Anaconda Mining

Management's Discussion and Analysis
of the
Financial Condition and Results of Operations

For the years ended
May 31, 2016 and May 31, 2015
(Expressed in Canadian Dollars)

ANACONDA MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") has been prepared based on information available to Anaconda Mining Inc. ("Anaconda" or the "Company") as at August 23, 2016. The MD&A of the operating results and financial condition of the Company for the year ended May 31, 2016, should be read in conjunction with the Company's audited financial statements (the "Financial Statements") and the related notes for the year ended May 31, 2016. The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. This MD&A contains forward looking statements about expected future events and financial and operating performance of the Company, and that actual events may vary from management's expectations. Additional information relating to the Company can be found on the Company's website at www.anacondamining.com or on SEDAR at www.sedar.com.

Executive summary

General
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. Anaconda is a growth-oriented, gold mining and exploration company with a producing project called the Point Rousse Project ("Point Rousse") and an exploration/development project called the Viking Project ("Viking") in Newfoundland. The Company has been consistently producing gold at the Point Rousse Project since the summer of 2010. Point Rousse includes an open pit mining operation and complete mill infrastructure capable of processing approximately 400,000 tonnes of ore and producing approximately 16,000 ounces of gold in doré bars annually (the "Pine Cove Mill"). Mill throughput is currently approximately 1,200 tonnes per day with a recovery rate of 85-87% at an average grade of 1.5 grams per tonne ("g/t").

Point Rousse consists of approximately 660 hectares of original mining rights located on the Ming's Bight Peninsula, which is situated within the larger Baie Verte Mining District on the north-central part of Newfoundland. In 2012, 2013 and 2015, the Company entered into option agreements to acquire a 100% interest in seven additional exploration properties and staked five other properties. The agreements and staked claims increased the Company's land package of the Point Rousse Project almost ten-fold to 6,316 hectares, controlling significant portions of three gold trends (the Scrape, Goldenville and Deer Cove Trends) totaling over 20 kilometres of cumulative strike length and containing several gold deposits and zones.

During the year, the Company acquired the Viking Project, which has approximately 6,225 hectares of property in White Bay, Newfoundland, approximately 100 km by water (180 km via road) from the Pine Cove Mill. Viking contains the Thor Deposit with Indicated and Inferred Resources containing approximately 63,000 and 20,000 ounces of gold respectively (see resource estimate below) and other gold prospects and showings.

Strategy
The Company's strategy at its Newfoundland operations is to double production from the current approximately 16,000 ounces to approximately 30,000 ounces of gold per year. Anaconda expects to develop multiple deposits similar in size and style to the current Pine Cove Pit as well as other higher-grade deposits. To accomplish this strategy, the Company will attempt to develop two styles of mineralization: (1) more Pine Cove-like pits (i.e. Stog'er Tight, Thor) that provide bulk tonnage at roughly 2 g/t to support the baseload production at the mill and to extend the life of the Pine Cove Mill, and (2) high-grade veins that can be blended with the Pine Cove Pit feed (or future Pine Cove-like pits) at a lower incremental cost while increasing the overall head grade.

On a larger scale, the Company's vision is to become a prominent junior gold mining company in North America, initially focusing on 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, the Company feels it is well positioned to lead a consolidation effort in Atlantic Canada. Anaconda has a track record of success, an experienced workforce and a flagship asset, all of which serve as the platform for future growth.

Highlights for the year ended May 31, 2016

- As at May 31, 2016, the Company had cash and cash equivalents of $1,636,161 and net working capital of $819,322.
- The Company sold 16,023 ounces of gold and generated $24,361,471 in revenue at an average sales price of $1,520 (USD$1,151) per ounce.
- Cash cost per ounce sold at the Point Rousse Project was $1,081 (USD$819).
- All-in sustaining cash cost per ounce sold ("AISC") (see Reconciliation of Non-GAAP Financial Measures), including corporate administration, capital expenditures and exploration costs was $1,522 (USD$1,152).
- The Pine Cove Mill processed 387,694 tonnes of ore at an average rate of 1,134 tonnes per operating day.
- Mill availability, recovery and head grade were 93%, 85% and 1.50 g/t respectively.
- Mining operations at the Pine Cove pit produced 370,561 tonnes of ore and 2,366,842 tonnes of waste.
- Mining operations at the Stog'er Tight deposit produced 27,260 tonnes of ore at an average grade of 2.22 g/t and 55,038 tonnes of waste.
- EBITDA (see Reconciliation of Non-GAAP Financial Measures) at the Point Rousse Project and on a consolidated basis were $7,036,401 and $4,335,115 respectively.
- Net income was $195,449.
- Purchase of property, mill and equipment was $3,079,646. Key items included mill automation and equipment upgrades of $1,241,000, tailing expansion and polishing pond construction of $804,000, construction of ore shed enclosure of $289,000 and pit development costs of $588,000 at Pine Cove and Stog'er Tight.
- Production stripping assets include additions of $1,883,022 and amortization of $37,258.
- Approximately $1,347,000 was spent at Point Rousse on exploration activities such as drilling, trenching, mapping and mineral resource estimates for the year ended May 31, 2016.
- On February 5, 2016, the Company completed the acquisition of Viking.

Highlights subsequent to the year ended May 31, 2016

- On July 13, 2016, the Company announced that it entered into a Line of Credit Agreement with the Royal Bank of Canada ("RBC") for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit.
- On July 27, 2016, the Company announced a $2,037,265 flow-through equity financing to fund a 17,000-metre diamond drilling campaign at the Point Rousse and Viking Projects which will focus on near-surface resource expansion as well as targeting relatively higher-grade mineral resources at four main areas – Stog'er Tight, Argyle, Goldenville and Viking.

Overall performance

Net income for the year ended May 31, 2016 was $195,449 (loss for the year ended May 31, 2015 was $2,774,766, largely due to a write down of Chilean assets of $2,260,158). The Company generated a gross margin of $3,202,418 for the year ended May 31, 2016 ($538,781 for the year ended May 31, 2015). Earnings were positively impacted as a result of higher gold sales of $2,127,400, lower milling costs of $189,206, lower net smelter royalty expense of $437,347 and reduced depreciation expense of $454,149. This was partially offset by higher mining costs of $410,192 and project administration of $106,806. The Company generated positive EBITDA of $4,335,115 for the year ended May 31, 2016 ($774,728 for the year ended May 31, 2015). EBITDA for the year ended May 31, 2015 was $2,794,648 excluding the write down of Chilean assets and other revenues. Cash flow from operations for the year ended May 31, 2016 was $5,143,023. Cash of approximately $4.4 million was used in exploration activities and capital expenditures.

The Point Rousse Project

The Company owns 100% of the Point Rousse Project, which contains five mining leases totaling 1,053 hectares and 28 mining licenses totaling approximately 5,263 hectares not accounted for within the mining leases. The mining leases were optioned from Tenacity Gold Mining Company Ltd. ("Tenacity") and 1512513 Alberta Ltd. ("Alberta"), which is a subsidiary of Coordinates Capital Corporation ("Coordinates"), and Seaside Realty Ltd. ("Seaside"), while the mining licenses were optioned from several different parties including Tenacity, Alberta, Fair Haven Resources Inc. ("Fair Haven"), Herb Froude ("Froude"), and Messrs Alexander Duffitt and Paul Strong ("Duffitt and Strong"). Five of the licenses are owned by Anaconda. The Point Rousse Project contains an operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility.

Operations overview
During the year ended May 31, 2016, the gold sales volume of 16,023 ounces represented a 1% increase over fiscal 2015, largely due to increased mill availability, throughput and recovery. Average sales price for the year ended May 31, 2016 was $1,520 per ounce compared to $1,405 per ounce in fiscal 2015. As a result of the higher sales volume and gold price, gross revenue for the year ended May 31, 2016 of $24,361,471 was higher than fiscal 2015 by $2,127,400 or 10%.

Milling operations

The following table summarizes the key mill operating metrics for the years ended May 31, 2016 and 2015:

OPERATING STATISTICS:	For the year ended	
	May 31 2016	May 31 2015
Mill		
Operating days	**342**	336
Availability	**93%**	92%
Dry tonnes processed	**387,694**	343,178
Tonnes per 24-hour period	**1,134**	1,021
Grade (grams per tonne)	**1.50**	1.72
Overall mill recovery	**85%**	84%
Gold sales volume (troy oz.)	**16,023**	15,821

The mill operated for 342 days during fiscal 2016, 6 additional days compared to fiscal 2015. Ore processed totaled 387,694 dry tonnes of ore resulting in an average run rate of 1,134 tonnes per operating day. Tonnes processed in fiscal 2016 was a 13% increase from fiscal 2015. Mill availability of 93% and recovery of 85% were both 1% higher respectively, compared to fiscal 2015.

The Company processed 25,158 tonnes of ore from the Stog'er Tight Property at an average grade of 2.22 g/t, producing 1,462 ounces of gold. During fiscal 2016, the Company has demonstrated the ability to successfully blend Stog'er Tight and Pine Cove ore through the Pine Cove Mill.

