discover and develop additional deposits on the Ming's Bight Peninsula as exemplified by the Argyle discovery within the Scrape Trend (discussed below). Anaconda believes that the Point Rousse Project area has the potential to host resources which could allow the Company to extend and/or increase production at the Pine Cove Mill.

The Scrape Trend consists of a belt of highly-prospective rocks approximately 7 kilometers long and approximately 1 to 2 kilometers wide. It begins southwest of the Pine Cove Pit and continues eastward to the community of Ming's Bight. The Scrape Trend includes the Pine Cove and Stog'er Tight Deposits, the Argyle Discovery as well as the Romeo & Juliet, Anoroc and Animal Pond.

## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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### ➤ *Argyle Discovery*

Since initial trenching and approximately 3,800 meters of diamond drilling in 2016 at Argyle, Anaconda has discovered a shallow-dipping, near-surface, mineralized gold system with a strike length of over 600 meters and a down-dip extension to at least 225 meters. Argyle remains open both along strike and down-dip.

In July, the Company announced initial drill results from an eight-hole program, where the Company has successfully expanded Argyle up to 100 meters down-dip in the northeast and demonstrated continuity of a higher-grade zone over a further 50 meters down-dip to the north than previously known. Assay highlights from the first four holes of the program include:

- **3.63 grams per tonne (“g/t”) gold over 12.0 metres (58.0 to 70.0 metres) in hole AE-17-46;**
- **3.22 g/t gold over 4.0 metres (45.0 to 49.0 metres) in hole AE-17-45;**
- **1.56 g/t gold over 3.0 metres (77.0 to 80.0 metres) in hole AE-17-47; and**
- **1.22 g/t gold over 4.0 metres (86.0 to 90.0 metres) in hole AE-17-48.**

Based on exploration work to date, and planned infill drilling, the Company expects to publish an NI 43-101 compliant resource and see the potential to bring Argyle into the production profile at Point Rouse in the medium term.

### ➤ *Option Agreements*

During the year ended May 31, 2017, the Company completed its earn-in into two option agreements that comprise the Argyle property; title on four mineral exploration licenses have been fully transferred to the Company, and one exploration license is in process of being transferred. The Company also completed its earn-in obligations under an option agreement with respect to the Stog'er Tight property, where title has been fully transferred to the Company.

In addition to its wholly owned properties, the Company has entered the following option agreements:

- On July 19, 2012, the Company entered a five-year property option agreement with Fair Haven to acquire a 100%-undivided interest in 11 exploration licenses (the “Fair Haven Property”), which is adjacent to property fully owned by the Company. Based on a recent amendment to the original option agreement, the Company has two payments of \$30,000 remaining to complete its earn-in, one of which was paid after May 31, 2017, with the final payment due by July 2018.
- On November 19, 2012, the Company entered a five-year property option agreement with Duffitt and Strong to acquire a 100%-undivided interest in 2 exploration licenses (the “Duffitt and Strong Property”). The Duffitt and Strong Property is contiguous with and now inclusive in the Point Rouse Project. The option agreement is subject to a further \$4,000 of expenditure for the Company to earn an undivided interest in the property.
- On July 29, 2015, the Company entered an option agreement to acquire a 100%-undivided interest in one mining lease contiguous with the Point Rouse Project (the “Corkscrew Property”). The option agreement is subject to a final payment of \$25,000 for the Company to earn an undivided interest in the property.

## THE VIKING PROJECT

In February of 2016, the Company entered into an option agreement to acquire a 100%-undivided interest in the Viking Property, which contains the Thor Deposit. The Company also entered into a second option agreement to acquire the contiguous Kramer Property, which contains numerous gold prospects and showings similar in geological character and setting to the Thor Deposit. The Company has also staked additional 2,200 hectares of prospective mineral lands contiguous to both the Viking and Kramer Properties. In total, the Company now controls 6,225 hectares of property in White Bay, Newfoundland, now collectively referred to as the Viking Project. The Viking Project is approximately 180 km by road (100 km by barge) from Point Rouse, and is accessible via a 2.5 km forest road from provincially-maintained paved road networks.

## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Thor Deposit contains a mineral resource estimate as summarized below, and as outlined in the "NI 43-101 Technical Report and Mineral Resource Estimate on the Thor Deposit, Viking Project, White Bay Area, Newfoundland and Labrador, Canada" dated August 29, 2016 (available at [www.sedar.com](http://www.sedar.com) under Anaconda's profile):

Resource Category	Cut-off (g/t)	Tonnes	Grade (g/t)	Ounces of gold (Au)
Indicated	0.5	1,847,000	1.42	83,000
Inferred	0.5	847,000	1.15	31,000

The Viking Project is the first step out from the Point Rousse Project and adds significant resources to the Company's portfolio within striking distance of the Pine Cove Mill. The intent of the Company is to process any ore mined from this project at the Pine Cove Mill. Beyond the historical Indicated and Inferred Mineral Resources at the Viking Project, the Company is encouraged by the overall gold-bearing potential of the project.

The program consisted of a review of previously drilled core and geochemical characterization of the Thor Deposit, geological mapping, 4,136 meters of diamond drilling and the reprocessing of historic magnetic and ground IP geophysical data. Anaconda was successful in extending the strike length of the Thor Deposit and outlined broad zones of mineralization at the Viking Trend along with discovering new mineralization at Thor's Cross. The Viking Trend and Thor's Cross also contained localized high grade intersections (Exhibit B). Highlights of the Phase 1 Exploration Program include:

- Gold bearing alteration zones intersected in 21 of 27 drill holes illustrating a widespread mineralizing system present at Viking;
- Extending the Thor Deposit 100 meters north along strike, for a total of 650 meters of strike length, at shallow depths, as demonstrated by 2.73 grams per tonne ("g/t") gold over 6.0 meters in hole VK-16-30, 1.25 g/t gold over 7.0 meters in hole VK-16-31, and 1.16 g/t gold over 4.0 meters in hole VK-16-132;
- Intersecting a 40 to 80-metre wide zone of very intense alteration and broad zones of gold mineralization that characterize the Viking Trend as exemplified by 0.45 g/t gold over 20 meters in hole VK-16-151 and 0.37 g/t gold over 16.5 meters in an historic drill hole, VK-11-125 as well as local high grades as indicated by 7.43 g/t gold over 1.0 meter in hole VK-16-155;
- Determining that Thor's Cross is an area at least 100 meters in strike length, characterized by a 20-metre wide zone of alteration and gold mineralization coincident with a fault structure as demonstrated by 0.78 g/t gold over 10.3 meters in hole VK-16-144, 0.42 g/t gold over 8.0 meters in hole VK-16-141 and 0.45 g/t gold over 7.9 meters in hole VK-16-143 as well as local high grades as indicated by 9.93 g/t gold over 0.3 meters in hole VK-16-148;
- Fingerprinting of the key geochemical, geophysical and structural characteristics of the Thor Deposit and developing new, refined drill targets based on the fingerprint characteristics. Follow-up drilling will focus on new targets at the Viking Trend and south of the Thor Deposit as well as at the Asgard/Kramer Trend where significant gold mineralization is associated with a quartz veining and the quartzite unit exemplified by historic drill holes – 1.12 g/t gold over 20 meters in hole KR-10-07 and 1.50 g/t gold over 14.0 meters in hole KR-10-07.

Geologically, the Viking Project is located along the Doucer's Valley Fault, part of the Long Range fault system, which is a significant geological control on as many as nine gold deposits. The Doucer's Valley Fault is considered integral in the formation of gold deposits, including Anaconda's Thor and the Rattling Brook Deposit which are hosted within the same rocks adjacent to the Doucer's Valley Fault and approximately 20 kilometers from one another. The regional geological setting, along with the known deposits and specific exploration results at Viking, suggest the potential to delineate additional mineral resources throughout the project area.

The Company continues to evaluate the Viking Project relative to its other prospects, including the discovered Argyle deposit, with the aim of leveraging its existing infrastructure at the Pine Cove Mill.

### OTHER PROJECTS

#### ➤ The Great Northern Project

In November of 2016, the Company made significant property acquisitions on the Northern Peninsula, 20 kilometres north of its Viking Project, where it acquired a 100%-undivided interest in 1,325 hectares and staked 5,050 hectares of contiguous mineral lands, totaling 6,375 hectares, collectively referred to as the Great Northern Project.

## **ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 Long Range Fault. The Doucer's Valley Fault is a significant geological control on and host to several gold deposits, including Anaconda's Thor Deposit (83,000 ounces Indicated and 31,000 ounces Inferred Resources<sup>1</sup>) and the Rattling Brook Deposit (495,000 ounces Inferred Resources<sup>2</sup>).

