



Anaconda
Mining

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

**For the three months ended
August 31, 2016 and August 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 October 12, 2016. The MD&A of the operating results and financial condition of the Company for the three months ended August 31, 2016 (the "Quarter"), should be read in conjunction with the Company's condensed consolidated interim financial statements (the "Financial Statements") and the related notes thereto, and the Company's audited financial statements for the year ended May 31, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 Rouse Project ("Point Rouse") and an exploration/development project called the Viking Project ("Viking") in Newfoundland. The Company has been consistently producing gold at the Point Rouse Project since the summer of 2010. Point Rouse 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 Rouse consists of 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 Rouse 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.

The Company acquired the Viking Project in February 2016, which has 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 substantially increase production from the current approximately 16,000 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 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

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organic and corporate growth. As the only pure-play gold producer in the region, 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 three months ended August 31, 2016

- As at August 31, 2016, the Company had cash and cash equivalents of \$359,794 and net working capital of \$500,744.
- The Company sold 2,919 ounces of gold and generated \$4,919,737 in revenue at an average sales price of \$1,685 (USD\$1,299) per ounce.
- Cash cost per ounce sold at the Point Rousse Project was \$1,244 (USD\$959) (see Reconciliation of Non-GAAP Financial Measures); trailing 8 quarter average was \$1,100 (USD\$830) (See Unit cost analysis).
- All-in sustaining cash cost ("AISC") per ounce sold (see Reconciliation of Non-GAAP Financial Measures), including sustaining capital expenditures, the addition of production stripping assets and certain exploration and evaluation expenses was \$2,408 (USD\$1,856); trailing 8 quarter average was \$1,616 (USD\$1,219) (See Unit cost analysis).
- The Pine Cove Mill processed 99,441 tonnes of ore at an average rate of 1,130 tonnes per operating day.
- Mill availability, recovery and head grade were 96%, 86% and 1.17 g/t respectively.
- Mining operations at the Pine Cove pit produced 108,305 tonnes of ore and 890,120 tonnes of waste.
- EBITDA (see Reconciliation of Non-GAAP Financial Measures) at the Point Rousse Project and on a consolidated basis were \$1,287,567 and \$555,018 respectively.
- Net loss was \$379,565.
- Purchase of property, mill and equipment was \$795,402. Key items included tailings facility and polishing pond construction of \$696,000.
- Production stripping assets include additions of \$1,283,856.
- The Company completed 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.
- Exploration expenditures totaled \$759,850 and was spent on activities such as drilling, trenching, mapping and mineral resource estimates for the three months ended August 31, 2016.
- The Company completed 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.

Highlights subsequent to the three months ended August 31, 2016

- On September 8, 2016, the Company announced that it had completed its \$1.025 million mill automation project (the "Automation Project") at the Pine Cove Mill, which began in September 2015. During the implementation of the Automation Project, Anaconda applied for and received \$1.0M of financing (the "Financing") through two government programs; the Atlantic Canada Opportunities Agency ("ACOA") and the Department of Business, Tourism, Culture and Rural Development ("DBTCRD").

The Company obtained the Financing to fund specifically the Automation Project. The ACOA loan of \$500,000 is non-interest bearing and will be repayable in 60 equal installments commencing October 1, 2016. Per the terms of the ACOA loan agreement, the funds were received as reimbursement of paid qualifying expenditures, which occurred during the implementation of the Automation Project. The DBTCRD funding consists of a \$100,000 grant (non-repayable) and a \$400,000 loan, having an interest rate of 3%, which will be repayable in 60 monthly payments of \$7,187 commencing November 30, 2016. The DBTCRD funding was received on September 6, 2016.

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Overall performance

Net loss for the three months ended August 31, 2016 was \$379,565 (loss for the three months ended August 31, 2015 was \$184,919). The Company generated a gross margin of \$363,615 for the three months ended August 31, 2016 (\$409,000 for the three months ended August 31, 2015). Earnings over the comparative periods were negatively impacted as a result of lower gold sales of \$866,064 and higher milling costs of \$70,029. This was largely offset by lower mining costs of \$790,333 and depletion and depreciation expense of \$129,476. The Company generated positive EBITDA of \$555,018 for the three months ended August 31, 2016 (\$939,977 for the three months ended August 31, 2015). Cash flow from operations for the three months ended August 31, 2016 was \$36,681. Cash of approximately \$1.6 million was used in exploration activities and capital expenditures.