The Pine Cove Mill continues to demonstrate improvements in operations year over year attaining record levels of throughput. Initiatives during fiscal 2016 were centered around the mill automation project and equipment repairs and upgrades on the ball mill motor and other components. The repairs to the ball mill motor have enabled it to start up with a higher ball charge, which has helped improve throughput through the year. Mechanical issues with the regrind mill experienced in the third quarter were resolved and allowed the operation to maintain a stable feed size of concentrate to the leach tanks resulting in improvements in recovery. In fiscal

2017, the Company intends to focus on maintaining consistent and optimized operations. The mill automation project will play a significant role in streamlining and monitoring various processes which are expected to result in reduced costs and increased productivity during fiscal 2017.

The following table summarizes the key mill operating statistics by quarter for the fiscal year ended May 31, 2016:

For the three months ended	August 31 2015	November 30 2015	February 29 2016	May 31 2016
Mill				
Operating days	**86**	**81**	**88**	**87**
Availability	**94%**	**88%**	**98%**	**94%**
Dry tonnes processed	**96,532**	**95,629**	**91,370**	**104,163**
Tonnes per 24-hour period	**1,122**	**1,181**	**1,038**	**1,197**
Grade (grams per tonne)	**1.62**	**1.66**	**1.48**	**1.26**
Overall mill recovery	**87%**	**87%**	**81%**	**85%**
Gold sales volume (troy oz.)	**3,956**	**4,605**	**3,266**	**4,196**

Mining operations

The following table summarizes the key mining operating metrics for the years ended May 31, 2016 and 2015:

OPERATING STATISTICS:	For the year ended	
	May 31 2016	May 31 2015
Mine - Total		
Operating days	**292**	250
Ore production (tonnes)	**397,821**	321,532
Waste production (tonnes)	**2,421,880**	1,762,312
Total production (tonnes)	**2,819,701**	2,083,844
Waste: Ore ratio	**6.1**	5.5
Mine - Pine Cove Pit		
Operating days	**269**	250
Ore production (tonnes)	**370,561**	321,532
Waste production (tonnes)	**2,366,842**	1,762,312
Total production (tonnes)	**2,737,403**	2,083,844
Waste: Ore ratio	**6.4**	5.5
Mine - Stog'er Tight		
Operating days	**23**	-
Ore production (tonnes)	**27,260**	-
Waste production (tonnes)	**55,038**	-
Total production (tonnes)	**82,298**	-
Waste : Ore ratio	**2.0**	-

Mining operations included 269 days of production at the Pine Cove Pit and 23 days of production at the Stog'er Tight Deposit. Total production for fiscal 2016 resulted in 397,821 tonnes of ore and 2,421,880 tonnes of waste including 27,260 tonnes of ore and 55,038 tonnes of waste from Stog'er Tight. Tonnes mined in fiscal 2016 was 35% higher compared to fiscal 2015.

The Company reduced truck haul distance and cost per tonne of waste mined through use of the North Pit Waste Dump. The Company continuously explores various mine plan scenarios in order to maintain this benefit in mine production going forward. The increased levels of production per the mine plan are expected to continue as production is focused on Phase III of the Pine Cove Pit and material is required for construction of the tailings facility expansion in fiscal 2017.

The following table summarizes by quarter the key mine operating statistics for the fiscal year ended May 31, 2016:

For the three months ended	August 31 2015	November 30 2015	February 29 2016	May 31 2016
Mine - Total				
Operating days	78	73	70	71
Ore production (tonnes)	104,278	117,133	78,196	98,214
Waste production (tonnes)	642,828	559,961	584,345	634,746
Total production (tonnes)	747,106	677,094	662,541	732,960
Waste: Ore ratio	6.2	4.8	7.5	6.5
Pine Cove				
Operating days	78	64	62	65
Ore production (tonnes)	104,278	105,947	69,849	90,487
Waste production (tonnes)	642,828	529,718	564,832	629,464
Total production (tonnes)	747,106	635,665	634,681	719,951
Waste: Ore ratio	6.2	5.0	8.1	7.0
Stog'er Tight				
Operating days	-	9	8	6
Ore production (tonnes)	-	11,186	8,347	7,727
Waste production (tonnes)	-	30,243	19,513	5,282
Total production (tonnes)	-	41,429	27,860	13,009
Waste: Ore ratio	-	2.7	2.3	0.7

Option agreements

The current operating area of the Point Rousse Project comprises two contiguous mining leases (the "Pine Cove Lease Area") acquired from Tenacity totaling 660 hectares, and is subject to two royalty agreements, the first with Tenacity, whereby the Company was required to pay Tenacity a net smelter royalty ("NSR") of 3% of the metal sales from the mining lease to a maximum of $3 million. The Company fulfilled this obligation during fiscal 2015. The second is a Net Profits Interest ("NPI") agreement with Royal Gold, Inc. ("Royal") whereby the Company is required to pay Royal a royalty of 7.5% of the net profits, calculated as the gross receipts generated from the claims less all cumulative development and operating expenses. At May 31, 2016, the Company has determined it has approximately $36 million in expenditures deductible against future receipts.

On May 7, 2012, the Company entered into a five-year property option agreement (the "Tenacity Agreement") with Tenacity to acquire a 100%-undivided interest in 4 mineral exploration licenses (the "**Tenacity Property**") totaling 63 claims or approximately 1,540 hectares contiguous to the Pine Cove Lease Area. The Tenacity Agreement requires the Company to pay to Tenacity $25,000 at closing (paid), an additional $275,000 in cash payments over the option period (of which $175,000 has been paid) and incur $750,000 in expenditures over the life of the option. At the Company's option, 50% of the cash payments can be settled with the issuance of common shares, with value determined based on a weighted average of the 30 trading days preceding payment. The Tenacity Agreement also entitles Tenacity to an NSR of 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter or at 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter, with a cap on the NSR of $3 million.

On July 19, 2012, the Company entered into a five-year property option agreement (the "Fair Haven Agreement") with Fair Haven to acquire a 100%-undivided interest in 11 exploration licenses (the "**Fair Haven Property**") totaling 71 claims or approximately 1,775 hectares. The Fair Haven Property runs adjacent to the optioned Tenacity Property. The Fair Haven Agreement requires the Company to pay to Fair Haven $10,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of $750,000. The Fair Haven Agreement also entitles Fair Haven to an NSR of 2% to an aggregate sum of $3 million; following this, and after 200,000 ounces of gold has been sold from the Fair Haven Property, Fair Haven is then entitled to a 1% NSR.

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

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

On November 13, 2013, the Company entered into a three-year property option agreement (the "Deer Cove Agreement") with Alberta to acquire a 100%-undivided interest in one mining lease, a surface lease and three exploration licenses (the "**Deer Cove Property**") totaling 48 claims or approximately 1,200 hectares contiguous to the Point Rousse Project. The Deer Cove Agreement requires the Company to pay to Alberta $25,000 at closing (paid), an additional $175,000 in cash payments over the option period (of which $75,000 has been paid) and incur $500,000 in expenditures over the life of the option. The Deer Cove Agreement also entitles Alberta to an NSR of 3%. The Company has the right to buy back 1.8% of the NSR for $1 million.

On November 13, 2013, the Company entered into a three-year property option agreement (the "Stog'er Tight Agreement") with Alberta to acquire a 100%-undivided interest in one mining lease and one surface lease (the "**Stog'er Tight Property**") totaling approximately 35 hectares contiguous to the Point Rousse Project. The Stog'er Tight Agreement requires the Company to pay to Alberta $25,000 at closing (paid), an additional $175,000 in cash payments over the option period (of which $75,000 has been paid) and incur $500,000 in expenditures over the life of the option. The Stog'er Tight Agreement also entitles Alberta to an NSR of 3%. The Company has the right to buy back 1.8% of the NSR for $1 million.

On July 29, 2015, the Company entered into an option agreement with Seaside to acquire a 100%-undivided interest in one mining lease (the "**Corkscrew Property**"), totaling 346 hectares contiguous with the Point Rousse Project and is required to make aggregate payments to Seaside of $75,000 ($25,000 paid at closing) over a two-year period. Any future gold production from the Corkscrew Property will be subject to a 2% NSR, capped at $2,000,000.

The Viking Project

On February 5, 2016 (the "Effective Date"), the Company entered into an option agreement with Spruce Ridge Resources Ltd. ("Spruce Ridge"), to acquire 100%-undivided interest in the **Viking Property**, which contains the Thor Deposit. On February 5, 2016, the Company also entered into a second option agreement with Spruce Ridge to acquire a 100% undivided interest in the **Kramer Property**, which is contiguous to the Viking Property and contains numerous gold prospects and showings similar in geological character and setting to the Thor Deposit.

On January 29, 2016, Anaconda also staked an additional 2,200 hectares of prospective mineral lands contiguous to the Viking Property and Kramer Property. In total, the Company now controls approximately 6,225 hectares of property in White Bay, Newfoundland, now called the Viking Project.