The Great Northern Project boasts several gold prospects and showings, including the Shrik, Stocker, Boot N' Hammer, 954 Prospects and the Incinerator Trail Zone. Surface grab samples assaying up to 24.5 g/t gold and 1,232.0 g/t silver at the Boot N' Hammer Prospect; up to 56.7 g/t gold and 2.75 ounces per tonne silver at the Stocker Prospect; up to 7.2 g/t gold at the Shrik Prospect; and 13.6 g/t gold at the 954 Prospect. The Incinerator Trail Zone has been tested by four reconnaissance-style diamond drill holes in the 1980's and returned gold assays of 1.78 g/t gold over 4.00 and 2.30 g/t gold over 4.05 metres.

The Company has recently outlined a continuous zone of gold mineralization and alteration that is 1.7 kilometres long by 40 to 400 metres wide and defined 4 kilometres of exploration potential to the north and east of the mineralized zone. This finding is important in that it further highlights the potential of the Doucer's Valley Fault to host gold along and adjacent to multiple property scale faults that cross the area. The size and continuity of the alteration zone and updated pertinent geological information will allow more advanced exploration. The continuation and repetition of the host structures to the immediate north and east demonstrates the potential for future discovery on this property.

Although Anaconda views these projects as highly prospective, and continues to maintain the licenses, the Company does not have immediate exploration plans for the Great Northern Project as it focuses on higher priority projects with higher potential to contribute to the Company's production in the near-term.

### ➤ **The Tilt Cove Property**

In November of 2016, the Company has executed an option agreement to acquire a 100%-undivided interest in 350 hectares known as the Tilt Cove Property, located within the Baie Verte Mining District approximately 60 kilometres by road from the Company's Pine Cove Mill. The Tilt Cove Property sits within the Nugget Pond Horizon, which is characterized by the same geological environment as the Goldenville Horizon, part of the Point Rouse Project. The Nugget Pond Horizon is an iron formation that hosted the historical high-grade-gold Nugget Pond Mine, which produced 166,000 ounces of gold with an average grade of approximately 11 g/t. The Tilt Cove Property has several occurrences of high-grade gold grab samples from prospecting including 69.38 g/t gold from the Scarp Zone, 13.47 g/t gold from the Shaft Zone and 6.02 g/t gold from the Road showing.

The area in which the Tilt Cove Property is located is also host to several historical (1864-1967) open pit and underground copper mines. Gold is typically associated with copper mineralization and several of the historic copper deposits require follow-up testing for gold potential. A stockpile of gold-bearing ore from historical mining, estimated at 30,000 tonnes, is located on the Tilt Cove Property.

The Company plans to conduct a geological and mapping program at Tilt Cove early in the 2018 fiscal year.

**ANACONDA MINING INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Liquidity and Capital Resources**

Anaconda has managed liquidity by achieving positive cash flows from the Point Rouse Project and raising \$2,037,265 from a flow-through financing in July of 2016. The Company's primary uses of cash include operating production costs, capital expenditures, exploration and corporate expenses.

<b>Working Capital</b>	<b>May 31, 2017</b>	May 31, 2016
Cash and cash equivalents	<b>2,519,488</b>	1,636,161
Inventory	<b>4,525,312</b>	3,143,601
Other current assets	<b>798,602</b>	777,419
	<b>7,843,402</b>	5,557,181
Trade and other payables	<b>4,060,492</b>	4,109,877
Current portion of loans	<b>349,527</b>	115,192
Other current liabilities	<b>121,287</b>	512,790
	<b>4,531,306</b>	4,737,859
<b>Net working capital</b>	<b>3,312,096</b>	819,322

As at May 31, 2017, the Company had a positive working capital position of \$3,312,096, which included cash and cash equivalents of \$2,519,488. Working capital has improved compared to the prior year due to a higher cash balance, attributable to the acquisition of Orex and its cash balance, and an increase in inventory value at the Company's Point Rouse operations. Inventory included \$417,000 of gold dore, which was sold after May 31, 2017.

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 May 31, 2017, the Company had not drawn against the revolving credit facility.

**Cash Flow Analysis**

During the year ended May 31, 2017, the Company generated cash flow from operations of \$4,782,426. Trade and other receivables decreased by \$6,971 and, prepaid expenses and deposits decreased by \$126,362. Inventory balances increased significantly by \$1,381,711, due in part to the timing of gold sales (with \$417,000 worth of gold dore on hand as at May 31, 2017), the larger ore stockpiles relative to the prior year, and higher gold-in-circuit due to strong mill feed grade at the end of the fiscal year. Trade and other payables decreased by \$678,929 due to the timing of payments.