During the first quarter of fiscal 2017, the Company's operations were severely impacted by low grade as well as increased mining activities to meet the demand to place waste rock for the construction of the first phase of the second tailings storage facility. The mining department exceeded its operating budget in the first fiscal quarter and expects to complete construction of the tailings facility in the second quarter of fiscal 2017. The Company projects a reduction in mining costs for the remainder of the fiscal year, driven by lower tonnes mined as well as a reduced strip ratio. Grade is expected to increase in the second half of the fiscal year based on the mine plan. To offset the reduced grade currently being mined, the Pine Cove Mill has significantly increased throughput per operating day. The mill averaged 1,220 tonnes per operating day in August, 90 tonnes per operating day more than the quarterly average. Heading into the second quarter, the Company experienced even better results in the mill, achieving 1,340 tonnes per operating day in September.

Unit cost analysis

During the quarter ended August 31, 2016, cash cost per ounce of \$1,244 and was largely the result of the Company's low sales volume of 2,919 ounces. Aggregate costs were in line with historical levels for the past eight quarters, if not slightly lower. Sales volume was below 3,000 ounces primarily because of grade, which registered 1.17 g/t for the Quarter. Based on the tonnes processed and mill recovery for the Quarter, if the head grade were approximately 0.1 g/t higher, the Company would have generated an additional 400 ounces of production resulting in sales of approximately 3,300 ounces and a cash cost per ounce of approximately \$1,100, similar to the historical average over the past 8 quarters.

AISC per ounce of \$2,408 was not only impacted by low sales volume, but also by the high strip ratio of 8.2 : 1 for the Quarter. During the first quarter of fiscal 2017, the Company incurred \$1,283,856 in expenditures that were capitalized to the balance sheet under production stripping assets, which captures mining costs incurred for the portion of the strip ratio that is greater than the life of mine strip ratio. For the last three quarters (including the current period), the Company has been challenged by a high strip ratio relative to the life of mine average. The incremental mining costs of approximately \$2,750,000 (or \$265 per ounce) to remove additional waste is captured in production stripping assets. Nearly half of that expense was incurred in the first quarter of fiscal 2017 at a cost of approximately \$440 per ounce. Over a longer term horizon, the average quarterly AISC per ounce for the trailing eight quarters has been \$1,616.

For the remainder of fiscal 2017, the Company expects to see an improvement in AISC per ounce. Most of the improvement is expected in the second half of the fiscal year. Ore grade is projected to increase 15% to 20% from current levels and the strip ratio is expected to be 3.0 : 1 from January through May 2017. Also, phase one construction of the second tailings storage facility will be completed in the second quarter ended November 2016, which will help slow the rate of mining in the second half of the fiscal year. Lastly, exploration expenditures are expected to be lower in the third and fourth quarters of fiscal 2017 as the Company's 17,000-metre diamond drilling program will largely be completed by the end of the second quarter. Consequently, the Company expects cash cost per ounce to return to historical levels around \$1,100 per ounce and AISC per ounce to average approximately \$1,520 for the remaining three quarters of fiscal 2017.

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	August 31 2016 \$	Remaining 3 Quarters FY17 \$	Trailing 8 Quarters \$
Operating cash cost	3,632,170	13,460,204	33,917,002
Corporate administration	655,944	1,976,350	4,814,458
Purchase of property, mill and equipment	699,370	1,308,571	4,258,914
Purchase of exploration and evaluation assets	757,070	2,252,906	3,205,338
Additions to production stripping assets	1,283,856	285,000	3,610,565
All-in sustaining cash cost	7,028,411	19,283,031	49,806,277

	August 31 2016 \$/ oz sold	Remaining 3 Quarters FY17 \$/ oz sold	Trailing 8 Quarters \$/ oz sold
Gold sales - ounces	2,919	12,683	30,830
Operating cash cost	1,244	1,061	1,100
Corporate administration	225	156	156
Purchase of property, mill and equipment	240	103	138
Purchase of exploration and evaluation assets	259	178	104
Additions to production stripping assets	440	22	117
All-in sustaining cash cost	2,408	1,520	1,616

The Point Rouse Project

The Company owns 100% of the Point Rouse Project, which contains five mining leases totaling 1,053 hectares and 27 mining licenses totaling 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 Rouse Project contains an operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility.