Option Agreements
To earn a 100% interest in the Viking Property, the Company is required to make aggregate payments to Spruce Ridge of $300,000 over a five-year period based on milestones to production ($25,000 paid at closing) including a final payment of $175,000 upon commencement of commercial production. The Company can pay all option payments at any time during the option period to earn its 100% interest. In addition, the Company granted, at closing, warrants to Spruce Ridge to purchase 350,000 common shares of Anaconda at an exercise price of $0.10 per share, expiring three years from the Effective Date. Further, the Viking Agreement provides for a 0.5% NSR to Spruce Ridge on the sale of gold from the Viking Property.

To earn a 100% interest in the Kramer Property, the Company is required to make aggregate payments to Spruce Ridge of $132,500 over the five-year period, beginning with an initial payment of $12,500 paid on closing with increasing payments on the anniversary of the Effective Date. The Company also issued 250,000 common shares, at closing, to Spruce Ridge and a 2% NSR to Spruce Ridge on the sale of gold from the Kramer Property. The NSR is capped at two and one-half million dollars ($2,500,000), after which, the NSR will be reduced to 1%. Anaconda is required to spend a total of $750,000 in qualified exploration expenditures on the Kramer Property during the option period.

Two previous NSR agreements held by Altius Resources Inc. ("Altius") and a prospector, Paul Crocker, in relation to Viking will be terminated upon Anaconda earning its 100% interest in the Viking Property and/or the Kramer Property. These agreements will be replaced by new NSR agreements that stipulate that the Company will pay Altius a 2.5% NSR granted on the Viking Property, a 1% NSR granted on the Kramer Property and a 1.5% NSR granted on an area of interest within 3 km of the combined Viking and Kramer properties.

Exploration

The Company is pursuing a strategy to leverage the existing infrastructure at Point Rousse by exploring and developing its mineral licenses and mining leases at the Point Rousse and Viking Projects in search of two general mineralization styles: Pine Cove-like, quartz-carbonate-pyrite hosted (2+ g/t) mineralization (baseload production sources) and higher grade (5+ g/t) quartz vein ± carbonate ± pyrite mineralization. The Company is working on expanding the current Pine Cove Pit resource and bringing the Stog'er Tight and Thor Deposits into production to extend the life of the Pine Cove Mill by expanding resources and reserves. Anaconda is also exploring and delineating potentially higher-grade deposits to blend with relatively lower grade Pine Cove, Stog'er Tight and Thor ore. With the high-grade "layer" and a marginal increase to throughput, the Company's goal is to increase annual production to at least 30,000 ounces.

In recent months, the Company refined its exploration strategy. The basic strategy remains to leverage the existing infrastructure at Point Rousse by exploring and developing its mineral licenses and mining leases at the Point Rousse and Viking Projects. To reach production goals, the Company has refined its exploration targets to focus on near-surface resource expansion as well as targeting relatively higher-grade mineral resources, compared to the Pine Cove Pit (1.8g/t gold over the life of mine), at four main areas – Stog'er Tight, Argyle, Goldenville and Viking. The Company envisions creating an operating complex on the Ming's Bight Peninsula and at Viking with multiple pits and trucking the ore, or concentrate, back to the Pine Cove Mill.

Consistent with this strategy, for the year ended May 31, 2016, the Company has made the following advances in exploration:

- Published a 43-101 Technical Report outlining mineral resources at the Stog'er Tight and Pine Cove Deposits;
- Completed a trenching program adjacent to the Stog'er Tight Deposit designed to expose near-surface mineralization;
- Expanded the Stog'er Tight Deposit 100 metres westward;
- Completed a geological mapping and trenching program at the Argyle Zone;
- Completed a drilling program at the Pine Cove Pond area adjacent to the Pine Cove Pit;
- Completed the acquisition of the Viking Project;
- Outlined a new high-grade zone of mineralization east of the Stog'er Tight Deposits and processed the ore through the Pine Cove Mill;
- Conducted metallurgical testing of the Thor Deposit; and
- Prepared for Summer/Fall exploration program at Point Rousse and Viking Projects.

Subsequent to May 31, 2016, the Company has made the following advances in exploration:

- On July 27, 2016, the Company announced a $2,037,265 flow through equity financing which will be used for surface exploration activities to test targets located within processing distance of the Company's Pine Cove Mill.
- On August 3, 2016, the Company announced it has initiated a 17,000-metre diamond drilling campaign at the Point Rousse and Viking Projects which will focus on near-surface resource expansion as well as targeting relatively higher-grade mineral resources at four main areas – Stog'er Tight, Argyle, Goldenville and Viking.

The Point Rousse Project

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 kilometres. 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 multiple deposits on the Ming's Bight Peninsula. As a result, Anaconda believes that the Point Rousse Project area has the potential to host resources which could allow the Company to realize its goals of doubling production. Exploration and development efforts during the past year have focused entirely on implementing this strategy.

Below is a brief overview of the gold trends on the Ming's Bight Peninsula and Anaconda's exploration efforts within them with specific reference to the Stog'er Tight Deposit and surrounding prospects and recent exploration work on these deposits.

The Scrape Trend

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 as well as the Romeo & Juliet, Anaroc and Animal Pond prospects and a new discovery referred to as the Argyle Zone. These gold occurrences align with a fault delineated by a topographic lineament. The Scrape Trend hosts both baseload and high-grade styles of mineralization.

The Stog'er Tight and Pine Cove Resource Calculation

On October 22, 2015, the Company announced the results of a 43-101-compliant Mineral Resource Estimate at the Stog'er Tight and Pine Cove Deposits. The Technical Report was filed on SEDAR on December 8, 2015. These resource calculations represent an important step in the Company's strategy to extend the life of the Point Rousse Project. With these new resource calculations, the Company is beginning to build a portfolio of ounces and demonstrate the potential of the Point Rousse Project.

The following tables summarize the mineral resources and reserves estimate for the Point Rousse Project:

Stog'er Tight Resources[1]				
Category	**Cut-Off (g/t)**	**Tonnes**	**Grade (g/t)**	**Ounces of Gold**
Indicated	0.8	204,100	3.59	23,540
Inferred	0.8	252,000	3.27	26,460

Pine Cove Resources[2]				
Category	**Cut-Off (g/t)**	**Tonnes**	**Grade (g/t)**	**Ounces of Gold**
Indicated	0.7	1,499,500	1.61	77,390
Inferred	0.7	220,700	1.59	11,260

Pine Cove Reserves				
Category	**Cut-Off (g/t)**	**Tonnes**	**Grade (g/t)**	**Ounces of Gold**
Probable	0.7	858,855	1.46	40,400

[1] – Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability
[2] – The Pine Cove resource statement includes the Pine Cove Reserves

The Stog'er Tight Deposit trends east-southeasterly and is exposed over approximately 300 metres of strike. Mineralized lenses vary from a few, to greater than 10 metres in thickness and to a depth of approximately 100 metres. The deposit is characterized by intense carbonate, albite, pyrite alteration of gabbroic rocks with gold closely associated with pyrite as at the Pine Cove deposit.

The Pine Cove deposit generally trends easterly and consists of a series of stacked mineralized zones across 350 metres that vary in strike length from 25 to 250 metres. Mineralization extends down dip for approximately 800 metres, though approximately 300 metres of the dip extent has been excluded from the current resource estimate since it is not currently feasible for open-pit mining because of its depth (between 175 and 300 metres from surface). The deposit is characterized by carbonate, quartz, pyrite, albite alteration with gold occurring with pyrite. The deposit has been continually mined since 2009 with a current production rate of approximately 16,000 ounces per year.

The Stog'er Tight Trenching Program

On December 17, 2015, the Company announced the results of its fall exploration program on the Stog'er Tight Deposit. The program was focused on continuing to expand mineral resources along strike and adjacent to the

Stog'er Tight Deposit. The program included the excavation of 6 trenches and the collection of 219 one-metre channel samples in the East, West and Gabbro Zones following up on historical mapping and trenching that indicated the presence of mineralization.

The primary goal of the program was to test the hypothesis that the East and West Zones are continuous with the Stog'er Tight Deposit at surface and that the East Gabbro Zone is a separate zone of mineralization. The deposit has a known, near-surface strike length of approximately 300 metres. The results of the trenching and channel sampling program indicate that the East Zone mineralization is contiguous with the Stog'er Tight Deposit over a distance of 100 metres. The West Zone was confirmed to contain mineralization over a strike length of at least 80 metres, but appears to be offset by approximately 25-40 metres along a fault south of the main trend of the deposit. Consequently, the strike length of mineralization exposed at surface at Stog'er Tight, including the deposit and the East and offset West Zones, is now approximately 480 metres. Trenches across the East Gabbro Zone intersected alteration, but did not produce appreciable gold grades. The table below summarizes the composited grades associated with the trenching and channel sampling program.

Channel ID	Interval (m)	Grade (g/t)
STtr15-05-A	3	0.56
STtr15-05-B	8	10.77
STtr15-05-C	11	17.76
STtr15-05-D	12	11.02
STtr15-05-E	3	9.21
STtr15-05-F	4	6.86
STtr15-08	1	1.43
STtr15-09	12	0.98
STtr15-10	9	4.38
Composites are 80-95% of true thickness.		

