Anaconda
Mining

Management Discussion and Analysis

As at and for the three months ended August 31, 2017 and August 31, 2016
(Expressed in Canadian Dollars)

ANACONDA MINING INC.
Q1 FY 2018 MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") dated October 12, 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 three months ended August 31, 2017. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements and the related notes for the three months ended August 31, 2017 and August 31, 2016, 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 year ended May 31, 2017.

This MD&A may contain forward-looking statements and should be read in conjunction with the risk factors described in the "Risk Factors" and "Cautionary Statement" sections at the end of this MD&A and as described in the Company's Annual Information Form for the year ended May 31, 2017. Additional information including the condensed interim consolidated financial statements for the three months August 31, 2017, the audited annual financial statements for the year ended May 31, 2017, the Company's Annual Information Form 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.

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, exploration and development company, focused in the prospective Atlantic Canadian jurisdictions of Newfoundland and Nova Scotia. The Company operates the Point Rousse Project located in the Baie Verte Mining District in Newfoundland, comprised of the Pine Cove open pit mine, the fully-permitted Pine Cove Mill and tailings facility, the Stog'er Tight deposit, a new discovery called Argyle, and approximately 5,800 hectares of prospective gold-bearing 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, including the Viking and Great Northern Projects on the Northern Peninsula and the Tilt Cove Property on the Baie Verte Peninsula.

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 and on the Company's website at www.anacondamining.com.

Corporate Developments

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 at an exchange ratio of 0.85 Anaconda common share for each common share of Orex (each an "Orex Share") held.

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.

Consolidated Results Summary – For the Three Months Ended August 31, 2017 and 2016

Financial Results	Q1 FY 2018	Q1 FY 2017 (restated)
Revenue ($)	**$7,613,170**	$4,919,737
Cost of operations, including depletion and depreciation	**7,309,870**	5,133,623
Mine operating income (loss) ($)	**303,300**	(213,886)
Net loss ($)	**(324,033)**	(957,066)
Net loss per share ($/share) – basic and diluted	**(0.00)**	(0.00)
Cash generated from operating activities ($)	**350,962**	(419,492)
Capital investment in property, mill and equipment ($)	**(179,471)**	(1,926,123)
Capital investment in exploration and evaluation assets ($)	**(681,732)**	(759,850)
Average realized gold price per ounce ($)*	**1,612**	1,685
Operating cash costs per ounce sold ($)*	**1,067**	1,297
All-in sustaining cash costs per ounce sold ($)*	**1,419**	2,477
Total assets	**44,710,322**	31,945,999
Non-current liabilities	**5,575,206**	4,561,184

Operational Results	Q1 FY 2018	Q1 FY 2017
Ore mined (t)	**158,857**	108,305
Waste mined (t)	**364,380**	890,120
Strip ratio	**2.3**	8.2
Ore milled (t)	**119,401**	99,441
Grade (g/t Au)	**1.35**	1.17
Recovery (%)	**87**	86
Gold Ounces Produced	**4,581**	3,184
Gold Ounces Sold	**4,723**	2,919

First Quarter Highlights

- Anaconda sold a record 4,723 ounces of gold in the first quarter of FY 2018, eclipsing the previous record of 4,658 ounces in the fourth quarter of FY 2017, and representing a 62% increase over the first quarter of FY 2017.
- The Company recorded revenue of $7.6 million in the first quarter based on an average gold price of $1,612 (US$1,252) per ounce, a 55% increase in revenue over Q1 FY 2017.
- Anaconda achieved record mill throughput of 119,401 tonnes, a 20% increase over the first quarter of FY 2017.
- The Company produced 158,857 tonnes of ore from the Pine Cove Pit in the first quarter of FY 2018, at a significantly reduced strip ratio of 2.3:1 waste tonnes to ore tonnes.
- The Company generated a further $0.5 million from the sale of waste rock as aggregate from its Pine Cove pit.
- Operating cash costs per ounce sold* at the Point Rousse Project in the first quarter of FY 2018 was $1,067 (US$829), an 18% improvement over the corresponding period in fiscal 2017.
- All-in sustaining cash costs per ounce sold* ("AISC"), including corporate administration, capital expenditures and exploration costs for the three months ended August 31, 2017, was $1,419 (US$1,102).