Operations overview

During the three months ended August 31, 2016, the gold sales volume of 2,919 ounces represented a 26% decrease over the same period in fiscal 2016, largely due to a 28% decrease in grade. The decline in grade was partially offset by a 15% increase in average sales price for the three months ended August 31, 2016 of \$1,685 per ounce compared to \$1,463 per ounce during the same period in fiscal 2016. Driven by the decline in grade, gross revenue for the three months ended August 31, 2016 of \$4,919,737 was lower than the same period in fiscal 2016 by \$866,064 or 15%.

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Milling operations

The following table summarizes the key mill operating metrics for the three months ended August 31, 2016 and 2015:

OPERATING STATISTICS:	For the three months ended	
	August 31 2016	August 31 2015
Mill		
Operating days	88	86
Availability	96%	94%
Dry tonnes processed	99,441	96,532
Tonnes per 24-hour period	1,130	1,122
Grade (grams per tonne)	1.17	1.62
Overall mill recovery	86%	87%
Gold sales volume (troy oz.)	2,919	3,956

The Pine Cove mill operated for 88 days during the first quarter of fiscal 2017 at an availability rate of 96%, a 2% increase above the availability in the first quarter of fiscal 2016. The mill achieved an average run rate of 1,130 tonnes per operating day and processed 99,441 dry tonnes of ore during the quarter compared to 1,122 tonnes per operating day and 96,532 dry tonnes of ore in the first quarter of fiscal 2016. The mill was able to increase throughput per operating day each month throughout the first quarter of fiscal 2017. The Pine Cove Mill achieved an average of over 1,220 tonnes per operating day in August 2016. A focus on crushing and grinding metrics, aided by the recently completed mill automation project has been the main reason for the increased throughput. This improvement has continued into the second quarter with September achieving an average run rate of 1,343 tonnes per operating day. Average feed grade during the Quarter was 1.17 g/t, down from 1.62 g/t in the first quarter of fiscal 2016. The Company budgeted a decline in grade during the first half of fiscal 2017 and is projecting an improvement to the Pine Cove grade during the second half of the fiscal year. Overall mill recovery was 86%, compared to 87% in first quarter fiscal 2016.

Mining operations

The following table summarizes the key mining operating metrics for the three months ended August 31, 2016 and 2015:

OPERATING STATISTICS:	For the three months ended	
	August 31 2016	August 31 2015
Mine - Pine Cove Pit		
Operating days	83	78
Ore production (tonnes)	108,305	104,278
Waste production (tonnes)	890,120	642,828
Total production (tonnes)	998,425	747,106
Waste: Ore ratio	8.2	6.2

The mining operation at the Point Rouse Project operated for 83 days in the Quarter in the Pine Cove Pit. Total production was 108,305 tonnes of ore and 890,120 tonnes of waste. Total tonnes mined at the Pine Cove Pit were 34% higher compared to the first quarter of fiscal 2016 due to a higher strip ratio and the need for waste rock to construct the first phase of tailings storage facility II. The high strip ratio also resulted in the capitalization

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of \$1,283,856 in mining costs to production stripping assets. The Company is forecasting a reduction of total tonnes mined to approximately 250,000 per month from September through December at an average strip ratio of approximately 5.6:1, waste to ore. From January through May, total tonnes mined are expected to reduce further to approximately 170,000 tonnes per month at an average strip ratio of 3.3:1, waste to ore.

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.

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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 Rouse 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 Rouse 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 Rouse 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 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 including a final payment of \$175,000 upon commencement of commercial production. The Company has paid \$50,000 to date and can pay all remaining 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.