The recognition of significant near-surface mineralization immediately along strike from the Stog'er Tight Deposit is a positive sign that near-term growth of mineral resources is possible. The results of this program enable the Company to develop a focused diamond drill program targeting near-surface mineralization with the goal of expanding the mineral resource at Stog'er Tight.

On January 21, 2016, the Company announced the initiation of a diamond drill program at Stog'er Tight. The primary goal of the program is to determine if the surface mineralization, exposed during a recent trenching and channel sampling program, continues down-dip. If mineralization is intersected down-dip of that found at surface in the East and West Zones, it may be possible to demonstrate geological continuity, and ultimately the extension of the Stog'er Tight Deposit. A secondary goal of the program is to test the hypothesis that a third zone of mineralization, the Gabbro Zone, is geologically contiguous with the West Zone. If true, then the results will indicate that the Gabbro Zone, the West Zone and, potentially, the Stog'er Tight Deposit are all part of a continuous mineralized system. All drill holes are planned with the ultimate goal of increasing mineral resources at Stog'er Tight.

The Stog'er Tight Expansion Program

On June 2, 2016, the Company announced the results of a 751-metre, 16-hole, diamond drill program conducted at the Stog'er Tight Project. The drill program focused on shallow areas, no more than 40 metres from surface, west and southwest of the Stog'er Tight Deposit. The goals of the program were to test the hypothesis that the Gabbro and West Zones joined together below surface and to determine if surface mineralization at the West Zone continued down-dip and is an extension of the Deposit.

Highlights of the drill program include:

- Hole BN-16-235 returned 6.70 g/t Au over 4 metres from 16 metres to 20 metres, including 8.85 g/t Au over 3 metres;
- Hole BN-16-227 returned 1.81 g/t Au over 6 metres from 22 metres to 28 metres;
- Hole BN-16-236 returned 3.72 g/t Au over 4 metres from 6 metres to 10 metres and 2.27 g/t Au over 3 metres from 18 metres to 21 metres.

The West and Gabbro Zones were determined to be two separate zones of mineralization and both zones continue at depth. The Gabbro Zone dips shallowly to the north beneath the West Zone and is within 20 metres of surface. Both the West and Gabbro Zones are the folded extensions of Stog'er Tight, which extended the strike length 100 metres for a total of 500 metres. Equally important, the Company's interpretation of these drill results indicate that numerous other showings throughout the Stog'er Tight Project area may represent fold repetition of the Stog'er Tight Deposit.

The drill program was significant in that it extended the Stog'er Tight Deposit 100 metres westward, to a total strike length of 500 metres, and identified multiple zones of shallow mineralization. The program also confirmed that the deposit is folded and that this can be used as a predictive tool as we step out farther from the main deposit area.

A table of significant gold intersections is presented below.

Drill hole	**From (m)**	**To (m)**	**Interval (m)**	**Au (g/t)**
BN-16-225	21.8	24	2.2	1.76
BN-16-226	6	7	1	1.99
and	**14**	**19**	**5**	**1.42**
BN-16-227	17	19	2	1.08
and	**22**	**28**	**6**	**1.81**
including	**23**	**26**	**3**	**3.04**
BN-16-228	**9**	**13**	**4**	**2.28**
BN-16-229	18.5	22	3.5	0.63
BN-16-230	**35.5**	**38.5**	**3**	**2.46**
BN-16-231	14	15	1	0.69
BN-16-232	14	15	1	0.67
BN-16-233	20	21	1	1.10
BN-16-234	**26**	**30**	**4**	**2.04**
BN-16-235	**16**	**20**	**4**	**6.70**
including	**16**	**19**	**3**	**8.85**
BN-16-236	**6**	**10**	**4**	**3.72**
and	**18**	**21**	**3**	**2.27**
BN-16-238	43	44	1	0.54
BN-16-242	38	39	1	1.17

The Stog'er Tight High-Grade Ore and East Zone Program

On June 7, 2016 the Company outlined new high-grade zone of mineralization east of the Stog'er Tight Deposits and processed 7,880 tonnes of high-grade ore from the East Zone. The Company processed the high-grade ore along with 2,111 tonnes of relatively lower-grade ore from the eastern portion of the Stog'er Tight Deposit to produce a mill head grade of 3.08 g/t, nearly double the grade currently coming from the Pine Cove Pit. Mill recovery was 83.2%, yielding a total of 823.6 ounces of gold. The processed ore was excavated over several days, trucked 3.5 kilometres to the Pine Cove Mill and processed from May 8 – 15, 2016. The recovered gold generated $1.4M in revenue. The high-grade ore was outlined as part of percussion and diamond drilling during recent exploration efforts. The high-grade zone was intersected in 6 percussion holes over a strike length of approximately 40 metres and to a depth of 10 metres.

During excavation of the high-grade ore, the Company discovered a fault zone that appeared to be a geologic feature constraining the area in the East Zone containing the high-grade ore. The high-grade area is south of the fault zone and remains open along strike to the southeast and at depth.

In the East Zone, 9 shallow diamond drill holes totaling 489 metres intersected the expected alteration typical of Stog'er Tight mineralization, but only two holes intersected significant mineralization. Hole BN-16-252 intersected 7 metres of 0.55 g/t Au from 31 to 38 metres and BN-16-253 intersected 2 metres of 2.73 g/t Au from 32 to 34 metres.

Outlining and processing the high-grade sample is significant because the Company was able to generate 824 ounces in just a week, which is approximately two and a half times our typical production rate. The results demonstrate the tremendous leverage the Company's operation can get from higher-grade ore.

The Argyle Zone Trenching Program

On January 8, 2015, the Company announced the discovery of the Argyle Zone through a trenching program. The new discovery is located approximately 5 kilometres from the Pine Cove Mill and consists of two areas of mineralization located approximately 200 metres apart. On November 16, 2015, the Company announced a geological mapping and trenching program to better understand the geological controls and surface distribution of mineralization. The mapping indicated that the Argyle Zone is associated with a style of alteration very similar to the Stog'er Tight Deposit – specifically the albitization and carbonatization of gabbroic rocks. Four trenches were designed to expose the potential along strike continuation of the two zones of mineralization.

On January 21, 2016, the Company announced the results of its second trenching program at Argyle. The program consisted of the excavation of overburden along four trenches over 181 metres and channel sampling of 68 metres of the exposed bedrock. The goal of the program was to determine if the two previously exposed zones of mineralization are contiguous and demonstrate geological continuity along the Argyle prospect. Three of the four trenches tested the eastern portion of the prospect where it was previously constrained by a single trench. A fourth trench tested the western limits of the prospect.

In the eastern area, trench AEtr15-18 returned 1.89 g/t Au over 10 metres. It is located 40 metres west of trench AEtr14-12, which contained 1.31 g/t Au over 11 metres, and 160 metres east of trench AEtr14-08, which contained 3.75 g/t Au over 16 metres (the latter two results were previously reported on January 8, 2015 and referred to as trenches A8 and A12). Trench AEtr15-19 intersected anomalous mineralization and a broad alteration zone consistent with alteration throughout the prospect area, but was not sampled across the entire trench due to poor ground conditions. Trench AEtr15-17 did not intersect alteration or mineralization. Trench AEtr15-20 exposed anomalous gold mineralization and the continuation of the alteration zone at the most westerly end of the Argyle prospect.

Geological mapping and interpretation of the analytical results indicate that the two previously exposed zones of mineralization are contiguous and that there is geological continuity throughout the Argyle prospect over a strike length of 300 metres. Gold grades and alteration character are similar in style and tenor to those observed at the Stog'er Tight Deposit.

Drilling at the Pine Cove Deposit

On November 16, 2015, the Company announced it initiated a targeted diamond drilling program adjacent to the Pine Cove Deposit focused on the southern margins of the mine in an area known as Pine Cove Pond. On January 25, 2016, the Company announced results of the drill program, which consisted of 1,156 metres of diamond drilling within 14 shallow holes. The program was focused on the southern margins of the Pine Cove Deposit at a maximum depth of 75 metres in an area known as Pine Cove Pond, which is currently not part of the mine plan. Geological and geophysical evidence suggest that the Pine Cove Pond area may contain the easterly and westerly continuation of the southern portion of the Pine Cove Deposit. The goal of the drill program was to understand the limits of known mineralization and establish Mineral Reserves in the Pine Cove Pond area to extend the mine life of the Pine Cove Deposit.

Highlights of the drilling included:

- Hole PC-15-256 returned 2.11 g/t Au over 10.5 metres from 9.5 – 20.0 metres and 1.4 g/t Au over 9.0 metres from 24.0 – 33.0 metres.
- Hole PC15-257 returned 2.68 g/t Au over 15.9 metres from 6.1 – 21.0 metres.
- Hole PC15-252 returned 3.16 g/t Au over 5.5 metres from 3.5 – 9.0 metres.
- Hole PC15-2591 returned 14 g/t Au over 4.0 metres from 41.0 – 45.0 metres.
- Hole PC15-253 returned 1.47 g/t Au over 2.8 metres from 38.0 - 41.8 metres.

