



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

**For the three and six months ended  
November 30, 2015 and November 30, 2014**  
(Expressed in Canadian Dollars)

# ANACONDA MINING INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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*This management discussion and analysis ("MD&A") has been prepared based on information available to Anaconda Mining Inc. ("Anaconda" or the "Company") as at January 7, 2016. The MD&A of the operating results and financial condition of the Company for the three months ended (the "Quarter") and the six months ended November 30, 2015, 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, 2015, 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](http://www.anacondamining.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).*

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### 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. The Company owns 100% of the Point Rouse Project, located on the Ming's Bight Peninsula, which is situated within the larger Baie Verte Mining District on the north-central part of Newfoundland. The project has been consistently producing gold since the summer of 2010 after completing an upgrade to its milling infrastructure. Mill throughput is currently approximately 1,150 tonnes per day with a recovery rate of 85-87% at an average grade of 1.6 grams per tonne ("g/t"). The Point Rouse Project includes approximately 660 hectares of original mining rights, containing an open pit mining operation and complete mill infrastructure capable of producing over 16,000 ounces of gold in dore bars annually (the "Pine Cove Mine"). 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 strike length and containing several gold deposits and zones.

#### Strategy

The Company's strategy at the Point Rouse Project is to double production from the current 15,000 ounces to approximately 30,000 ounces of gold per year. Anaconda expects to develop multiple deposits similar in size and style to the current Pine Cove pit as well as other higher-grade deposits. To accomplish this strategy, the Company will attempt to develop two styles of mineralization: (1) more Pine Cove-like pits (i.e. Stog'er Tight) that provide bulk tonnage at roughly 2 g/t to support the baseload production at the mill and to extend the life of the project, and (2) high-grade veins like Romeo & Juliet, Deer Cove and, possibly, Goldenville that can be blended with the Pine Cove pit feed (or future Pine Cove-like pits) at a lower incremental cost while increasing the overall head grade.

On a larger scale, the Company's vision is to become a prominent junior gold mining company in North America, initially focusing on Atlantic Canada, with annual production of approximately 100,000 ounces per year via organic and corporate growth. As the only pure play gold producer in the region, the Company feels it is well positioned to lead a consolidation effort in Atlantic Canada. Anaconda has a track record of success, an experienced workforce and a flagship asset, all of which serve as the platform for future growth.

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### Highlights for the three and six months ended November 30, 2015

- As at November 30, 2015, the Company had cash and cash equivalents of \$972,479 and net working capital of \$2,473,693.
- For the three months ended November 30, 2015, the Company sold 4,605 ounces of gold, a quarterly sales volume record, and generated \$6,798,075 in revenue at an average sales price of \$1,476 per ounce.
- For the six months ended November 30, 2015, the Company sold 8,561 ounces of gold and generated \$12,583,876 in revenue at an average sales price of \$1,470 per ounce.
- Cash cost per ounce sold at the Pine Cove Project for the three and six months ended November 30, 2015 was \$913 and \$996 per ounce respectively.
- All-in sustaining cash cost per ounce sold ("AISC") (see Reconciliation of Non-GAAP Financial Measures), including corporate administration, capital expenditures and exploration costs for the three and six months ended November 30, 2015 was \$1,364 and \$1,424 per ounce respectively.
- The mill processed 1,181 tonnes of ore per operating day for the three months ended November 30, 2015.
- The overall recovery in the mill for the three and six months ended November 30, 2015 was 87%.
- At the Pine Cove Project, EBITDA (see Reconciliation of Non-GAAP Financial Measures) for the three and six months ended November 30, 2015 was \$2,594,851 and \$4,057,279 respectively.
- On a consolidated basis, EBITDA for the three and six months ended November 30, 2015 was \$2,032,078 and \$2,972,055, respectively.
- Net income for the three and six months ended November 30, 2015 was \$766,040 and \$581,121 respectively.
- Purchase of property, mill and equipment for the six months ended November 30, 2015 was \$1,804,419. Key items included mill automation and equipment upgrades of \$590,000, tailing expansion costs of \$346,000, polishing pond construction of \$221,000, construction of ore shed enclosure of \$203,000 and development costs of \$380,000.
- Production stripping assets for the six months ended November 30, 2015 include additions of \$414,397 and amortization of \$37,258.
- Approximately \$814,000 was spent at the Point Rousse Project on exploration for the six months ended November 30, 2015. The Company's exploration initiatives included publishing a 43-101 Technical Report outlining mineral resources at the Stog'er Tight and Pine Cove deposits, a trenching program adjacent to the Stog'er Tight deposit to expose near surface mineralization, geological mapping and trenching program at the Argyle zone and drilling at the Pine Cove Pond area adjacent to the Pine Cove pit.