- Anaconda strengthened its Point Rousse infrastructure with the government approval to convert the Pine Cove Pit into a tailings facility with a 15-year storage capacity based on existing throughput rates.
- Strong revenue and lower costs enabled the Point Rousse Project to generate EBITDA* of $2.6 million for the three months ended August 31, 2017 compared with $1.2 million for the three months ended August 31, 2016.
- On a consolidated basis, EBITDA* for the three months ended August 31, 2017 was $1.7 million, an increase of $1.3 million over the comparative FY 2016 period.
- The Company invested $0.7 million in its strategic exploration and evaluation projects, including $0.5 million on the Goldboro Project in Nova Scotia.
- Net loss for the quarter ended August 31, 2017, was $0.3 million primarily due to higher and depreciation expense and increased corporate administration expenditures.
- As at August 31, 2017, the Company had cash and cash equivalents of $1.6 million, net working capital of $3.7 million and additional available liquidity of $1 million from an undrawn upon revolving line of credit facility.

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

Company Outlook and Strategy

Anaconda Mining is off to a great start to the 2018 fiscal year, with a record quarter in terms of gold sold and mill throughput. After achieving 4,723 gold ounces sold in the first quarter of FY 2018, the Company is on track to meet its fiscal year 2018 guidance of 15,500 ounces. Production in the first three quarters of fiscal 2018 is expected to be primarily from the Pine Cover Pit, and will transition to the Stog'er Tight project early in the 2018 calendar year. Operating cash costs for FY 2018 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.

Looking ahead, the Company is poised to grow through the development of the Goldboro Project, and the continued exploration success in the Point Rousse Project area, such as the Argyle discovery, by leveraging existing mill and tailings infrastructure. The Pine Cove Mill continues to demonstrate consistent throughput and recovery rates, validating its operational value as a cornerstone asset for the Company. Anaconda's infrastructure was also recently strengthened with the government approval to convert the Pine Cove Pit into a 7 million-tonne tailings storage facility.

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. Anaconda 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. The Company 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 mineral resources at Point Rousse.

The Company has commenced initial exploration and development programs on the Goldboro Project with the aim of publishing a Preliminary Economic Assessment ("PEA") by the end of the year. During the first quarter of fiscal 2018, the Company reported positive bench scale gold processing test results on a dry 324-kilogram sample of diamond drill core from the Goldboro Project. Using conventional processing methods, the Company **recovered over 95% of the gold** from our sample.

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 Au over 0.5 metres within 485.07 g/t Au over 2.6 metres (33.1 to 35.7 metres) and 33.26 g/t Au over 1.0 metre (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.

Anaconda also continues to advance its Point Rousse Project, most notably at the Argyle discovery located approximately 4.5 kilometres from the Company's fully-operational Pine Cove Mill and tailings. In September 2017, the Company announced the start of a percussion drill program at its Argyle discovery, to demonstrate continuity of near surface (less than 25 metres vertical depth at an average drill spacing of 25 metres) mineralization encountered in previous trenching and diamond drill programs. The program will entail approximately 500 metres over 25 holes, augmenting the existing exploration data in preparation of an NI 43-101 compliant resource calculation on the Argyle discovery, which is expected to be published by the end of 2017 or early 2018.

The percussion program follows-up on recent drill program, where the Company had multiple gold intercepts including **3.63 grams per tonne ("g/t") Au over 12.0 metres (58.0 to 70.0 metres) and 3.22 g/t Au over 4.0 metres (45.0 to 49.0 metres)**, expanding Argyle up to 100 metres down-dip in the northeast and demonstrated continuity of a higher-grade zone over a further 50 metres 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.

Restatement of Prior Period Financial Information

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 three months ended August 31, 2016, have been presented in Note 3 of the condensed consolidated interim financial statements.