The drill program was successful in extending known mineralization at the Pine Cove Deposit 25 metres to the south, east and west of the current compliant resource. The results indicate that the southern portion of the deposit is open for expansion to the west, near-surface, in the area of the hole PC15-257 intersection, and open for expansion east and west of the hole PC-15-252 intersection. The Company plans follow up drilling to better outline resources in these areas and test the limits of the deposit. The Company will incorporate this information to determine if current and other potential resources can be included in the Pine Cove Deposit mine plan.

The discovery of near-surface mineralization at these grades, that is open for expansion at the southern margins of the mine, is a positive sign that this part of the Pine Cove Deposit could be expanded and potentially included in our mine plan.

The Goldenville Trend

The Goldenville Trend is an 8-kilometre long trend of highly prospective rocks centered on an iron stone unit referred to as the Goldenville Horizon. The Company believes the trend to be highly prospective because the trend is thought to contain ironstone hosted gold deposits including the Corkscrew Deposit recently optioned from Seaside Realty (see press release of August 4, 2015). Mineralization within the Goldenville Trend is a well-established geological model and the region is known to host these deposits. The Goldenville Trend has numerous gold prospects including four small, historical, hand-dug shafts, which were developed to mine visible gold. Anaconda is exploring the Goldenville Trend for high-grade deposits on the order of approximately 250,000 ounces of gold at 5 g/t or more (based on similar deposits and historical production within the region). If the Company is successful, it will have a longstanding high-grade feed source for the Pine Cove Mill to layer on top of the baseload production from other sources like Pine Cove or Stog'er Tight.

The Company begun planning for a drill program along the eastern portion of the Goldenville Trend to commence in fiscal 2017.

The Deer Cove Trend
The Deer Cove Trend is located in the northern part of the Ming's Bight Peninsula and consists of a belt of prospective rocks approximately 3.5 kilometres in strike length. It is associated with the Deer Cove thrust fault and includes the Deer Cove Deposit as well as various other showings and prospects.

Historical drill results suggest that the Deer Cove Deposit could be a source of high-grade feed for the Pine Cove Mill. Past development work includes a drill program on the Deer Cove Deposit in 2014 to better outline the distribution of high-grade gold within the vein and to test the vein down-dip. The program consisted of 2,090 metres of diamond drilling in 20 holes (see press release dated February 27, 2015). The results indicate that the deposit does continue at depth but that the high-grade portion of the deposit was not present to the depths tested.

No significant exploration field work was conducted during the year ended May 31, 2016. The Company plans to update the deposit model with the most recent drill results and assess the deposits ability to be developed as a source of high-grade ore.

Future Plans
Exploration plans at Point Rousse are focused on three key targets consistent with our search for higher-grade resources: Stog'er Tight, Argyle and Goldenville.

The goal at Stog'er Tight is to delineate resources similar in style and grade to the Stog'er Tight Deposit by focusing on 9 prospects hosted in similar geology within an area 1.5 km by 0.5 km of the current resource. The exploration plan began in late July 2016 and is anticipated to include approximately 3,500 metres of diamond drilling.

The goal at Argyle is to delineate a new deposit. Based on surface expressions the mineralization appears to be similar in style and geological setting to the Stog'er Tight Deposit. The exploration plan will be executed in the first quarter of fiscal 2017 and is anticipated to include approximately 3,500 metres of diamond drilling, geological mapping and prospecting.

The goal at Goldenville is to discover a new deposit that is similar in style and geological setting to the historical Nugget Pond Mine, which produced 166,000 ounces at an average grade of approximately 11 g/t. The exploration plan will be executed in the second quarter of fiscal 2017 and is anticipated to include approximately 3,000 metres of diamond drilling.

The Viking Project

On February 10, 2016 the Company announced it acquired the Viking Project, which contains the Thor Deposit and adjacent, contiguous prospective geology. Viking is located near the communities of Pollards Point and Sop's Arm in White Bay, Newfoundland and Labrador, approximately 180 km by road (100 km by barge) from Point Rousse, and is accessible via a 2.5 km forest road from provincially maintained paved road networks. Viking encompass 6,225 hectares of highly prospective mineral lands.

The Thor Deposit contains a historical mineral resource estimate as summarized below:

Resource Category	Cut-off (g/t)	Tonnes	Grade (g/t)	Ounces of gold (Au)
Indicated	1.0	937,000	2.09	63,000
Inferred	1.0	350,000	1.79	20,000

During the year ended May 31, 2016, the Company conducted the following activities:
- Conducted initial metallurgical tests of Thor Deposit ore.

- Verified all available historical data.
- Integrated all data into Company databases.
- Conducted initial community consultations on the project.

On May 12, 2016, the Company reported the results of preliminary metallurgical test work from the Thor Deposit. The results indicate that ore from the Thor Deposit could be processed at the Pine Cove Mill using the current flotation and leach circuit configuration. The results of the study are based on a homogenized sample collected from two diamond drill holes. Bench scale test work, conducted by the Research and Productivity Council in New Brunswick, primarily focused on flotation, cyanide leaching and grinding to evaluate the response of the Thor Deposit material to the current plant flow sheet of the Pine Cove Mill.

In a flotation test, using a grind of (80% passing) 150 µm, currently used for Pine Cove ore, the Thor Deposit sample attained 96.0% Au recovery in 4.4% of the mass at a grade of 35.12 g/t in the rougher stage. In a bottle roll cyanidation test, the current Pine Cove Mill regrind size of (80% passing) 20 µm obtained 94.1% Au extraction without requiring accelerating reagents and consumed 1.1 kg/t NaCN compared to 3.6 kg/t for Pine Cove ore. A bond ball mill grindability test was performed utilizing a limiting screen size of 150 µm and indicated that the sample has a Bond Ball Work Index value of 18.5 kWh/t.

These results indicate that the Pine Cove Mill and related infrastructure can be leveraged to expedite development of satellite deposits, such as Thor. The preliminary metallurgical results on flotation and leaching allows the Company to commence the permitting and development of the Thor Deposit and initiate further exploration on the property.

Other than the metallurgical test work, the Company focused its efforts at Viking on compiling and verifying all available historical data, integrating the data into company databases and conducting the initial community consultation with representatives of the communities adjacent to the project area.

In addition to the historical mineral resource estimate, other historical exploration efforts include: 146 holes of diamond drilling totaling 21,271 metres; excavation of 67 trenches and associated channel sampling; high-resolution airborne magnetic and electromagnetic geophysical surveying; ground induced polarization, magnetic and VLF surveys, rock and soil sampling and geological mapping.

Future Plans

The Company is planning a field program anticipated to begin in August 2016. The program will include geological mapping, prospecting and a diamond drill program consisting of 7,000 metres.

Viking 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 property at the Pine Cove Mill so as to leverage existing infrastructure. Beyond the historical Indicated and Inferred Mineral Resources at Viking, the Company is encouraged by the overall gold bearing potential of the project.

The historical mineral resource estimate referenced above is taken from a technical report filed on SEDAR titled "MINERAL RESOURCE ESTIMATE UPDATE FOR THE THOR TREND GOLD DEPOSIT, NORTHERN ABITIBI MINING CORP., White Bay Area, Newfoundland and Labrador, Canada, Latitude 49º 42' N Longitude 57º 00' W." prepared for Northern Abitibi Mining Corp. by Dr. Shane Ebert, P. Geo. and Gary Giroux, P. Eng. MASc., December 30, 2011. The historical mineral resource estimate of the Thor Deposit is based on 109 diamond drill holes totaling 15,574m and 74 lines of surface channel samples cut from trenches using a diamond saw. Gold mineralization was constrained within a 3-dimensional geological solid built using Gemcom software. Gold assays within the mineralized solid were capped at 66.0 g/t Au while those outside the solid were capped at 4.0 g/t Au. Drill hole assay samples were composited into 2.5m intervals and a block model with 5m x 5m x 5m block size was created. Gold grades were interpolated into all blocks, by a combination of ordinary and *indicator kriging. The Company considers the NI 43-101 report to be relevant and reliable given that the report was published recently and that no additional work of significance has been completed since the issuance of the historical mineral resource estimate.*

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.

Results of operations

For the year ended May 31, 2016

Revenue

For the year ended May 31, 2016, the Company generated $24,361,471 in revenue, a 10% increase from fiscal 2015. The revenue increase was driven by a price increase of 8% from $1,405 to $1,520 as well as a 1% increase in gold ounces sold compared to the same period in fiscal 2015. Ounces sold increased by 202 ounces due to a 13% increase of mill throughput of 44,516 tonnes of ore. This was largely offset by a planned 13% decrease in grade from 1.72 g/t to 1.50 g/t.

Cost of sales and gross margin

For the year ended May 31, 2016, cost of sales was $21,159,053 yielding a gross margin of $3,202,418 compared to the same period in fiscal 2015, which generated cost of sales of $21,695,290, yielding a gross margin of $538,781. Gross margin was positively impacted as a result of higher gold sales of $2,127,400, lower milling costs of $189,206, lower net smelter royalty expense of $437,347 and reduced depreciation expense of $454,149. This was partially offset by higher mining costs of $410,192 and project administration of $106,806. Lower milling costs are largely a result of reduced labour, reagents and grinding media cost. The net smelter royalty expense decreased as the obligation at Pine Cove was fulfilled during fiscal 2015. Depletion and depreciation expense decreased due to lower unit-of-production expense related to ounces produced from Stog’er Tight ore compared to ore from the Pine Cove Pit as well as a change in reserve base. Mining costs increased due to higher contractor costs driven by mine production volume along with an inventory adjustment to drawdown stockpile inventory year over year.