Changes to investing activities during the year ended May 31, 2017, were:

- Additions to property, mill and equipment of \$3,414,163 including tailings facility, polishing pond construction and permitting/legal fees associated with the Aggregates Venture;
- Additions to exploration and evaluation assets of \$3,308,146 related to the Company's ongoing exploration programs;
- Cash received through the acquisition of Orex Exploration Inc. of \$713,367, and;
- A decrease in restricted cash of \$27,500 previously held against the Company's credit card facility.

During the year ended May 31, 2017, the Company received cash of \$2,037,265 in gross proceeds from a flow-through financing agreement, from which \$246,372 of issuance costs were paid. The Company also received a government loan of \$450,000 as part of its mill automation project; the Company paid \$104,555 in fiscal year 2017 against this and other government loans. The Company also made payments of \$83,995 was against equipment capital leases.

## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

As at May 31, 2017, the capital structure of the Company consisted primarily of all the components of shareholders' equity and loans. To adjust or maintain its capital structure, the Company may adjust the amount of any of its debt through repayment, or may enter new credit facilities or issue new common shares.

### Commitments

In addition to accounts payable and accrued liabilities of \$4,060,492 as of May 31, 2017, the Company has the following contractual obligations:

	1 year	1 - 3 years	More than 3 years	Total
	\$	\$	\$	\$
Provincial government loan	76,410	159,862	126,373	<b>362,645</b>
Federal government loan	100,800	201,600	130,400	<b>432,800</b>
Capital leases and other loans	172,317	27,223	-	<b>199,540</b>
Unearned revenue	121,287	-	-	<b>121,287</b>
	<b>470,814</b>	<b>388,685</b>	<b>256,773</b>	<b>1,116,272</b>

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

- A net profits interest ("NPI") agreement over the Point Rouse Mining Leases with Royal Gold Inc. whereby the Company is required to pay Royal Gold Inc. 7.5% of net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At May 31, 2017, the Company has determined it has approximately \$38 million in expenditures deductible against future receipts.
- A net smelter return ("NSR") of 3% is payable to third-party on gold produced from the Stog'er Tight Property.
- A \$3,000,000 capped net smelter return NSR on 4 mineral exploration licenses in the Point Rouse Project known as the Tenacity Property (Argyle), calculated at 3% when the average price of gold is less than US\$2,000 per ounce for the calendar quarter, and 4% when the average price of gold is more than US\$2,000 per ounce for the calendar quarter.
- The Froude Property (Argyle) is subject to an NSR of 3% to an aggregate sum of \$3 million; once this threshold has been met and 200,000 ounces of gold has been sold also, the NSR decreases to 1%.
- The Company will pay Altius Resources a 2.5% NSR granted on the Viking Property.
- The Tilt Cove Property is subject to a 1% NSR to MEK on the sale of gold-bearing mineral products. Anaconda is also assuming an existing 2% NSR (the "Existing NSR") on one of the two licenses that comprises the Tilt Cove Property. 1% of the Existing NSR is purchasable for \$1,250,000.

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

### Outstanding Share and Equity Instrument Information

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

	May 31, 2017	May 31, 2016
<b>Authorized:</b> Unlimited number of common shares		
<b>Issued:</b> Fully paid common shares	382,075,491	180,128,963
<b>Issued:</b> Common share purchase warrants	49,921,449	350,000
<b>Issued:</b> Stock Options	29,582,500	17,995,000

As at the date of this MD&A, the full paid common shares outstanding of Anaconda was 382,075,491.

As part of the Arrangement with Orex (discussed above under Corporate Developments), the Company issued 172,167,741 common shares to the shareholders of Orex to acquire all the issued and outstanding common shares of Orex. All common

## **ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

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share purchase warrants and stock options assumed as part of the Arrangement are presented in this MD&A reflect the Arrangement option of 0.85 common shares for each equivalent share of Orex.

### ***Warrants***

As at May 31, 2017, the Company had 49,921,449 warrants outstanding, which includes 33,643,000 common share purchase warrants to acquire the Company's common shares assumed as part of the Arrangement with Orex.

Subsequent to May 31, 2017, 15,928,449 of the Company's warrants expired unexercised.

### **Share Based Compensation**

As at May 31, 2017, the Company has a total of 29,582,500 options outstanding with a weighted average exercise price of C\$0.07 and expiration dates ranging from June 2016 to May 2022, which include 13,812,500 stock options assumed by the Company in connection with the Arrangement with Orex.