First Quarter Financial Review

Operational Performance

The Pine Cove Mill operated for 88 days during the first quarter of fiscal 2018 at an availability rate of 96%, continuing its consistent performance from the prior year. The mill was able to improve on its run rate of 1,200 tonnes per day in Q4 2017, to over 1,350 tonnes per day in the first quarter of fiscal 2018, a 20% increase. Consequently, the mill achieved record quarterly throughput of 119,401 tonnes during the quarter at an average grade of 1.35 g/t and a recovery rate of 87%, leading to record quarterly gold sales of 4,723 ounces of gold.

The mining operation at the Pont Rousse Project operated for 66 days during the first quarter in the Pine Cove Pit, up from 58 days in the fourth quarter of FY 2017 when the operation was challenged by weather conditions. Ore produced from the pit was 158,857 tonnes, up significantly from the 108,305 tonnes produced in Q1 2017, and up significantly from 92,167 tonnes produced in the fourth quarter of FY 2017. However, total production tonnes moved during the first quarter of FY 2018 was 47.6% lower than the first quarter of the prior year, when a high strip ratio was experienced and waste rock was needed for the construction of the second tailings storage facility. The strip ratio in the most recently completed quarter was 2.3:1 waste tonnes to ore tonnes, down from 4.2:1 in the fourth quarter of FY 2017, and down significantly from 8.2:1 in Q1 2017.

Anaconda expects to complete mining in the Pine Cove Pit early in the 2018 calendar year in line with FY 2018 guidance, and will transition to the Stog'er Tight pits. The Company has received approval from the Newfoundland and Labrador Department of Natural Resources to amend the Pine Cove Property Development Plan and Rehabilitation and Closure Plan to utilize the Pine Cove Pit at the Point Rousse Project as a 7 million-tonne in-pit tailings storage facility. During the remaining months of the 2017 calendar year, the Company will accelerate the mining rate at the base of the Pine Cove Pit and stockpile ore, which will allow for the deposition of tailings into the facility in early 2018.

Financial Performance

	Q1 FY 2018	Q1 FY 2017 (restated)
Revenue	**7,613,170**	4,919,737
Cost of operations		
Operating expenses, including royalties	**5,037,132**	3,785,305
Depletion and depreciation	**2,272,738**	1,348,318
Total cost of operations	**7,309,870**	5,133,623
Mine operating income (loss)	**303,300**	(213,886)

Anaconda generated $7,613,170 in revenue during the three months ended August 31, 2017, based on an average gold price of $1,612 per ounce and record quarterly gold sales of 4,723 ounces. This represents a 55% increase in revenue over the first three months of the 2017 fiscal year, when the mine operation was challenged by weather conditions and a higher strip ratio.

The Company also generated $514,282 of other income from the sale of waste rock as an aggregates product during the first quarter of FY 2018, for which the Company receives $0.60 per tonne.

Operating expenses for the three months ended August 31, 2017 were $5,037,132, compared to $3,785,305 in the first quarter of 2017. The increase in operating costs was the result of stronger mine production volumes, with ore produced up 47% compared to Q1 2017, and 13% higher mill throughput, all of which contributed to the quarterly record gold ounces sold. Consequently, the operating cash costs per ounce sold in the first three months of fiscal 2018 were $1,067 (US$829), an 18% reduction compared to the prior year operating cash costs of $1,298 per ounce (US$999).

Depletion and depreciation expense for the first three months of fiscal 2018 was $2,272,738, an increase from $1,348,318 during the first quarter of 2017. The higher depletion and depreciation was the result of 62% higher gold ounces sold, which drives units-of-production depreciation, and higher depletion of stripping costs for the Pine Cove Pit, which is approaching its end of life.

Mine operating income for the three months ended August 31, 2017 was $303,300, compared to a mine operating loss of $213,886 in the corresponding period of 2017, as significantly higher revenue was offset by the increased depletion and depreciation expense.

During Q1 FY 2018, the Company recognized a write-down of exploration and evaluation costs of $65,939 relating to tenements under an option agreement which were removed from the agreement to focus on more prospective targets.

Corporate administration expenditures were $1,244,616 for the first three months of fiscal 2018, up from $682,788 in 2017. The increase reflects the increased corporate personnel due to the addition of the high-grade Goldboro Project in Nova Scotia, and related increased activity for marketing and communications. Corporate administration in Q1 2018 also includes $18,152 in costs relating to the narrow vein mining research project announced in June 2017.