Administrative expenses

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, 2016, administrative expenses totaled $2,630,745 compared to $2,032,265 to the similar period of fiscal 2015. The Company launched a public relations/awareness campaign at the beginning of the third quarter which continued through the end of fiscal 2016, an increase of $224,000, of which $112,000 were one-time front-end expenses. The remaining additional administrative costs are related to due diligence costs, legal fees and accrued personnel costs.

Other revenues and expenses

Other expenses for the year ended May 31, 2016, were $70,541 to record accounting and legal costs associated with the Company’s Chilean iron ore assets. The Company earned no other revenues from the Chilean iron ore properties for the year ended May 31, 2016. Other revenues from the Company’s Chilean iron ore properties for the year ended May 31, 2015, were $240,238, consisting of royalty revenue of $260,952 and accretion income offset by other expenses. As at May 31, 2015, the Company also recorded an impairment charge of $2,260,158 upon completion of its assessment of the carrying value of the milestone and royalty payment receivable and investment in Compania Portuaria Tal Tal S.A.

Net income

Net income for the year ended May 31, 2016, was $195,449 compared with a net loss for the year ended May 31, 2015, of $2,774,766. The increase in net income is largely due to an increase in gross margin of $2,663,637 as well as a write down of Chilean assets which occurred in fiscal 2015 of $2,260,158. This is offset by an increase in corporate administration of $598,480, reduction in other revenues of $310,779 and an increase in deferred tax expense of $994,000.

Exploration and evaluation assets
For year ended May 31, 2016, the Company spent approximately $1,347,000 at Point Rousse on exploration and acquisition costs at Viking. The Company's exploration initiatives included publishing a 43-101 Technical Report on the Point Rousse Project that included a Mineral Resource Estimate at the Stog'er Tight and Pine Cove Deposits, completed the results of a trenching program adjacent to the Stog'er Tight Deposit designed to expose near-surface mineralization, completed a drill program at Stog'er Tight to test the depth and strike extents of the Stog'er Tight Deposit, completed the results of a geological mapping and trenching program at the Argyle Zone, completed the results of a drilling program at the Pine Cove Pond area adjacent to the Pine Cove Pit, expanded the Stog'er Tight Deposit westward and conducted metallurgical testing of the Thor Deposit.

For the three months ended May 31, 2016

Revenue
For the three months ended May 31, 2016, the Company sold 4,196 gold ounces and generated $6,789,532 in revenue at an average sales price of $1,618 per ounce. Revenue and gold ounces sold increased by 20% and 6% respectively from the same quarterly period in fiscal 2015, largely due to a 13% increase in gold price from $1,433 to $1,618 per ounce as well as a 20% increase in mill throughput. This was slightly offset by a reduction in grade from 1.65 g/t to 1.26 g/t, a 24% decrease.

Cost of sales and gross margin
For the three months ended May 31, 2016, cost of sales was $5,656,337 yielding a gross margin of $1,133,195 compared to the same period in fiscal 2015, which generated a cost of sales of $5,426,482, yielding gross margin of $231,044. The difference in gross margin is attributed to higher gold sales of $1,132,006, offset by higher cost of sales which included increased milling costs of $383,537 largely offset by reduced depreciation expense of $282,013. Mill expenses increased due to reduced labour and grinding media costs. Mining costs were consistent period over period. Depletion and depreciation expense decreased due to lower unit-of-production expense related to ounces produced from Stog'er Tight ore compared to ore from the Pine Cove Pit as well as a change in reserve base.

Administrative expenses
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, 2016, administrative expenses totaled $872,406 compared to $581,139 in the same period of fiscal 2015. The increase is driven by additional investor relations costs associated with the new campaign launched in fiscal 2016, due diligence costs and accrued personnel costs.

Net income
Net income for the three months ended May 31, 2016, was $238,325 compared with the net income of $685,340 for the three months ended May 31, 2015. The decrease in net income is largely due to an increase in deferred tax expense of $866,000, an increase in corporate administration cost of $291,267 and an increase in unrealized loss on forward sales contracts of $333,830. This was partially offset by an increase in gross margin of $902,151.

Summary of quarterly results

	May 31 2016 $	**February 29 2016** $	**November 30 2015** $	**August 31 2015** $
Total assets	30,870,912	28,828,238	29,102,166	27,661,563
Decommissioning liability	1,867,899	1,356,438	1,341,423	1,316,435
Loans	409,447	399,265	179,231	62,844
Shareholders' equity	23,855,707	23,688,886	24,143,732	23,291,111
Total revenues	6,789,532	4,988,063	6,798,075	5,785,801
Net income (loss)	238,325	(623,997)	766,040	(184,919)
Net income (loss) per share - basic[2]	0.001	(0.003)	0.004	(0.001)
Net income (loss) per share - fully-diluted[2]	0.001	(0.003)	0.004	(0.001)

	May 31 2015 $	**February 28 2015** $	**November 30 2014** $	**August 31 2014** $
Total assets	27,721,558	27,214,596	27,306,850	29,856,648
Decommissioning liability	1,311,393	1,297,035	1,282,677	1,268,319
Loans	42,404	47,167	52,223	56,336
Shareholders' equity	23,395,221	22,691,978	22,786,279	25,905,375
Total revenues	5,657,526	6,266,754	4,798,179	5,511,612
Net income (loss)[1]	685,340	(114,122)	(3,170,174)	(175,810)
Net income (loss) per share - basic[2]	0.004	(0.001)	(0.018)	(0.001)
Net income (loss) per share - fully-diluted[2]	0.004	(0.001)	(0.018)	(0.001)

[1]Net loss for the three months ended November 30, 2014 includes write down of Chilean assets of $2,260,158.

[2] In periods of loss, net loss per share basic and fully-diluted are the same, as inclusion of options and/or warrants would be anti-dilutive.

Liquidity, working capital and capital resources

As at May 31, 2016, the Company had cash and cash equivalents of $1,636,161 (May 31, 2015 - $1,435,160) and net working capital of $819,322 (May 31, 2015 – $1,902,429), an accumulated deficit of $10,042,429 (May 31, 2015 - $10,836,688) and positive cash flow from operations for the year ended May 31, 2016 of $5,143,023 (year ended May 31, 2015 – $2,861,432).

The Company's principal source of cash during the periods were sales of gold production from Point Rousse. The Company's primary uses of cash include cash costs of gold production, capital expenditures and exploration and acquisition costs. Anaconda's ability to continue to grow its business is dependent on its ability to continue to generate cash from its primary sources in excess of its primary uses.

Operating activities

During the year ended May 31, 2016, the Company generated cash flow from operations of $5,143,023. Trade and other receivables decreased by $21,449, HST recoverable increased by $282,331, prepaid expenses and deposits increased by $73,360, inventory balances increased by $133,840 as a result of increases in parts inventory, and trade and other payables increased by $1,182,301.

Investing activities
Changes to investing activities during the year ended May 31, 2016, were:

- Additions to property, mill and equipment of $3,079,646 included mill automation and equipment upgrades, tailing expansion costs, polishing pond construction, construction of ore shed enclosure and pit and dump development;
- Additions to exploration and evaluation assets of $1,346,567 related to exploration programs;
- Additions to production stripping assets of $1,883,022; and
- A decrease of restricted cash of $565,500.

Financing activities
During the year ended May 31, 2016, the Company repaid bank loans in the amount of $7,726 and $33,649 was repaid on two capital leases. Proceeds of $696,101 was received from the gold financing agreement and a $303,013 change in unearned revenue was recognized. A government loan of $450,000 was also received.

As at May 31, 2016, the capital structure of the Company consisted primarily of all the components of shareholders' equity, unearned revenue 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 into new credit facilities or issue new common shares.

The Company has payment requirements against outstanding accounts payable and accrued liabilities of $4,109,877 as at May 31, 2016. In addition, the Company has a gold financing agreement, a government loan, bank loan and two capital leases.

Subsequent events

On July 13, 2016, the Company announced that it has entered into a Line of Credit Agreement with the Royal Bank of Canada ("RBC") for a $1,000,000 revolving credit facility as well as a $500,000 revolving equipment lease line of credit (together the "Financing"). As part of the terms and conditions of the Financing, RBC has a first-ranking general security agreement including a specific security interest in the Company's ball mill and cone crushers.

On July 27, 2016, the Company announced that pursuant to a flow-through brokered private placement, it has issued 29,103,787 flow-through units of the Company (the "Units") at a price of $0.07 per Unit for aggregate gross proceeds of $2,037,265. Each Unit consists of one flow-through common share and one-half of one common share purchase warrant issued on a non flow-through basis. Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.10 until July 27, 2017. On a per-Unit basis, the Company has allocated $0.0699 of the price per Unit to each flow-through common share and $0.0001 of the price per Unit to the Warrant. An amount equal to the gross proceeds from the flow-through common shares ($0.0699 per flow-through common share) will be used to incur Canadian exploration expenses, as defined under the Income Tax Act (Canada), that will be renounced by the Company in favour of the purchasers of Units with an effective date of no later than December 31, 2016. It is expected that the proceeds of the Offering will be used for surface exploration activities to test targets located within processing distance of the Company's Pine Cove Mill (i.e. Stog'er Tight, Goldenville, Argyle and Viking).