### Overall performance

The Company generated gross margin of \$1,335,770 for the three months ended November 30, 2015 (negative gross margin of \$339,455 for the three months ended November 30, 2014). Compared to the similar period in fiscal 2015, gross margin was positively impacted as a result of higher gold sales of \$1,999,896, lower milling costs of \$108,835 and lower net smelter royalty expense of \$142,131. This was partially offset by higher mining costs of \$231,582 and higher depletion and depreciation of \$306,158. Net income for the three months ended November 30, 2015 was \$766,040 (net loss of \$3,170,174 for the three months ended November 30, 2014, which was largely due to a write down of Chilean assets of \$2,260,158). The Company generated positive EBITDA of \$2,032,078 for the three months ended November 30, 2015 (negative EBITDA of \$2,144,500 for the three months ended November 30, 2014). EBITDA for the three months ended November 30, 2014 was \$115,658, excluding the write down of Chilean assets. Cash flow from operations for the three months ended November 30, 2015 was \$1,119,575. Cash of approximately \$1.5 million was used in exploration activities and capital expenditures.

Net income for the six months ended November 30, 2015 was \$581,121 (loss for the six months ended November 30, 2014 was \$3,345,984 largely due to a write down of Chilean assets of \$2,260,158). The Company generated a gross margin of \$1,744,770 for the six months ended November 30, 2015 (negative



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gross margin of \$355,872 for the six months ended November 30, 2014). Earnings were positively impacted as a result of higher gold sales of \$2,274,085, lower milling costs of \$323,945 and lower net smelter royalty expense of \$306,902. This was partially offset by higher mining costs of \$482,535 and higher depletion and depreciation of \$278,953. The Company generated positive EBITDA of \$2,972,055 for the six months ended November 30, 2015 (negative EBITDA of \$1,279,328 for the six months ended November 30, 2014). EBITDA for the six months ended November 30, 2014 was \$980,830, excluding the write down of Chilean assets. Cash flow from operations for the six months ended November 30, 2015 was \$1,988,097. Cash of approximately \$2.6 million was used in exploration activities and capital expenditures.

### **The Point Rouse Project**

The Company owns 100% of the Point Rouse Project, which contains five mining leases totaling 1,053 hectares and 28 mining licenses totaling approximately 5,263 hectares not accounted for within the mining leases. The mining leases were optioned from Tenacity Gold Mining Company Ltd. ("Tenacity") and 1512513 Alberta Ltd. ("Alberta"), 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 current operating area of the Point Rouse Project comprises two contiguous mining leases (the "Pine Cove Lease Area") acquired from Tenacity totaling 660 hectares that contain the operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility. It 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 November 30, 2015, the Company has determined it has approximately \$36 million in expenditures deductible against future receipts.

### **Operations overview**

During the three months ended November 30, 2015, the gold sales volume of 4,605 ounces represented a 34% increase over the same period in fiscal 2015, due to increased mill throughput, grade and recovery. Ore tonnes processed increased from 85,515 ore tonnes to 95,629, a 12% increase compared to the three months ended November 30, 2014. Grade for the three months ended November 30, 2015 was 1.66 g/t, a 4% increase from the same period in fiscal 2015. Recovery also increased from 85% to 87% period over period. Average sales price for the three months ended November 30, 2015 was \$1,476 per ounce compared to \$1,398 per ounce the same period in fiscal 2015. As a result of the higher sales volume, gross revenue for the three months ended November 30, 2015 of \$6,798,075 was higher period over period by \$1,999,896 or 42%.

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The following table summarizes the key operating metrics for the three and six months ended November 30, 2015 and 2014:

OPERATING STATISTICS:	For the three months ended		For the six months ended	
	November 30 2015	November 30 2014	November 30 2015	November 30 2014
<b>Mill</b>				
Operating days	81	81	167	168
Availability	88%	88%	91%	92%
Dry tonnes processed	95,629	85,515	192,161	169,297
Tonnes per 24-hour period	1,181	1,056	1,151	1,008
Grade (grams per tonne)	1.66	1.60	1.64	1.70
Overall mill recovery	87%	85%	87%	85%
Gold sales volume (troy oz.)	4,605	3,431	8,561	7,364
<b>Mine</b>				
Operating days	64	63	142	127
Ore production (tonnes)	105,947	77,489	210,225	166,728
Waste production (tonnes)	529,718	457,387	1,172,546	949,427
Total production (tonnes)	635,665	534,876	1,382,771	1,116,155
Waste: Ore ratio	5.0	5.9	5.6	5.7