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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 Rouse by exploring and developing its mineral licenses and mining leases at the Point Rouse and Viking Projects. The Company is currently working on expanding the Stog'er Tight and Thor Deposits to extend the life of the Pine Cove Mill. It is also attempting to increase overall resources and reserves, by exploring and delineating potentially higher-grade deposits to blend with the relatively lower grade Pine Cove, Stog'er Tight and Thor ore.

In recent months, the Company refined its exploration strategy to focus on near-surface resource expansion as well as targeting relatively higher-grade mineral resources, compared to the Pine Cove Pit (1.8 g/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 to reach its goal of increasing annual production.

Consistent with this strategy, for the first quarter of fiscal 2017, 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 Rouse and Viking Projects which will focus on near-surface resource expansion as well as at four main areas – Argyle, Stog'er Tight, Goldenville and Viking.
- Completed phase I drilling at the Argyle prospect testing the depth extent and geometry of surface mineralization,
- Completed phase I drilling focusing on further discovery in area of the Stog'er Tight deposit,
- Initiated phase I drilling at the Goldenville area in search of a Nugget Pond deposit analog,
- Initiated phase I drilling at the Viking project focused on the discovery of new deposits.

The Point Rouse Project

During the course of Anaconda's exploration and development efforts at the Point Rouse Project, three primary gold trends have been identified within the Point Rouse 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 Rouse Project area has the potential to host resources which could allow the Company to realize its goal of doubling production. Recent exploration and development efforts 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 Argyle, Stog'er Tight and Goldenville.

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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 deposits ranging in reserve and resource grades of 1.8 g/t and 3.59 g/t respectively.

The Argyle Prospect

In August and September of 2016, the Company completed a 1,638 metre diamond drill program at the Argyle prospect. The drill program intersected gold mineralization in 17 of the 22 holes drilled, from near surface to a depth of approximately 70 metres. The results are highlighted by 6.09 grams per tonne over 8.9 metres in hole AE-16-11 and 4.50 g/t over 6.3 metres in hole AE-16-06.

The results of the Phase I drilling program indicate that the alteration zone hosting gold mineralization, dips shallowly northward at least 100 metres and along strike for 410 metres. Assays from the program indicate that gold mineralization occurs 33 metres vertically from surface and that the dip extends down to at least 80 metres. The alteration and mineralization zones are still open along strike and down dip.

The table below summarizes composited results from the Argyle Phase I Program:

Hole ID	From (m)	To (m)	Width (m)	Au g/t
AE-16-03	4.5	16.5	12.0	1.32
<i>including</i>	5.5	15.5	10.0	1.52
<i>and</i>	5.5	7.5	2.0	4.71
AE-16-04	3.1	6.0	2.9	1.02
AE-16-05	4.0	5.0	1.0	1.59
AE-16-06	3.7	10.0	6.3	4.35
<i>including</i>	4.2	9.0	4.8	5.58
AE-16-08	4.4	5.0	0.6	1.09
AE-16-09	23.4	28.0	4.6	1.42
<i>including</i>	25.0	28.0	3.0	1.95
AE-16-10	25.5	29.6	4.1	0.34
AE-16-11	35.0	43.9	8.9	6.09
<i>including</i>	37.0	43.9	6.9	7.67
AE-16-12	22.8	27.0	4.2	1.15
<i>including</i>	24.0	27.0	3.0	1.46
<i>and</i>	25.0	27.0	2.0	2.06
<i>and</i>	42.0	43.0	1.0	1.45
AE-16-13	22.8	23.4	0.6	0.57
AE-16-14	24.0	25.6	1.6	3.20
AE-16-15	34.0	37.0	3.0	0.74
AE-16-16	13.0	16.0	3.0	1.41
AE-16-17	43.0	45.1	2.1	1.25
AE-16-19	19.0	21.6	2.6	1.68
AE-16-20	18.0	32.0	14.0	2.05
<i>including</i>	28.0	32.0	4.0	4.86
AE-16-21	35.0	35.9	0.9	1.51

Holes AE-16-01 and -02 were drilled entirely within the footwall of the mineralized zone and did not contain any significant assays. Holes AE-16-07, -18 and -22 did not contain any significant assays.