Remuneration of key management and transactions with related parties

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

For the year ended	**May 31 2016 $**	May 31 2015 $
Salaries and short term benefits [1]	**852,735**	759,414
Share based payments [2]	**188,925**	92,104
	1,041,660	851,518

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

[2] Includes share based payments vested during the period

As at May 31, 2016, included in trade and other payables is $54,000 (May 31, 2015 - $46,000) of amounts due for directors' fees.

Capital management and off statement of financial position transactions

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

The Company would supplement its Point Rousse Project cash flow and raise funds externally as and when required to finance obligations or complete projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The sources of future funds available to Anaconda are cash flow from operations, the exercise of outstanding stock options, the sale of equity capital of the Company, the issuance of further loans and/or debentures or the sale by Anaconda of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended May 31, 2016. The Company is not subject to externally-imposed capital restrictions.

Critical accounting policies and estimates

Significant accounting judgments and estimates

The preparation of these Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations, the useful lives of property, mill and equipment, life of the Point Rousse and Viking reserves as they impact depletion expense, recoverability of property, mill and equipment (see note 8), exploration and evaluation assets, profitability of future operations as impacting realization of tax losses and the valuation of share-based payments. The most significant judgements relate to meeting recognition criteria of deferred tax assets and liabilities, assessment of the going concern assumption and the determination of the technical feasibility and economic viability of a project impacting asset classification.

Estimated recoverable reserves and resources

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

Exploration and evaluation assets

Exploration and evaluation assets consist of costs associated with the Company's exploration properties. Exploration and evaluation costs include:

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

Exploration and evaluation costs are capitalized as incurred and deferred until management establishes technical feasibility and commercial viability of a property with proven and/or probable reserves and commences permitting and development at which point the associated carrying costs are reclassified to property, mill and equipment as property. Upon disposal or abandonment of exploration and evaluation assets, the carrying costs are derecognized and a gain/loss is recorded in operations.

Development costs and commercial production

Development costs are capitalized during permitting and mine construction. Commercial production is achieved and capitalization of costs incurred ceases when the property's operating metrics as defined in its operating plan are met. The operating plan costs incurred to maintain commercial production are included in mine operating costs.

Property, mill and equipment

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

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

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

Equipment	20%
Property and mill	units-of-production

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

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

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

Impairment of non-current assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible non-current assets to determine whether events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The estimated recoverable amount is determined on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the recoverable amount is estimated at the cash generating unit ("CGU") level.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

Depletion and amortization

Property and mill are recorded at cost and amortized using the "units-of-production" basis and the calculated amounts will be charged to the income statement over the useful life of the mine.

Production stripping costs are recorded at cost when mining activities yield a strip ratio above the life of mine strip ratio and are amortized on a "units-of-mine-production" when mining activities yield a strip ratio below the life of mine strip ratio.

Office furniture, fixtures and equipment and leasehold improvements are recorded at cost and are amortized on a declining-balance basis at a rate of 20% per year.

Dividends

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its common shares in the foreseeable future.

Risks and uncertainties

Readers should consider carefully the following risks and other information included in the Company's historical consolidated financial statements and related notes. The risks below are not the only ones facing the Company. Additional risk factors may be found in the Company's other public filings on *SEDAR at www.sedar.com.* As well, risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected. As a result, the trading price of the Company's outstanding shares could decline and investors could lose part or all of their investment.

Financial risks
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is primarily attributable to cash, trade and other receivables, HST recoverable, and prepaid expenses and deposits. Cash is held with a tier-1 Canadian chartered bank and as such management believes the risk of loss to be minimal.

Trade and accounts receivable may also consist of amounts due from the Company's metals merchant regarding processed gold and silver enroute to the merchant. Management believes the credit risk associated with the financial instruments contained in trade and accounts receivable is minimal.

Financial instruments included in "due from related parties" include reimbursement of office costs and rent. The credit risk associated with these financial instruments is limited to the carrying value of $23,319 at May 31, 2016.

Liquidity risk
As at May 31, 2016, the Company had net working capital of $819,322. The Company maintains operations from the cash flow generated from the Point Rousse Project's operations. If necessary, the Company may seek financing for capital projects or general working capital purposes. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

At May 31, 2016, 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").

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. Anaconda periodically monitors the investments it makes and is satisfied with the creditworthiness of its cash investments.

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 some operational and other expenses incurred by the Company which are received/paid in US Dollars. The assets and liabilities of the Company are recorded in Canadian Dollars. As a result, fluctuations in the US Dollar against the Canadian Dollar could result in material fluctuations in the financial results of the Company.

Price risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to minerals (and specifically, gold) to determine the appropriate course of action to be taken by the Company. The Company is further exposed to price risk as it enters into non-hedged forward sales contracts from time to time.

Capital requirements
The Company may not have a source of funds to continue current operations or to engage in additional exploration and development which may be necessary to develop its properties, other than the exercise of stock options and further financings. No assurance can be given that the Company will be successful in obtaining the required financing on acceptable terms, if at all.

Requirement of additional financing
The exploration and development of the Company's properties, including continuing exploration and development projects, the construction of mining facilities, the commencement of new mining operations and the continuation of ongoing mining operations may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even the loss of a property interest. Sources of funds now available to the Company are limited.

Additional financing may not be available when needed or, even if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders or sale or other dispositions of an interest in any of the Company's assets or properties. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Risks factors of the business
The Company's operations will be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. Some of these risks include:

- Environmental hazards;
- Industrial accidents;
- Labour disputes;
- Unusual or unexpected geologic formations or other geological or grade problems;
- Unanticipated changes in metallurgical characteristics and recovery;
- Unanticipated ground or water conditions, cave-ins, pit wall failures, flooding or rock bursts;
- Periodic interruptions due to bad or hazardous weather conditions and other acts of God; and
- Unfavourable operating conditions.

Any of these risks and hazards could adversely affect the Company's exploration or mining activities, resulting in:

- An increase in the cost of exploration, development or production to a point where it is no longer economically feasible to continue;
- A project being unfeasible to continue;
- The Company writing down the carrying value of one or more properties or mines;

- Delays or a stoppage in the exploration, development or production of its projects;
- Damage to, or destruction of, mineral properties or processing facilities; and/or
- Personal injury, death and/or legal liability.

Any of these results may have a material adverse effect on the Company's financial condition, results of operations and future cash flows.

Mining industry risks
The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company or its joint venture partners will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are inherently cyclical and cannot be predicted with certainty, and; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. As a result, it is possible that actual costs and economic returns will differ significantly from those currently estimated for these projects.

In addition, it is also not unusual in mining operations to experience unexpected problems both during the start-up and during ongoing operations. To the extent that unexpected problems occur affecting the production in the future, the Company's revenues may be reduced, costs may increase and the Company's profitability and ability to continue its mining operation may be adversely affected.

Environmental risks and hazards
All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration, development or production of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Governmental regulation of the mining industry
The mining and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards, employment and occupational health, mine safety, use of

water, toxic substances and waste disposal, environmental and other matters. These activities are also subject to various laws and regulations relating to protection of the environment. Although the Company believes that its mining and mineral exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Company.

Title matters

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests.

Licenses and permits

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex, time consuming process and the Company cannot be certain that it will be able to obtain necessary permits on acceptable terms in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict the Company from proceeding with the development of an exploration project or the development and operation of a mine. Any failure to comply with applicable laws and regulations or permits could result in interruption or closure of exploration, development or mining operations, or fines, penalties or other liabilities. The Company could also lose its mining concessions under the terms of its existing agreements.

Fluctuations in the market price of mineral commodities

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Infrastructure

Exploration, development and operating activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Company's inability to secure adequate water and power resources, as well as other events outside of its control such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Company's operations and financial condition.

Increase in production costs
Changes in the Company's production costs could have a major impact on its profitability. Its main production expenses are contractor costs, materials, personnel costs and energy. Changes in costs of the Company's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, a change in commodity prices, increased costs (including oil, steel and diesel) and scarcity of labour, and could result in changes in profitability or reserve estimates. Many of these factors may be beyond the Company's control.

The Company relies on third-party suppliers for a number of raw materials. Any material increase in the cost of raw materials, or the inability by the Company to source third-party suppliers for the supply of its raw materials, could have a material adverse effect on the Company's results of operations or financial condition.

Uncertainty in the estimation of mineral reserves and mineral resources
To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Company continues to realize its existing identified reserves, convert resources into reserves, develop its resource base through the realization of identified mineralized potential, and/or undertake successful exploration or acquire new resources.