### Milling operations

The Pine Cove mill operated for 81 days during the second quarter of fiscal 2016 at an availability rate of 88% (which included an eight-day mill shutdown for scheduled annual maintenance). For the three months ended November 30, 2015, the mill processed 95,629 dry tonnes of ore at an average head grade of 1.66 grams per tonne. Overall mill recovery was 87%, compared to 85% in the second quarter of fiscal 2015. The mill's run rate for the quarter was 1,181 tonnes per operating day versus 1,056 in the same period in the previous fiscal year, a 12% increase.

During the second quarter of fiscal 2016, the mill had its annual scheduled shutdown for an eight-day maintenance program. During the shutdown, the primary ball mill was relined, repairs were completed on the ball mill electric motor, new feed boxes were installed and several components were installed for the mill automation project. The repairs to the ball mill motor enabled it to start up with a higher ball charge, which helped improve throughput in November to a new monthly high of 1,212 tonnes per operating day.

### Mining operations

The mine operated for 64 days in the second quarter of fiscal 2016 producing 105,947 tonnes of ore and 529,718 tonnes of waste. Mining production increased 19% in the second quarter of fiscal 2016 compared to the second quarter of fiscal 2015 to accommodate the increased levels of throughput at the Pine Cove mill.

### Option Agreements

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 \$125,000 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



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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 near its Pine Cove Mine. 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 near its Pine Cove Mine. 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 near its Pine Cove Mine. The Duffitt and Strong Property is contiguous with and now inclusive in the Point Rousse Project. The DS Agreement requires the Company to pay to Duffitt and Strong \$20,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of \$125,000. The DS Agreement also entitles Duffitt and Strong to an NSR of 3% to an aggregate sum of \$3 million; following this, and after 200,000 ounces of gold has been sold from the Duffitt and Strong Property, Duffitt and Strong is then entitled to a 1% NSR.

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

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

On August 4, 2015, the Company entered into an option agreement with Seaside to acquire a 100%-undivided interest in one mining lease (the "**Corkscrew Property**"), totaling 346 hectares contiguous with the Point Rousse Project and is required to make aggregate payments to Seaside of \$75,000 (\$25,000 paid at closing) over a two-year period. Any future gold production from Corkscrew will be subject to a 2% net smelter royalty, capped at \$2,000,000.



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### Exploration

The Company is pursuing a strategy to leverage the existing infrastructure at the Point Rouse Project by exploring and developing its mineral licenses and mining leases in search of two general mineralization styles: Pine Cove-like, quartz-carbonate-pyrite hosted (2+ g/t) mineralization (baseload production sources) and higher grade (5+ g/t) quartz vein  $\pm$  carbonate  $\pm$  pyrite mineralization. The Company is working on expanding the current Pine Cove pit resource and bringing the Stog'er Tight deposit into production to extend the life of the Point Rouse Project beyond its current three plus years. Anaconda is also exploring and delineating potentially higher-grade deposits such as Romeo & Juliet to blend with relatively lower grade Pine Cove and Stog'er Tight ore. With the high grade "layer" and a marginal increase to throughput, the Company expects to increase annual production to approximately 30,000 ounces. The Company envisions creating an operating complex on the Ming's Bight Peninsula with multiple pits and trucking the ore back to the Pine Cove mill.

Consistent with this strategy, in the quarter ended November 30, 2015, the Company has made the following advances in exploration:

- Published a 43-101 Technical Report outlining mineral resources at the Stog'er Tight and Pine Cove deposits;
- Conducted a trenching program adjacent to the Stog'er Tight deposit to expose near surface mineralization;
- Conducted a geological mapping and trenching program at the Argyle zone;
- Conducted drilling at the Pine Cove Pond area adjacent to the Pine Cove pit.

During the course of Anaconda's exploration and development efforts, three primary gold trends have been identified within the Point Rouse Project area, 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 could double production and continue for 10 years or more. Exploration and development efforts during the past year has focused entirely on implementing this strategy by focusing on extending the baseload production centered on Pine Cove and Stog'er Tight, as well as evaluating a potential high-grade gold source at Romeo & Juliet and advancing grass roots projects at Goldenville and Argyle.

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 Pine Cove and Stog'er Tight deposits and recent exploration work on these deposits.