Finance expense for the quarter was $24,013 for the three months ended August 31, 2017, compared to $50,214 in Q1 2017. Current finance costs relate to interest on the Company's capital lease obligations and accretion on its decommissioning liabilities.

Net comprehensive loss for the three months ended August 31, 2017, was $324,033, or $0.00 per share, compared to a net comprehensive loss of $957,066, or $0.00 per share. The improvement in net loss compared to the previous year was the result of higher mine operating income, and other income from the sale of waste rock as aggregate product, which was partially offset by higher corporate administration expenditures.

Growth and Business Development

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 kilometres from the Pine Cove mill. At Goldboro exploration is primarily focused on expanding the resource through drilling, both along strike and down-dip, and infill drilling to allow for the upgrading of the Goldboro deposit.

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 after the acquisition in May 2017, 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.

- ***Positive Metallurgical Testing Results***

In September 2017, the Company announced positive bench scale gold processing test results on a dry 324-kilogram sample of diamond drill core from the Goldboro Project. Pre-concentration by gravity separation and flotation was investigated for a potential reduction in throughput tonnage for downstream cyanide leaching. At a grind size of 80% passing 110 micron, the recovery of gold to the gravity concentrate was 46.4% to 62.1% at a concentrate grade of 4,255 g/t Au to 4,587 g/t Au. Flotation of the gravity separation tails using a standard reagent scheme for flotation produced a mass yield of 5.8% to 6.7% at a concentrate grade of 22.3 g/t Au to 24.3 g/t Au. The combined recovery of gold by gravity and flotation pre-concentration was 96.6% to 97.8%.

Gold in the gravity and flotation concentrates was amenable to cyanide leaching. Intensive cyanide leaching tests on gravity concentrates defined a gold extraction of 99.5% over 48 hours. Cyanide leaching of the flotation concentrate had a gold extraction in the range of 96.6% to 97.3% over 48 hours for a regrind of 80% passing 18.1 and 12.8 micron, respectively. The overall gold recovery based on a process flowsheet including gravity, flotation, flotation concentrate regrind, cyanide leach of flotation concentrates and intensive cyanide leaching of gravity concentrates was 95.1% to 95.3%.