The figures for Mineral Reserves and Mineral Resources contained in NI 43-101 Technical Reports and other filings of the Company made on SEDAR at *www.sedar.com* are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves could be mined or processed profitably. Actual reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Resource Estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Mineral Reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its Mineral Reserve Estimates from time to time or may render the Company's reserves uneconomic to exploit. Reserve data is not indicative of future results of operations. If the Company's actual Mineral Reserves and Resources are less than current estimates or if the Company fails to develop its resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of Mineral Reserves and Resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of Inferred Resources is often the least reliable resource category and is subject to the most variability. The Company regularly evaluates its resources and it often determines the merits of increasing the reliability of its overall resources.

Uncertainty relating to Inferred Mineral Resources
Inferred Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty, which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven and Probable Mineral Reserves as a result of continued exploration.

Need for additional reserves
Given that mines have limited lives based on Proven and Probable Mineral Reserves, the Company must continually replace and expand its reserves at its gold mines. The life-of-mine estimates included contained in NI 43-101 Technical Reports and other filings of the Company made on SEDAR at *www.sedar.com* may not be correct. The Company's ability to maintain or increase its annual production of gold will be dependent in significant part on its ability to bring new mines into production and to expand reserves at existing mines.

History of profitability
The Company has a history of profitability in four of the previous five years and has a shareholder deficit of $10,042,429 as at May 31, 2016. Management expects that cash flows generated from the operations of the Point Rousse Project will be sufficient to fund all of the Company's ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements and other contractual obligations. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and may require additional financing to further explore, develop, operate, acquire and retain its property interests and if financing is not available for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business.

Uninsured risks
The Company does not carry insurance to protect against certain risks. Risks not insured include certain environmental pollution events, earthquake damage, mine flooding or other hazards against which the Company cannot insure or against which the Company may elect not to insure because of high premium costs or other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition
The mining industry is intensely competitive in all of its phases and the Company will compete with many companies possessing greater financial and technical resources than itself. Competition in the base and precious metals mining industry is primarily for: mineral-rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties, and; the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a worldwide basis. Such competition may result in the Company being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to obtain the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future. An inability to obtain the capital necessary to fund its operations and develop its properties may cause the Company to not satisfy the requirements under the option agreements pursuant to which it holds its interest in the properties. Further, increased competition can result in increased costs and lower prices for metal and minerals produced and reduced profitability. Consequently, the revenues of the Company, its operations and financial condition could be materially adversely affected.

Instability of political and economic environments
The mining interests of the Company may be affected in varying degrees by political or economic uncertainty. Associated risks include, but are not limited to: extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Company and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people, and mine safety. The effect of these factors cannot be accurately predicted.

The Company has contingent assets located in Chile and, as such, a portion of the Company's business is exposed to various degrees of political, economic and other risks and uncertainties. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Company's operations.

Repatriation of earnings
There is no assurance that Chile or any other foreign country in which the Company or its subsidiaries may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Dependence upon key management personnel and executives
The Company will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration, development and operating activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

Possible conflicts of interest of directors and officers of the Company
Certain directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Business Company's Act* (Ontario) and any other applicable law.

Absence of dividends
The Company has never paid a dividend on its shares, and does not expect to do so in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend upon the capital requirements of the Company, results of operations and such other factors as the Board of Directors considers relevant. Accordingly, it is likely that investors will not receive any return on their investment in the shares other than possible capital gains.

Risk of dilution
Under applicable Canadian law, shareholder approval is not required for the Company to issue shares in a number of circumstances. Moreover, the Company has commitments that could require the issuance of a substantial number of additional shares, in particular options to acquire shares under the stock option plan of the Company. The future business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Company is not able at this time to predict the future amount of such issuances or dilution.

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at August 23, 2016:

Common shares of no par value	Number
Shares	209,232,751
Options	17,995,000
Warrants	16,278,449

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure. As at May 31, 2016, the Company's management, with the participation of the CEO and 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 such controls and procedures are effective.

Internal control over financial reporting

Management is responsible for certifying the design of the Company's Internal Control of Financial Reporting ("ICFR") as required by *National Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings*. The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. ICFR should include those policies and procedures that establish the following:

- Maintenance of records, in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized collection, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, including the CEO and CFO, carried out an assessment of the design of the Company's ICFR using the *COSO Internal Control – Integrated Framework (2013)* ("COSO 2013") and concluded, subject to the inherent limitation noted below, that the Company has sufficient controls to meet the requirements as stated above and that one weakness existed as at May 31, 2016, as disclosed below.

Segregation of duties
Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that 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 cannot be fully achieved 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 in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

The CEO and the CFO have concluded however, that no material misstatements exist in the Company's financial reporting as at May 31, 2016.

There have been no changes in the Company's internal control over financial reporting during the three months ended May 31, 2016.

The Company currently uses COSO 2013 to design, implement and test internal controls and disclosure controls. During this fiscal year, the Company reviewed the design and implementation of its internal controls and disclosure controls. Top down risk-based assessments were utilized to evaluate the risk areas. No changes in internal controls were noted. The Company's annual validation and testing of controls for operating effectiveness was conducted in the fourth quarter of fiscal 2016. High-risk controls were tested and validated. No material weaknesses were noted.

Reconciliation of Non-GAAP financial measures

The Company has included certain non-GAAP financial measures in this document. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issuers.

Adjusted net earnings measure the performance of the Company, excluding certain impacts which the Company believes are not reflective of the Company's underlying performance for the reporting period, such as the impact of foreign exchange gains and losses, impairment charges, and non-hedge derivative gains and losses. Although some of the items are recurring, the Company believes that they are not reflective of the underlying operating performance of its current business and are not necessarily indicative of future operating results.

The following table provides a reconciliation of adjusted net earnings for the years ended May 31, 2016 and 2015:

	For the year ended	
	May 31 2016 $	May 31 2015 $
Net income (loss)	**195,449**	(2,774,766)
Adjusting items:		
Foreign exchange gain	**(18,437)**	(11,927)
Unrealized loss on forward sales contract derivative	**31,595**	65,800
Write down of Chilean assets	**-**	2,260,158
Reclamation expense	**60,062**	57,432
Total adjustments	**73,220**	2,371,463
Adjusted net earnings (loss)	**268,669**	(403,303)

Cash cost per ounce sold is cost of sales before depreciation divided by gold ounces sold. All-in sustaining cash cost per ounce sold is cash cost, corporate administration, purchase of property, mill and equipment and purchase of exploration and evaluation assets divided by gold ounces sold.

The following table provides a reconciliation of cash cost per ounce sold and all-in sustaining cash cost per ounce sold for the years ended May 31, 2016 and 2015:

	For the year ended	
	May 31 2016	May 31 2015
Cost of sales	**21,159,053**	21,695,290
Less: Depletion and depreciation	**(3,833,983)**	(4,288,132)
Cash operating cost	**17,325,070**	17,407,158
Corporate administration	**2,630,745**	2,032,265
Purchase of property, mill and equipment	**3,079,646**	1,745,818
Purchase of exploration and evaluation assets	**1,346,567**	1,745,058
All-in cash cost	**24,382,028**	22,930,299
Gold ounces sold	**16,023**	15,821
Cash cost per ounce sold	**1,081**	1,100
All-in sustaining cash cost per ounce sold	**1,522**	1,449
(in USD$)		
Cash cost per ounce sold	**819**	951
All-in sustaining cash cost per ounce sold	**1,152**	1,315

EBITDA is earnings before finance expense, foreign exchange loss (gain), unrealized gain on forward sales contract derivative, share-based compensation, income tax recovery and depreciation and depletion.

Point Rousse Project EBITDA is EBITDA before corporate administration, other revenues and expenses and write down of Chilean assets.

The following table provides a reconciliation of EBITDA for the years ended May 31, 2016 and 2015:

	For the year ended	
	May 31 2016 $	May 31 2015 $
Net income (loss)	**195,449**	(2,774,766)
Add back:		
Finance expense	**3,573**	433
Foreign exchange gain	**(18,437)**	(11,927)
Unrealized loss on forward sales contract derivative	**31,595**	65,800
Share-based compensation	**240,952**	136,921
Deferred income tax expense (recovery)	**48,000**	(929,865)
Depletion and depreciation	**3,833,983**	4,288,132
EBITDA	**4,335,115**	774,728
Corporate administration	**2,630,745**	2,032,265
Other (revenues) and expenses	**70,541**	(240,238)
Write down of Chilean assets	**-**	2,260,158
Point Rousse Project EBITDA	**7,036,401**	4,826,913

Cautionary note regarding forward-looking information

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, mine development costs, unit costs, capital costs, timing of commencement of operations and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

Additional information and continuous disclosure

This MD&A has been prepared as at August 23, 2016. Additional information on the Company is available through regular filings of press releases, financial statements, and the Company's AIF, on SEDAR (www.sedar.com) and on the Company's website (www.anacondamining.com).

Management's responsibility

Management is responsible for all information contained in this MD&A. The Financial Statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the Financial Statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Company's Board of Directors has reviewed with management and approved the Financial Statements and this MD&A.

"Dustin Angelo"	*"Errol Farr"*
Dustin Angelo	Errol Farr
President and Chief Executive Officer	Chief Financial Officer