### The Scrape Trend

The Scrape Trend consists of a belt of highly prospective rocks approximately 7 kilometres long and approximately 1 to 2 kilometres wide. It begins southwest of the Pine Cove mine site 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 coincident with a broad. The Scrape Trend hosts both baseload and high-grade styles of mineralization.

### The Stog'er Tight and Pine Cove Resource Calculation

On October 22, 2015, the Company announced the results of a 43-101 compliant mineral resource estimate at the Stog'er Tight and Pine Cove deposits. These resource calculations represent an important step in the Company's strategy to extend the life of the Point Rouse Project. With these new resource calculations, the Company is beginning to build a portfolio of ounces and demonstrate the potential of the Point Rouse Project.



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The following tables summarize the Mineral Resources and reserves estimate for the Point Rousse Project:

<b>Stog'er Tight Resources<sup>1</sup></b>				
<b>Category</b>	<b>Cut-Off (g/t)</b>	<b>Tonnes</b>	<b>Grade (g/t)</b>	<b>Ounces of gold</b>
Indicated	0.8	204,100	3.59	23,540
Inferred	0.8	252,000	3.27	26,460

<b>Pine Cove Resources<sup>2</sup></b>				
<b>Category</b>	<b>Cut-Off (g/t)</b>	<b>Tonnes</b>	<b>Grade (g/t)</b>	<b>Ounces of gold</b>
Indicated	0.7	1,499,500	1.61	77,390
Inferred	0.7	220,700	1.59	11,260

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

<sup>1</sup> – Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability

<sup>2</sup> – The Pine Cove Resource statement includes the Pine Cove Reserves

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

The Pine Cove deposit generally trends easterly and consists of a series of stacked mineralized zones across 350 metres that vary in strike length from 25 to 250 metres. Mineralization extends down dip for approximately 800 metres, though approximately 300 metres of the dip extent has been excluded from the current resource estimate since it is not currently feasible for open-pit mining because of its depth (between 175 and 300 metres from surface). The deposit is characterized by carbonate, quartz, pyrite, albite alteration with gold occurring with pyrite. The deposit has been continually mined since 2009 with a current production rate of approximately 15,000 ounces per year.

*The Stog'er Tight Trenching Program*

On December 17, 2015, the Company announced the results of its fall exploration program on the Stog'er Tight deposit. The program was focused on continuing to expand mineral resources along strike and adjacent to the Stog'er Tight deposit. The program included the excavation of 6 trenches and the collection of 219 one-metre channel samples in the East, West and Gabbro zones following up on historical mapping and trenching that indicated the presence of mineralization.

The primary goal of the program was to test the hypothesis that the East and West zones are continuous with the Stog'er Tight deposit at surface and that the East Gabbro zone is a separate zone of mineralization. The deposit has a known, near-surface strike length of approximately 300 metres. The results of the trenching and channel sampling program indicate that the East zone mineralization is contiguous with the Stog'er Tight deposit over a distance of 100 metres. The West zone was confirmed to contain mineralization over a strike length of at least 80 metres, but appears to be offset by approximately 25-40 metres along a fault south of the main trend of the deposit. Consequently, the strike length of mineralization exposed at surface at Stog'er Tight, including

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the deposit and the East and offset West zones, is now approximately 480 metres. Trenches across the East Gabbro zone intersected alteration, but did not produce appreciable gold grades. The table below summarizes the composited grades associated with the trenching and channel sampling program.

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

Composites are 80-95% of true thickness.

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

### The Argyle Zone Trenching Program

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

### Drilling at the Pine Cove Deposit

On November 16, 2015 the Company announced it initiated a targeted exploration program consisting of 1,000 metres of diamond drilling adjacent to the Pine Cove deposit focused on the southern margins of the mine in an area known as Pine Cove Pond. The goal of the drill program was to expand near-surface mineral resources at the Pine Cove mine adjacent to the current ultimate pit design. Geological and geophysical data indicate that the Pine Cove Pond area may contain the easterly and westerly continuation of the southern portion of the Pine Cove deposit.

### **The Goldenville Trend**

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



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No exploration field work was conducted during the three months ended November 30, 2015.

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

No exploration field work was conducted during the three months ended November 30, 2015. The Company plans to update the deposit model with the most recent drill results and assess the deposits ability to be developed and included within the mine plan as a source of high-grade ore.

### **Completed and anticipated fiscal 2016 exploration work**

Anaconda continues to pursue its strategy of leveraging the existing infrastructure at the Point Rouse Project by exploring and developing its mineral licenses and mining leases in search of the two general mineralization styles. The Company is attempting to demonstrate a minimum of 10 years of baseload production as well as develop a high-grade deposit to layer with the baseload to ultimately expand production to 30,000 ounces per year. Work in fiscal 2016 continues to focus on the Pine Cove and Stog'er Tight deposits with ancilliary work on other projects such as Romeo and Juliet and the Argyle zone.