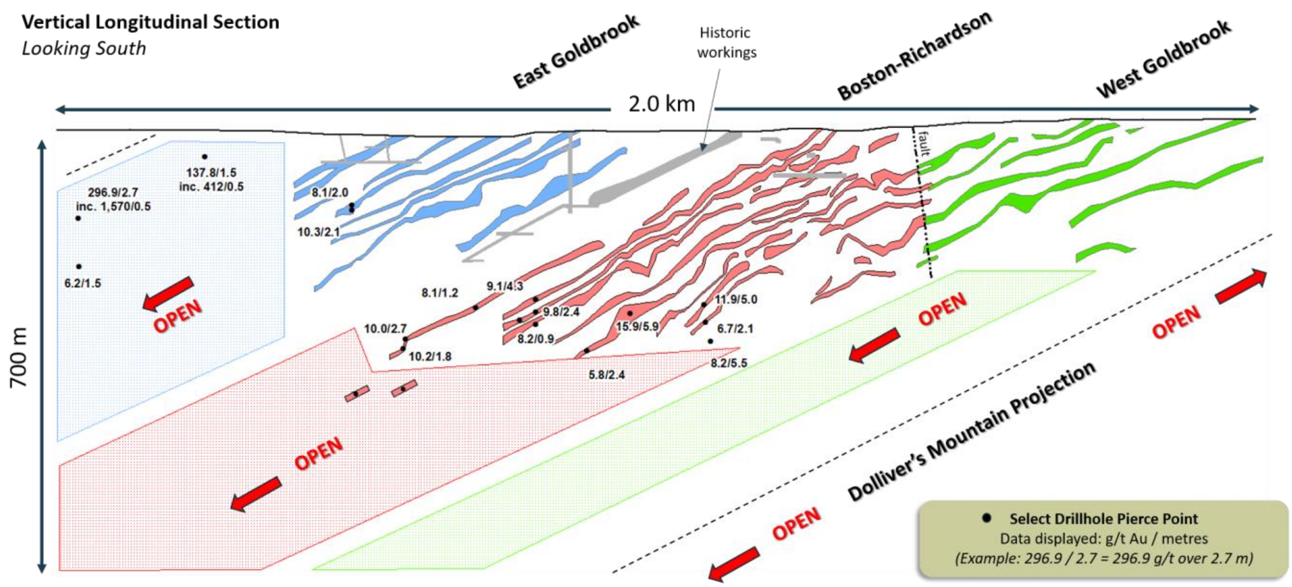
- ***Strong Exploration Results***

Anaconda has already achieved strong drill results from its first infill drill program, which comprised a five-hole diamond drill program, totaling 649 metres, 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 Au over 2.6 metres (33.1 to 35.7 metres) and 33.26 g/t Au over 1.0 metre (110.0 to 111.0 metres) in hole BR-17-04;**
- **7.85 g/t Au over 3.7 metres within 3.22 g/t Au over 11.4 metres (169.2 to 180.6 metres) in hole BR-17-02;**
- **9.77 g/t Au over 2.3 metres within 2.33 g/t Au over 13.4 metres (17.4 to 30.8 metres) in hole BR-17-03;**
- **16.96 g/t Au over 1 metre within 3.96 g/t Au over 5.5 metres (115.5 to 121 metres) in hole BR-17-05; and**
- **5.56 g/t Au over 1.2 metres within 1.35 g/t Au over 10 metres (25.0 to 35.0 metres) and 13.00 g/t Au over 0.5 metres within 3.65 g/t Au 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.



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 metres) 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 metres, 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 metres 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 metres. 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 metres and West Goldbrook, which includes the faulted offset extension of Boston Richardson, has been modelled to just a depth of 225 metres.

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 Au over 5.9 metres (293.7 to 299.6 metres) in hole BR-87-35A.**
- **11.9 g/t Au over 5.0 metres (276.3 to 281.3 metres) in hole BR-87-43.**

- **8.2 g/t Au over 5.5 metres (360.3 to 365.8 metres) in hole BR-87-31.**
- **10.0 g/t Au over 2.7 metres (345.3 to 348.0 metres) in hole BR-87-07.**

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 kilometres 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 Au over 0.5 metres within 269.9 g/t Au over 2.7 metres (193.8 to 196.5 metres) in hole OSK-11-04;**
- **412.0 g/t Au over 0.5 metres within 137.8 g/t Au over 1.5 metres (117.0 to 118.5 metres) in hole OSK-11-02;**
- **10.3 g/t Au over 2.1 metres (116.4 to 118.5 metres) in hole BR-87-12; and**
- **6.2 g/t Au 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 are in progress and will support the publishing of a PEA by the end of 2017 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.

Anaconda has identified three primary gold trends within the Point Rousse area - the Scrape, Goldenville and Deer Cove Trends, with a cumulative prospective strike length of approximately 20 kilometres. Leveraging recent exploration work, combined with historical results, 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 kilometres long and approximately 1 to 2 kilometres 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.

- ***Argyle Discovery***

Since initial trenching and approximately 3,800 metres 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 metres and a down-dip extension to at least 225 metres Argyle remains open both along strike and down-dip.

In September 2017, the Company initiated a percussion infill drill program with the aim of drilling approximately 500 metres in 25 holes to demonstrate continuity of near surface (less than 25 metres vertical depth at an average drill spacing of 25 metres) mineralization encountered in previous trenching and diamond drill programs. The percussion drilling will augment existing exploration data in preparation of an NI 43-101 compliant resource calculation on the Argyle discovery, which is expected to be published by the end of 2017 or early 2018.

The discovery trenching program from 2015 outlined a mineralized system exposed at surface along 250 metres of strike and included the following highlights from separate trenches (See January 21, 2016 press release):

- 75 grams per tonne ("g/t") Au over 16 metres; including 8.27 g/t Au over 4 metres;
- 89 g/t Au over 10 metres;
- 31 g/t Au over 11 metres;
- 58 g/t Au over 2 metres; and
- 49 g/t Au over 3.5 metres.