Subsequent to May 31, 2017, the Company granted a total of 3,450,000 stock options to directors and management, which carry an exercise price of C\$0.06 and an expiry date of June 2022.

During fiscal 2017, 2,150,000 options expired unexercised.

## **Financial Instruments Risk Exposure**

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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 May 31, 2017, 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.



## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

### **Off-Balance Sheet Items**

As at May 31, 2017, the Company did not have any off-balance sheet items.

### **Quarterly Information**

	<b>Q4 2017</b>	<b>Q3 2017 (restated)</b>	<b>Q2 2017 (restated)</b>	<b>Q1 2017 (restated)</b>
Revenue	7,722,202	5,643,411	7,411,279	4,919,737
Mine operating income (loss)	1,539,616	(1,114,116)	694,594	(213,886)
Net (loss) income	(1,890,260)	(940,032)	185,170	(957,066)
Net (loss) income per share (basic and diluted)	(0.01)	(0.01)	0.00	(0.00)
Cash flow from operations	3,172,938	323,145	1,705,835	(419,492)
Total assets	46,074,065	30,853,098	32,453,646	31,945,999
Non-current liabilities	5,801,863	2,598,409	2,608,320	2,303,184

	<b>Q4 2016 (restated)</b>	<b>Q3 2016 (restated)</b>	<b>Q2 2016 (restated)</b>	<b>Q1 2016 (restated)</b>
Revenue	6,789,532	4,988,063	6,798,075	5,785,801
Mine operating income (loss)	357,229	194,311	881,818	136,378
Net (loss) income	(456,641)	(754,139)	312,088	(457,541)
Net (loss) income per share (basic and diluted)	0.00	(0.00)	0.00	(0.00)
Cash flow from operations	2,029,157	1,313,027	1,119,575	925,682
Total assets	32,129,102	27,780,186	27,780,186	27,274,621
Non-current liabilities	4,535,346	1,755,703	1,755,703	1,379,279

## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Related Party Transactions

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#### Remuneration of key management and transactions with related parties

Key management personnel include the members of the Board of Directors, the President/ Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO").

Compensation of key management personnel (including directors) was as follows:

	FY 2017	FY 2016
Salaries, bonuses, fees and short term benefits (\$)	746,621	852,735
Share based compensation (\$)	100,829	188,925
	847,450	1,041,660

As at May 31, 2017, included in accounts receivable is \$nil (May 31, 2016 - \$23,319) receivable from directors and officers.

As at May 31, 2017, included in trade and other payables is \$48,000 (May 31, 2016 - \$54,000) of amounts due for directors' fees.

### Non-IFRS Measures

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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 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.

## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

The operating cash costs per ounce and all-in sustaining costs per ounce are reconciled to the condensed interim consolidated statement of operations as follows:

	Q4 2017	Q4 2016	FY 2017	FY 2016
Operating expenses per the consolidated statement of operations, including royalties	3,257,148	5,163,688	17,528,338	17,473,740
Sustaining expenditures – property, mill and equipment	225,612	891,268	3,414,163	4,813,998
Sustaining expenditures – exploration and evaluation	763,988	404,806	3,194,481	1,183,905
Corporate administration costs	689,279	872,406	2,637,276	2,630,745
Share-based compensation	22,737	(77,504)	181,225	240,952
Rehabilitation – accretion and amortization (operating sites)	8,939	15,015	40,532	60,062
<b>All-in sustaining cash costs (“AISC”) (\$)</b>	<b>4,967,703</b>	<b>7,269,679</b>	<b>26,996,015</b>	<b>26,403,401</b>
Gold ounces sold	4,658	4,196	15,562	16,023
<b>Operating cash costs per ounce sold (\$ / ounce)</b>	<b>699</b>	<b>1,231</b>	<b>1,126</b>	<b>1,091</b>
<b>AISC per ounce sold (\$ / ounce)</b>	<b>1,066</b>	<b>1,733</b>	<b>1,735</b>	<b>1,648</b>
Average US Dollar exchange rate during period	0.74	0.77	0.76	0.76
<b>Operating cash costs per ounce sold (US\$ / ounce)</b>	<b>517</b>	<b>947</b>	<b>856</b>	<b>829</b>
<b>AISC per ounce sold (US\$ / ounce)</b>	<b>789</b>	<b>1334</b>	<b>1,318</b>	<b>1,252</b>

*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).