The goal at the Pine Cove deposit is to outline at least three more years of production by focusing on the Northwestern Extension and Pine Cove Pond areas. In fiscal 2016, the Company has conducted drilling programs within the Northwestern Extension and, more recently, the Pine Cove Pond areas. Following the evaluation of the Pine Cove Pond drilling and deposit modelling, the Company will evaluate the potential to bring mineralization within these areas into the mine plan and if further work is required to expand or better define these areas of mineralization.

The goal at the Stog'er Tight deposit is to outline and begin development of at least five years of production. Consistent with this goal, the Company conducted a stripping and channel sampling program to expose and characterize the deposit and the associated geology. This was followed up with a small drill program to test the extents of mineralization adjacent to the deposit. Plans were also developed to conduct metallurgical test work and to take a bulk sample for processing at the Pine Cove mill. Following a resource calculation the Company began work to expand on that resource by testing the limits of surface exposures of mineralization along strike from the deposit and also within adjacent areas. Based on the success of the most recent trenching, the Company is planning a drill program to test the down dip extents of mineralization exposed at surface, outside of the current resource.

The Company plans to further evaluate the resource potential at the Romeo & Juliet prospect and the Argyle zone. At the Romeo and Juliet prospect, the Company has the goal of demonstrating the potential to host five years of production as a high-grade (5+ g/t) source of gold that can be processed with the baseload production. At Romeo & Juliet, an in-house resource calculation and review of historical ground induced polarization data is planned to determine and develop drill targets with the goal of growing potential resources. Planned work on the Argyle zone includes the evaluation of recent trenching and channel sample data. If warranted, plans will be developed to further test the Argyle zone.

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

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

### **Results of operations**

**For the three months ended November 30, 2015**

#### **Revenue**

For the three months ended November 30, 2015, the Company generated \$6,798,075 in revenue at an average sales price of \$1,476 per ounce. The Company sold 4,605 gold ounces, a new quarterly record. Revenue and gold ounces sold increased by 42% and 34% respectively from the same quarterly period in fiscal 2015, largely due to increased mill throughput, grade, recovery and gold price. Ore tonnes processed increased from 85,515 ore tonnes to 95,629, a 12% increase compared to the second quarter of fiscal 2015. Grade and recovery also increased 4% and 2% respectively quarter over quarter.

#### **Cost of sales and gross margin**

For the Quarter, cost of sales was \$5,462,305 yielding a gross margin of \$1,335,770 compared to the same period in fiscal 2015, which generated a cost of sales of \$5,137,634, yielding negative gross margin of \$339,455. The difference in gross margin for the Quarter and the same period in fiscal 2015 is attributed to higher sales of \$1,999,896, lower milling costs of \$108,835 and lower net smelter royalty expense of \$142,131. This was offset by higher mining costs of \$231,582 and higher depletion and depreciation of \$306,158. Mill expenses decreased due to lower maintenance and hydro expenses. The net smelter royalty expense decreased as the obligation was fulfilled during fiscal 2015. Mining costs increased due to a rise in mine production to maintain higher level of ore supply to the mill. Depletion and depreciation increased due to a change in reserve base and capital asset additions for the three months ended November 30, 2015.

#### **Administrative expenses**

Corporate administration expenses consist of consulting/professional fees, corporate salaries/benefits, office and general expenses, travel and regulatory related costs. For the Quarter, administrative expenses totaled \$546,286, a 16% increase compared to the same period in fiscal 2015 due to increased investor relations expense and salaries.

#### **Other revenues and expenses**

Other expenses for the Quarter were \$16,487 to record accounting and legal costs associated with the Company's Chilean iron ore assets, in line with the same period in fiscal 2015 of \$25,480.

#### **Net income**

Net income for the Quarter was \$766,040 compared with the net loss of \$3,170,174 for the three months ended November 30, 2015. The increase of net income is largely due to an increase in gross margin of \$1,675,225 and a write down of Chilean assets in the same period in fiscal 2015 of \$2,260,158.

#### **Exploration and evaluation assets**

For the Quarter, the Company spent approximately \$490,000 in exploration expenditures at the Point Rouse Project.