Subsequent diamond drilling in 2016 expanded the near surface strike of mineralization to the currently established 600 metres. Highlights from the near surface diamond drilling, coincident with the area within the current drill plan, include (See January 18, 2017 and October 12, 2016 press releases):

- 9 g/t Au over 14.0 metres (18.0 to 32.0 metres) in hole AE-16-20;
- 50 g/t Au over 6.3 metres (3.7 to 10.0 metres) in hole AE-16-06; and
- 32 g/t Au over 12.0 metres (4.5 to 16.5 metres) in hole AE-16-03.

The results of the infill drill program, as well as the final four holes from the previous diamond drill (see news release dated July 13, 2017) program are anticipated by the end of October 2017.

- ***Option Agreements***

The Company recently 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, there were the following updates to existing 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 adjacent to property fully owned by the Company. The Company recently amended the original agreement, which now requires two payments of $30,000 to complete its earn-in, one of which was paid during Q1 FY 2018, with the final payment due by July 2018. As part of the amendment, the Company also reduced the number of licenses subject to the agreement based on work performed to date, and accordingly $65,939 of allocated costs were written-off during the three months ended August 31, 2017.

- 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 Rousse Project. The option agreement is subject to a further $4,000 of expenditures for the Company to earn an undivided interest in the property.

- During the three months ended August 31, 2017, the Company made its final payment of $25,000 for the Corkscrew Property, which is contiguous to the Point Rousse Project, entitling the Company to 100%-undivided interest in the related mining lease.

Liquidity and Capital Resources

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

Working Capital	**August 31, 2017**	May 31, 2017
Cash and cash equivalents	**1,579,901**	2,519,488
Inventory	**4,408,975**	4,525,312
Other current assets	**1,379,446**	798,602
	7,368,322	7,843,402
Trade and other payables	**3,259,880**	4,060,492
Current portion of loans	**349,699**	349,527
Other current liabilities	**59,000**	121,287
	3,668,579	4,531,306
Net working capital	**3,699,743**	3,312,096

As at August 31, 2017, the Company had a positive working capital position of $3,699,743, which included cash and cash equivalents of $1,579,901. The Company continues to maintain a robust working capital position since May 31, 2017, the net result of higher trade and other receivables from aggregate income and HST recoverable. Trade and other payables were down from year-end due to the settlement of transaction costs relating to the Orex acquisition, which was offset by a lower cash balance relative to year-end, the result of continued investment into the Point Rousse and Goldboro Projects. Inventory at August 31, 2017 included $2,070,000 in stockpiled ore from the Pine Cove Pit, as the operation maintains strong mining rates and reduced strip ratio profile.

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

Cash Flow Analysis

During the three months ended August 31, 2017, Anaconda generated cash flow from operations of $540,472. Revenue less operating expenses from the Point Rousse Project were $2,576,038, based on record quarterly gold sales of 4,723 ounces at an average price of $1,612 per ounce sold and operating cash costs of $1,067 per ounce sold. Corporate administration costs in the first quarter were $1,244,616 and there was a net reduction in operating cash flows of $1,263,183 from changes in working capital. Trade and other receivables increased by $383,012 due to large receivables for aggregates revenue and HST recoverable, and prepaid expenses and deposits increased by $202,832 due to renewed insurance programs. Trade and other payables decreased significantly from May 31, 2017, mainly due to the settlement of transaction costs relating to the Orex acquisition.

During the three months ended August 31, 2017, the Company continued to invest in its growth projects. The Company incurred $681,732 on exploration and evaluation assets (adjusted for amounts included in trade payables and accruals at August 31, 2017), which includes $195,675 on the continued advancement of the Goldboro Project and $372,567 on the Argyle discovery at Point Rousse. The similar expenditures on exploration and evaluation compared to the first quarter of fiscal 2017 demonstrate the Company's commitment to investing into its assets.

The Company also invested $177,591 into the property, mill and equipment at the Point Rousse Project. This is down significantly from the corresponding period in the prior year, when the Company made a significant investment to automate many of the operations within the Pine Cove Mill.