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The Stog'er Tight Deposit and Surrounding Area

In August of 2016, the Company completed a 1,347 meters of diamond drilling in 18 holes (BN-16-265 to 282) the Stog'er Tight Project. Drilling was focused on the West Gabbro zone and the Cliff Zone, all within 2.5 km of the Stog'er Tight deposit. Results are pending for this drill program.

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 optioned from Seaside Realty. 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.

A 2,000 metre, phase I diamond drill program was initiated in September of 2016 and concluded in early October. The program was designed to test drill targets that have the potential to intersect significant gold mineralization. Results are pending for this drill program.

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.

No significant exploration field work was conducted during the first quarter of fiscal 2017.

Future Plans

Exploration plans at Point Rouse are focused on three key targets consistent with our search for higher-grade resources, Argyle, Stog'er Tight 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 prospects hosted in similar geology within an area 1.5 km by 0.5 km of the current resource. Future work will consist of modelling the results of the phase I drill program and determining further plans for exploration and development of resources.

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. Initial drill results indicate that mineralization extends at depth. Future work on the Argyle prospect will include a ground magnetic geophysical survey, further drilling and geological modelling of the results of the phase I drill program.

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. Future plans at Goldenville include the evaluation and interpretation of data acquired during the phase I drill program.

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

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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 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

Exploration efforts during the Quarter on the Viking project were focused on the discovery of further resources near the Thor deposit as well as in three other areas within 3 km of the Thor deposit known as Thor's Cross, the Viking trend and Kramer. Geological mapping was conducted at all four areas and channel sampling was completed at Kramer. The Company conducted a phase I, 3,937 metre diamond drill program in four areas of the Viking project including Thor North, Thor South, Thors Cross and the Viking Trend. Assays for the phase I program are pending and will be assessed for their geological significance.

The Viking project is the first step out from the Point Rousse Project and adds significant resources to the Company's portfolio within striking distance of the Pine Cove Mill. The intent of the Company is to process any ore mined from this 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 mineral resource estimate referenced above is taken from a technical report filed on SEDAR titled "NI 43-101 Technical Report and Mineral Resource Estimate on the Thor Deposit, Viking Project, White Bay Area, Newfoundland and Labrador, Canada" with an effective date of August 29, 2016. The Technical Report was authored by independent qualified persons David A. Copeland, M.Sc., P.Ge., (an independent consultant), Shane Ebert, Ph.D., P.Ge. (an independent consultant) and Gary Giroux, M.A.Sc., P.Eng. (Giroux Consultants Ltd.). The mineral resource estimate of the Thor Deposit is based on 109 diamond drill holes totaling 15,574 metres 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 2.5 metre intervals and a block model with 5 metre x 5 metre x 5 metre block size was created. Gold grades were interpolated into all blocks, by a combination of ordinary and indicator kriging.

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 three months ended August 31, 2016

Revenue

For the three months ended August 31, 2016, the Company generated \$4,919,737 in revenue, a 15% decrease from the three months ended August 31, 2015. This was driven by a planned decline in grade from 1.62 g/t to 1.17 g/t. The decrease in ounces sold was partially offset by a realized gold price increase of 15% from \$1,463 to \$1,685 per ounce sold.

Cost of sales and gross margin

For the three months ended August 31, 2016, cost of sales was \$4,556,122 yielding a gross margin of \$363,615 compared to the same period in fiscal 2016, which generated cost of sales of \$5,376,801, yielding a gross

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margin of \$409,000. Gross margin was negatively impacted as a result of lower gold sales of \$866,064 and higher milling costs of \$70,029. This was largely offset by lower mining costs of \$790,333 and depletion and depreciation expense of \$129,476. Milling costs were higher due to increased mill maintenance. Mining costs are lower driven by the decrease in gold production during the three months ended August 31, 2016 compared to the same period in fiscal 2016. Depletion and depreciation expense decreased due to lower unit-of-production expense related to 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 August 31, 2016, administrative expenses totaled \$655,944 compared to \$497,144 in the similar period of fiscal 2016. The increases in corporate expenses are associated with the Company's continued public relations/awareness campaign, due diligence costs and legal fees and accrued personnel costs.