# ANACONDA MINING INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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For the six months ended November 30, 2015

### Revenue

For the six months ended November 30, 2015, the Company generated \$12,583,876 in revenue at an average sales price of \$1,470 per ounce. Revenue and gold ounces sold increased by 22% and 16% respectively from the same period in fiscal 2015. This was driven by an increase in gold price of 5% and throughput of 14%.

### Cost of sales and gross margin

For the six months ended November 30, 2015, cost of sales was \$10,839,106 yielding a gross margin of \$1,744,770 compared to the same period in fiscal 2015, which generated a cost of sales of \$10,665,663, yielding a gross deficit of \$355,872. The difference in cost of sales between the six months ended November 30, 2015 and the same period in fiscal 2015 is attributed to lower milling costs of \$323,945 and lower net smelter royalty expense of \$306,902. This was offset by higher mining costs of \$482,535 and higher depletion and depreciation of \$278,953. Lower milling costs are largely a result of reduced maintenance expenses and grinding media cost. The net smelter royalty expense decreased as the obligation was fulfilled during fiscal 2015. Mining costs increased due to higher drilling and blasting costs to provide additional ore to the mill as well as increased pumping costs as operations got deeper in the pit. Depletion and depreciation increased due to a change in reserve base and capital asset additions during the six months ended November 30, 2015.

### Administrative expenses

Corporate administration expenses consist of consulting/professional fees, corporate salaries/benefits, office and general expenses, travel and regulatory related costs. For the six months ended November 30, 2015, administrative expenses totaled \$1,043,430 compared to \$976,826 for the same period in fiscal 2015 and was lower primarily due to increased investor relations expense and salaries.

### Other revenues and expenses

Other expenses for the six months ended November 30, 2015 were \$41,794 to record accounting and legal costs associated with the Company's Chilean iron ore assets. Other revenues from the Company's Chilean iron ore properties for the six months ended November 30, 2014 were \$279,972, consisting of royalty revenue of \$260,952, accretion income and other expenses. As at November 30, 2014, the Company also recorded an impairment charge of \$2,260,158 upon completion of its assessment of the carrying value of the milestone and royalty payment receivable and investment in Compania Portuaria Tal Tal S.A.

### Net income

Net income for the six months ended November 30, 2015 was \$581,121 compared with a net loss for the six months ended November 30, 2014 of \$3,345,984. Net income increased primarily as an increase in gross margin of \$2,100,642 and a write down of Chilean assets in the same period in fiscal 2015 of \$2,260,158 slightly offset by a decrease in other revenue generated by the Chilean assets.

### Exploration and evaluation assets

For six months ended November 30, 2015 the Company spent approximately \$814,000 at the Point Rousse Project on exploration. The Company's exploration initiatives included publishing a 43-101 Technical Report outlining mineral resources at the Stog'er Tight and Pine Cove deposits, a trenching program adjacent to the Stog'er Tight deposit to expose near surface mineralization, geological mapping and trenching program at the Argyle zone and drilling at the Pine Cove Pond area adjacent to the Pine Cove pit.

# ANACONDA MINING INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Summary of quarterly results

	November 30 2015 \$	August 31 2015 \$	May 31 2015 \$	February 28 2015 \$
Total assets	29,102,166	27,661,563	27,721,558	27,214,596
Decommissioning liability	1,341,423	1,316,435	1,311,393	1,297,035
Loans	179,231	62,844	42,404	47,167
Shareholders' equity	24,143,732	23,291,111	23,395,221	22,691,978
Total revenues	6,798,075	5,785,801	5,657,526	6,266,754
Net income (loss)	766,040	(184,919)	685,340	(114,122)
Net income (loss) per share - basic <sup>2</sup>	0.004	(0.001)	0.004	(0.001)
Net income (loss) per share - fully-diluted <sup>2</sup>	0.004	(0.001)	0.004	(0.001)

	November 30 2014 \$	August 31 2014 \$	May 31 2014 \$	February 28 2014 \$
Total assets	27,306,850	29,856,648	30,398,299	29,503,316
Decommissioning liability	1,282,677	1,268,319	1,253,961	1,240,232
Loans	52,223	56,336	31,545	33,476
Shareholders' equity	22,786,279	25,905,375	26,033,066	24,674,221
Total revenues	4,798,179	5,511,612	5,278,887	3,865,210
Net income (loss) <sup>1</sup>	(3,170,174)	(175,810)	1,330,258	(281,136)
Net income (loss) per share - basic <sup>2</sup>	(0.018)	(0.001)	0.007	(0.002)
Net income (loss) per share - fully-diluted <sup>2</sup>	(0.018)	(0.001)	0.007	(0.002)

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

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

### Liquidity, working capital and capital resources

As at November 30, 2015, the Company had cash and cash equivalents of \$972,479 (May 31, 2015 - \$1,435,160) and net working capital of \$2,473,693 (May 31, 2015 - \$1,902,429), an accumulated deficit of \$10,255,567 (May 31, 2015 - \$10,836,688) and positive cash flow from operations for the six months ended November 30, 2015 of \$1,988,097 (six months ended November 30, 2014 - \$1,282,338).