Financing activities in the first three months of the 2018 fiscal year were limited to the repayment of capital lease obligations and government loans. In the prior year, the Company had received net cash proceeds of $1,790,893 from a flow-through financing agreement.

As at August 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 $3,234,880 as of August 31, 2017, the Company has the following contractual obligations:

	Less than 1 year	1 - 3 years	More than 3 years	**Total**
	$	$	$	**$**
Provincial government loan	76,984	161,064	105,709	**343,757**
Federal government loan	100,800	201,600	105,200	**407,600**
Capital leases and other loans	171,915	74,891	-	**246,806**
	349,699	437,555	210,909	**998,163**

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. As at August 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 Rousse 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.

The Company has a commitment to spend up to a total of $3,787,600 in expenditures related to the Narrow Vein Mining Project, for which the Company has secured funding of over $2,000,000 (refer to Note 18 of the condensed interim consolidated financial statements for further information).

In relation to a capital lease agreement with Legault Metal Inc. ("Legault") for the lease and installation of certain mill equipment with a three year term, the Company is subject to contingent rent payments equal to 75% of the net refined outturn for residues recovered from the equipment for the first 18 months following installation and 60% of the net refined outturn for residues recovered for the last 18 months of the agreement.

Outstanding Share and Equity Instrument Information

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

	August 31, 2017	May 31, 2017
Authorized: Unlimited number of common shares		
Issued: Fully paid common shares	**382,075,490**	382,075,490
Issued: Common share purchase warrants	**33,993,000**	49,921,449
Issued: Stock options	**32,107,500**	29,582,500

As at the date of this MD&A, the full paid common shares outstanding of Anaconda was 382,075,490.

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 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 August 31, 2017, the Company had 33,993,000 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. During the first three months of fiscal 2018, 15,928,449 of the Company's warrants expired unexercised.

Share Based Compensation
As at August 31, 2017, the Company has a total of 28,157,500 options outstanding with a weighted average exercise price of $0.06 and expiration dates ranging from November 2017 to June 2022, which include 13,812,500 stock options assumed by the Company in connection with the Arrangement with Orex.

During the first quarter of fiscal 2018, the Company granted a total of 3,450,000 stock options to directors and management, which carry an exercise price of $0.06 and an expiry date of June 2022. Also during the first quarter, 925,000 stock options expired unexercised. Subsequent to August 31, 2017, the Company granted a total of 350,000 stock options to certain employees and consultants of the Company, which carry an exercise price of $0.07 and expire in October 2022.

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 August 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.

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 August 31, 2017, the Company did not have any off-balance sheet items.

Quarterly Information

	Q1 2018	Q4 2017	Q3 2017 (restated)	Q2 2017 (restated)
Revenue	7,613,170	7,722,202	5,643,411	7,411,279
Mine operating income (loss)	303,300	1,539,616	(1,114,116)	694,594
Net (loss) income	(324,033)	(1,890,260)	(940,032)	185,170
Net (loss) income per share (basic and diluted)	(0.00)	(0.01)	(0.01)	0.00
Cash flow from operations	540,472	3,172,938	323,145	1,705,835
Total assets	44,710,322	46,074,065	30,853,098	32,453,646
Non-current liabilities	5,575,206	5,801,863	4,856,409	4,866,320

	Q1 2017 (restated)	Q4 2016 (restated)	Q3 2016 (restated)	Q2 2016 (restated)
Revenue	4,919,737	6,789,532	4,988,063	6,798,075
Mine operating income (loss)	(213,886)	357,229	194,311	881,818
Net (loss) income	(957,066)	(456,641)	(754,139)	312,088
Net (loss) income per share (basic and diluted)	(0.00)	0.00	(0.00)	0.00
Cash flow from operations	(419,492)	2,029,157	1,313,027	1,119,575
Total assets	31,945,999	32,129,102	27,780,186	27,780,186
Non-current liabilities	4,561,184	4,535,346	3,942,703	3,942,703

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 ("CEO"), Chief Financial Officer ("CFO"), and starting on June 1, 2017, the Chief Operating Officer ("COO"). Compensation of key management personnel (including directors) was as follows for the three months ended August 31, 2017 and 2016:

	Q1 2018	Q1 2017
Salaries, bonuses, fees and short term benefits ($)	**343,813**	181,659
Share based compensation ($)	**34,682**	38,944
	378,495	220,603

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 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.