The following table provides a reconciliation of EBITDA for the years ended May 31, 2017 and 2016:

	Q4 2017	Q4 2016	FY 2017	FY 2016
Net Income, per the consolidated statement of operations	(1,890,260)	(456,641)	(3,602,188)	(1,356,233)
Adjustments:				
Finance Expense	78,541	(14,614)	176,882	3,573
Deferred income tax expense	2,785,000	(29,000)	2,475,000	(33,000)
Depletion and depreciation	2,925,438	1,268,615	7,262,083	5,317,995
<b>EBITDA</b>	<b>3,898,719</b>	<b>768,360</b>	<b>6,311,777</b>	<b>3,932,335</b>
Corporate administration	689,279	872,406	2,637,276	2,630,745
Other expenses (income)	(140,842)	4,604	(938,089)	70,541
<b>Point Rousse Project EBITDA</b>	<b>4,447,156</b>	<b>1,645,370</b>	<b>8,010,964</b>	<b>6,633,621</b>

### 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

## ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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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; 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 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 year ended May 31, 2017 filed on SEDAR under the profile Anaconda Mining Inc. on or before August 31, 2017. 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

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The Company's significant accounting policies are described in Note 3 to the consolidated financial statements for the year ended May 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. For details of these estimates, assumptions and judgments, please refer to the Company's consolidated financial statements for the year ended May 31, 2017, which are available on the Company's website and on SEDAR.

### Accounting Standards Issued But Not Yet Effective

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Recently issued but not adopted accounting guidance includes IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments, and IFRS 16 Leases.

- **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

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revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

- **IFRS 9 - Financial Instruments ("IFRS 9")** was issued by the IASB on July 24, 2014, and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018.
- **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 these pronouncements on its Consolidated Financial Statements.

### Controls and Procedures

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#### 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 CEO and the CFO on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's management, including the CEO and CFO, have as at May 31, 2017, 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 effectiveness 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, as a result of the material weaknesses described below under "Material Weaknesses and Management Plans to Remediate", disclosure controls and procedures were not effective as of May 31, 2017.

#### 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 evaluate the effectiveness of the Company's internal controls for the year ended May 31, 2017.

Based on this evaluation and because of the material weaknesses described below under "Material Weaknesses and Management Plans to Remediate", management has concluded that the internal control over financial reporting was not effective as of May 31, 2017. A material weakness is a deficiency, or combination of deficiencies, in internal control over

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financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual financial statements will not be prevented or detected on a timely basis.

### **Material Weaknesses and Management Plans to Remediate**

#### ➤ *Segregation of duties*

Segregation of duties is a key internal control which ensures errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group can be challenging and a material weakness exists. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements to ensure the financial statements are presented fairly in all material respects.

#### ➤ *Restatement of Prior Year Financial Information*

As discussed above in the section "Restatement of Prior Year Information", the Company has restated certain items in its consolidated statement of financial position as of June 1, 2015, and its consolidated statement of financial position and consolidated statement of comprehensive loss as at and for the year ending May 31, 2016. The Company has also restated any related notes to the consolidated financial statements impacted by the adjustments and the annual and quarterly information in this MD&A where relevant.

As of May 31, 2017, the Company did not maintain effective internal controls over financial reporting for depletion and depreciation for property, mill and equipment and stripping assets, and the recognition and measurement of deferred income tax liabilities.

Management identified the lack of effective internal control and related adjustments as part of the preparation of its 2017 annual financial statements and completion of its annual audit. This material weakness was caused by insufficient review of internal working papers, which led to a material misstatement in the Company's previous financial statements not being detected until finalizing the 2017 annual financial statements.

#### ➤ *Management Plans to Remediate*

The Company is committed to improving its control environment and internal control over financial reporting, with the goal of resolving both the material weaknesses noted above. The Company has recently hired a new CFO with strong experience with public operating mining companies and the related regulatory and risk management requirements of being a public company in Canada. The CFO is currently assessing the review processes related to financial reporting, as well as management oversight and tone at the top, and mitigating controls. The Company is also considering areas where segregation of duties is not optimal, and considering further resources where cost effective, which may include staffing but also technology and outsourcing solutions. Where additional resources are not cost effective, appropriate mitigating controls will be designed and documented that will minimize the risk acceptably where segregation of duties is not optimal.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting during the year ended May 31, 2017 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

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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 note regarding forward-looking information**

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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 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**

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The 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", under National Instrument 43-101 Standard for Disclosure for Mineral Projects.