Finance expense

Finance expenses of \$50,214 include costs related to the Auramet gold financing agreement and costs associated with the surety bond for the decommissioning liability.

Net loss

Net loss for the three months ended August 31, 2016, was \$379,565 compared with a net loss for the three months ended August 31, 2015, of \$184,919. The decrease in net income is largely due to an increase in corporate admin expenses.

Exploration and evaluation assets

For three months ended August 31, 2016, the Company spent \$759,850 at Point Rousse on exploration and Viking. The Company's exploration initiatives included publishing a 43-101 Technical Report on the Viking Project that included a Mineral Resource Estimate at the Thor Deposit, commenced drilling activities at Stog'er Tight, Argyle, Goldenville and Viking.

Summary of quarterly results

	August 31	May 31	February 29	November 30
	2016	2016	2016	2015
	\$	\$	\$	\$
Total assets	32,217,230	30,870,912	28,828,238	29,102,166
Decommissioning liability	1,878,430	1,867,899	1,356,438	1,341,423
Loans	424,754	409,447	399,265	179,231
Shareholders' equity	25,337,012	23,855,707	23,688,886	24,143,732
Total revenues	4,919,737	6,789,532	4,988,063	6,798,075
Net income (loss)	(379,565)	238,325	(623,997)	766,040
Net income (loss) per share - basic ²	(0.002)	0.001	(0.003)	0.004
Net income (loss) per share - fully-diluted ²	(0.002)	0.001	(0.003)	0.004

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	August 31 2015 \$	May 31 2015 \$	February 28 2015 \$	November 30 2014 \$
Total assets	27,661,563	27,721,558	27,214,596	27,306,850
Decommissioning liability	1,316,435	1,311,393	1,297,035	1,282,677
Loans	62,844	42,404	47,167	52,223
Shareholders' equity	23,291,111	23,395,221	22,691,978	22,786,279
Total revenues	5,785,801	5,657,526	6,266,754	4,798,179
Net income (loss) ¹	(184,919)	685,340	(114,122)	(3,170,174)
Net income (loss) per share - basic ²	(0.001)	0.004	(0.001)	(0.018)
Net income (loss) per share - fully-diluted ²	(0.001)	0.004	(0.001)	(0.018)

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

²In 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 August 31, 2016, the Company had cash and cash equivalents of \$359,794 (May 31, 2016 - \$1,636,161) and net working capital of \$500,744 (May 31, 2016 - \$819,322), an accumulated deficit of \$10,411,644 (May 31, 2015 - \$10,042,429) and positive cash flow from operations for the three months ended August 31, 2016 of \$36,681 (three months ended August 31, 2015 - \$868,522).

The Company's principal source of cash during the periods were sales of gold production from Point Rouse and the completion of a \$2,037,265 flow-through financing in July, 2016. 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 three months ended August 31, 2016, the Company generated cash flow from operations of \$36,681. Trade and other receivables decreased by \$549, HST recoverable decreased by \$138,697, prepaid expenses and deposits increased by \$7,285, inventory balances increased by \$827,975 as a result of timing of gold dore sales and increases ore held in stockpiles, and trade and other payables increased by \$145,105.

Investing activities

Changes to investing activities during the three months ended August 31, 2016, were:

- Additions to property, mill and equipment of \$795,402 included tailings facility and polishing pond construction;
- Additions to exploration and evaluation assets of \$759,850 related to exploration programs;
- Additions to production stripping assets of \$1,283,856.

Financing activities

During the three months ended August 31, 2016, the Company received cash of \$2,037,265 in proceeds from a flow-through financing agreement in which \$246,372 was paid for issuance costs. A government loan of \$50,000 was also received. Bank loans were repaid in the amount of \$1,930 and \$9,865 was repaid on two capital leases. A \$303,038 change in unearned revenue was recognized related to a gold financing agreement.

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As at August 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 \$4,254,982 as at August 31, 2016. In addition, the Company has a gold financing agreement, a government loan, bank loan and two capital leases.

Subsequent event

On September 8, 2016, the Company announced a \$500,000 financing associated with the Automation Project through the Department of Business, Tourism, Culture and Rural Development ("DBTCRD"). The DBTCRD funding consists of a \$100,000 grant (non-repayable) and a \$400,000 loan, having an interest rate of 3%, which will be repayable in 60 monthly payments of \$7,187 commencing November 30, 2016. The DBTCRD funding was received on September 6, 2016.