The Company's principal source of cash during the periods were sales of gold production from its Point Rouse Project. The Company's primary uses of cash include cash costs of gold production, capital expenditures and exploration 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 six months ended November 30, 2015, the Company generated cash flow from operations of \$1,988,097. Trade and other receivables increased by \$1,000,125, HST recoverable increased by \$230,575, prepaid expenses and deposits increased by \$148,205, inventory balances increased by \$119,362 as a result



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

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of increases in stockpile ore and work in progress, and trade and other payables Increased by \$458,838.

### Investing activities

Changes to investing activities during the three months ended November 30 2015 were:

- Additions to property, mill and equipment of \$1,804,419 included mill automation and equipment upgrades, tailing expansion costs, polishing pond construction, construction of ore shed enclosure and pit and dump development;
- Additions to exploration and evaluation assets of \$324,202 related to exploration programs;
- Additions to production stripping assets of \$414,397; and
- An increase of restricted cash of \$213,198.

### Financing activities

During the six months ended November 30, 2015, the Company repaid bank loans in the amount of \$3,863 and \$14,292 was repaid on two capital leases. Proceeds of \$132,739 were also received from a government loan.

As at November 30 2015, the capital structure of the Company consisted primarily of all the components of shareholders' equity, a capital lease and bank-issued 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 \$3,386,413 as at November 30 2015. In addition, the Company has a bank loan and two capital leases.

### 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 six months ended November 30	2015	2014
	\$	\$
Salaries and short term benefits <sup>1</sup>	326,767	319,549
Share based payments <sup>2</sup>	110,100	67,736
	<b>436,867</b>	<b>387,285</b>

<sup>1</sup> Includes salary, management bonus, benefits and directors' fees

<sup>2</sup> Includes share based payments vested during the period

As at November 30, 2015, included in trade and other payables is \$48,750 (November 30, 2014 - \$41,500) of amounts due for directors' fees.

### Capital management and off statement of financial position transactions

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

The Company would supplement its Point Rousse Project cash flow and raise funds externally as and when required to finance obligations or complete projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The sources of future funds available to Anaconda are cash flow



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

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from operations, the exercise of outstanding stock options, the sale of equity capital of the Company, the issuance of further loans and/or debentures or the sale by Anaconda of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended November 30, 2015. 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, profitability of future operations as impacting realization of tax losses, life of Pine Cove Mine and other potential mines in the Point Rouse Project as impacting depletion expense, recoverability of property, mill and equipment and exploration and evaluation assets and the valuation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, assessment of the going concern assumption and the determination of the economic viability of a project.

#### **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.

#### **Share-based payment transactions**

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity, as consideration, cannot be specifically identified, they are measured at fair value of the share-based payment.

#### **Equity-settled transactions**

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

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

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The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and at the end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

### **Impairment of long-lived assets**

Management periodically reviews the carrying value of mineral properties and deferred exploration costs to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent that the net book value of the investment exceeds the estimated fair value which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered, and provided for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

The carrying amounts of plant and equipment are also reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. The assessment requires the use of estimates and assumptions such as, but not limited to; long-term gold prices, discount rates, cash costs of production and capital expenditures as well as the Cash Generating Unit ("CGU") definition. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the mining interests. In the absence of any mitigating valuation factors, the Company's failure to achieve its valuation assumptions or declines in the fair values of its CGU or other assets may, over time, result in impairment charges causing the Company to record material losses.

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

### **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.

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

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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.

### **Financial instruments**

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Financial instruments require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

### **Fair value**

The Company has designated its cash and cash equivalents as fair value through profit and loss, which are measured at fair value. The Company's other financial assets have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade and other receivables, due from related parties and prepaid expenses and deposits are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, prepaid expenses and deposits, due to and from related parties and trade and other payables are determined from transaction values, which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at November 30, 2015, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### **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.



# ANACONDA MINING INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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](http://www.sedar.com). As well, risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected. As a result, the trading price of the Company's outstanding shares could decline and investors could lose part or all of their investment.