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:

	Q1 2018	Q1 2017
Operating expenses per the consolidated statement of operations, including royalties	**5,037,132**	3,785,305
Sustaining expenditures – property, mill and equipment	**179,471**	1,926,123
Sustaining expenditures – exploration and evaluation	**182,551**	757,070
Corporate administration costs	**1,244,616**	682,788
Share-based compensation	**49,674**	69,977
Rehabilitation – accretion and amortization (operating sites)	**6,337**	10,531
All-in sustaining cash costs (“AISC”) ($)	**6,699,781**	7,231,794
Gold ounces sold	**4,723**	2,919
Operating cash costs per ounce sold ($ / ounce)	**1,067**	1,297
AISC per ounce sold ($ / ounce)	**1,419**	2,477
Average US Dollar exchange rate during period	**0.78**	0.77
Operating cash costs per ounce sold (US$ / ounce)	**829**	999
AISC per ounce sold (US$ / ounce)	**1,102**	1,908

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 all other expenses and other income.

The following table provides a reconciliation of EBITDA for the three months ended August 31, 2017 and 2016:

	Q1 2018	Q1 2017
Net loss, per the consolidated statement of operations	**(601,140)**	(957,066)
Adjustments:		
Finance expense	**24,013**	50,214
Current income tax expense	**59,000**	-
Deferred income tax recovery	**(326,000)**	(34,000)
Depletion and depreciation	**2,272,738**	1,348,318
EBITDA	**1,695,611**	407,466
Corporate administration	**1,254,723**	682,788
Write down of exploration assets	**65,939**	-
Stock-based compensation	**49,674**	69,977
Other expenses (income)	**(489,909)**	1,045
Point Rousse Project EBITDA	**2,436,052**	1,161,276

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; 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. 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 months ended August 31, 2017, and Note 3 to the audited annual 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.

The critical accounting estimates and judgements applied in the preparation of the Company's condensed interim consolidated financial statements for the three months ended August 31, 2017 are consistent with those applied and disclosed in the audited consolidated financial statements for the year ended May 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.

Accounting Standards Issued But Not Yet Effective

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

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

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 August 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 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 there were material weaknesses in the design of disclosure controls and procedures as of August 31, 2017 and as of May 31, 2017, as described below under "Material Weaknesses and Management Plans to Remediate".

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 the Company's internal controls over financial reporting.

Based on management's evaluation of the design of ICFR and because of the material weaknesses described below under "Material Weaknesses and Management Plans to Remediate", management continues to conclude that there were material weaknesses in the design of internal control over financial reporting as of August 31, 2017. A material weakness is a deficiency, or combination of deficiencies, in internal control over 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

As at May 31, 2017, management, including the CEO and CFO, had concluded that material weaknesses in ICFR and CC&P existed as follows:

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.

- *Remediation and changes to Internal Control over Financial Reporting*

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. Since the identification of the weaknesses during the fourth quarter ended May 31, 2017, management has undertaken several remediation actions to address the weaknesses:

- An ongoing assessment of internal control processes by a new CFO, who brings strong experience with public operating mining companies and the related regulatory and risk management requirements of being a public company in Canada.
- Hiring of senior finance staff with robust technical knowledge, mining experience, and risk management experience in a public company environment.
- Implementation of additional and more robust management review controls.
- The Company is addressing areas where segregation of duties is not optimal, and addressing these areas with other resources where cost effective, stronger mitigating controls, and outsourcing solutions.

Collectively, management considers that these actions, once fully implemented, will allow for the remediation of previously identified material weaknesses.

Changes in Internal Control over Financial Reporting

Other than those changes described above to remediate identified Material Weaknesses, there have been no changes in the Company's internal control over financial reporting during the three-month period ended August 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 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 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 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.