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 three months ended	August 31 2016 \$	August 31 2015 \$
Salaries and short term benefits ¹	181,659	151,965
Share based payments ²	38,944	52,546
	220,603	204,511

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

² Includes share based payments vested during the period

As at August 31, 2016, included in trade and other payables is \$46,500 (August 31, 2015 - \$42,750) 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 operating 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 and/or warrants, 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

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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 August 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, 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.

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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 Rouse 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.

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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.

Changes in accounting policies and initial adoption

During the Quarter, the Company adopted the following new accounting policies:

Fair value of the warrants issued with common shares

Proceeds from unit placements are allocated between shares and warrants issued using the residual method to determine the fair value of warrants issued. Proceeds are first attributed to the shares according to the fair market value at the time of issuance and any residual amount is allocated to the warrants.

Fair value of the warrants issued to brokers

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and record a debit in share issue expenses with a corresponding credit to warrants.

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.

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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 \$22,642 at August 31, 2016.

Liquidity risk

As at August 31, 2016, the Company had net working capital of \$500,744. 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 August 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

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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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.

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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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. 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

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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

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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 October 12, 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 August 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.

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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 August 31, 2016.

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

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The following table provides a reconciliation of adjusted net earnings for the three months ended August 31, 2016 and 2015:

	For the three months ended	
	August 31	August 31
	2016	2015
	\$	\$
Net loss	(379,565)	(184,919)
Adjusting items:		
Foreign exchange gain	(9)	2,851
Unrealized loss on forward sales contract derivative	(25,790)	2,808
Reclamation expense	10,531	5,042
Total adjustments	(15,268)	10,701
Adjusted net earnings (loss)	(394,833)	(174,218)

Cash cost per ounce sold is cost of sales from the period before depreciation divided by the number of ounces of gold sold in the period. AISC per ounce includes total cash costs plus the sum of corporate administrative expenses, sustaining capital expenditures, the addition of production stripping assets and certain exploration and evaluation expenses, all divided by the number of ounces sold in the period. This measure seeks to reflect the full cost to sustain the current level of gold production from the Company's operations. Certain other cash expenditures, including income tax payments and financing costs are not included. Certain prior period amounts included in the calculation of AISC have been changed to conform to the presentation adopted in the current period.

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

	For the three months ended	
	August 31	August 31
	2016	2015
Cost of sales	4,556,122	5,376,801
Less: Depletion and depreciation	(923,952)	(1,053,428)
Cash operating cost	3,632,170	4,323,373
Corporate administration	655,944	497,144
Purchase of property, mill and equipment	699,370	651,267
Purchase of exploration and evaluation assets	757,070	322,190
Additions to production stripping assets	1,283,856	414,397
All-in cash cost	7,028,411	6,208,370
Gold ounces sold	2,919	3,956
Cash cost per ounce sold	1,244	1,093
All-in sustaining cash cost per ounce sold	2,408	1,569
<i>(in USD\$)</i>		
Cash cost per ounce sold	959	856
All-in sustaining cash cost per ounce sold	1,856	1,229

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.

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

The following table provides a reconciliation of EBITDA for the three months ended August 31, 2016 and 2015:

	For the three months ended	
	August 31	August 31
	2016	2015
	\$	\$
Net loss	(379,565)	(184,919)
Adjustments:		
Finance expense	50,214	-
Foreign exchange (gain) loss	(9)	2,851
Unrealized (gain) loss on forward sales contract derivative	(25,790)	2,808
Share-based compensation	69,977	80,809
Deferred income tax recovery	(34,000)	(15,000)
Depletion and depreciation	923,952	1,053,428
EBITDA	604,779	939,977
Corporate administration	655,944	497,144
Other expenses	26,844	25,307
Point Rouse Project EBITDA	1,287,567	1,462,428

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 October 12, 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).

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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"

Dustin Angelo
President and Chief Executive Officer

"Errol Farr"

Errol Farr
Chief Financial Officer