#### Financial risks

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

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

Financial instruments included in "due from related parties" include reimbursement of office costs and rent. The credit risk associated with these financial instruments is limited to the carrying value of \$16,144 at November 30, 2015.

#### Liquidity risk

As at November 30, 2015, the Company had net working capital of \$2,473,693. The Company maintains operations from the cash flow generated from the Point Rouse 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 November 30, 2015, 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.



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

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### **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.

### **Derivatives – mineral properties**

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine a value.

### **Capital requirements**

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

### **Requirement of additional financing**

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

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

### **Risks factors of the business**

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

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

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

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



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

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- Damage to, or destruction of, mineral properties or processing facilities; and/or
- Personal injury, death and/or legal liability.

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

### **Mining industry risks**

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

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

### **Environmental risks and hazards**

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

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

### **Governmental regulation of the mining industry**

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

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

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

### **Title matters**

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

### **Licenses and permits**

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

### **Fluctuations in the market price of mineral commodities**

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

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

In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the 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



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

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in the maintenance or provision of such infrastructure, could adversely affect the Company's operations and financial condition.

### **Increase in production costs**

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

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

### **Uncertainty in the estimation of mineral reserves and mineral resources**

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

The figures for mineral reserves and mineral resources contained in NI 43-101 technical reports and other filings of the Company made on SEDAR at [www.sedar.com](http://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 resource 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.

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

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### **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](http://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 three of the previous four years and has a shareholder deficit of \$10,255,567 as at November 30, 2015. Management expects that cash flows generated from the operations of the Point Rousse Project will be sufficient to fund all of the Company's ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements and other contractual obligations. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and may require additional financing to further explore, develop, operate, acquire and retain its property interests and if financing is not available for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business.

### **Uninsured risks**

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

### **Competition**

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

### **Instability of political and economic environments**

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

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

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

### **Repatriation of earnings**

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

### **Dependence upon key management personnel and executives**

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

### **Possible conflicts of interest of directors and officers of the Company**

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

### **Absence of dividends**

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

### **Risk of dilution**

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

# ANACONDA MINING INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at January 7, 2016:

<b>Common shares of no par value</b>	<b>Number</b>
Shares	179,878,963
Options	16,850,000

### 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 November 30, 2015, 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; and
- Reasonable assurance regarding prevention or timely detection of unauthorized collection, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, including the CEO and CFO, carried out an assessment of the design of the Company's ICFR using the *COSO Internal Control – Integrated Framework* 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 November 30, 2015, 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



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

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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 November 30, 2015.

There have been no changes in the Company's internal control over financial reporting during the three months ended November 30, 2015.

The Company currently uses *COSO Internal Control – Integrated Framework (1992)* ("COSO 1992") 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 2015. High-risk controls were tested and validated. No material weaknesses were noted.

In the prior reporting dates, the certificates filed by the CEO and CFO of the Company under National Instrument 52-109 stated the control framework used to design the Company's internal controls over financial reporting was COSO 1992. Anaconda's officers continued to use the COSO 1992 for the Company's internal controls over financial reporting as at November 30, 2015. The Company plans to convert and roll out COSO Internal Control - Integrated Framework (2013) ("COSO 2013") by the end of the next fiscal year ending May 31, 2016. A review and update of internal controls will be performed to implement the additional requirements of COSO 2013. Further, the testing and validation regime will be updated in order to assure that along with operating effectiveness, methods will be adopted to provide reasonable assurance that COSO 2013 principles and components are "present and functioning".

### **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.

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

The following table provides a reconciliation of adjusted net earnings for the three and six months ended November 30, 2015 and 2014:

	For the three months ended		For the six months ended	
	November 30	November 30	November 30	November 30
	2015	2014	2015	2014
	\$	\$	\$	\$
Net income (loss)	<b>766,040</b>	(3,170,174)	<b>581,121</b>	(3,345,984)
Adjusting items:				
Foreign exchange gain	<b>(20,312)</b>	(281)	<b>(17,461)</b>	(10,165)
Unrealized loss (gain) on forward sales contract derivative	<b>(29,423)</b>	67,819	<b>(26,615)</b>	52,597
Write down of Chilean assets	-	2,260,158	-	2,260,158
Reclamation expense	<b>24,988</b>	14,358	<b>30,030</b>	28,716
Total adjustments	<b>(24,747)</b>	2,342,054	<b>(14,046)</b>	2,331,306
<b>Adjusted net earnings (loss)</b>	<b>741,293</b>	(828,120)	<b>567,075</b>	(1,014,678)

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

The following table provides a reconciliation of cash cost per ounce sold and all-in sustaining cash cost per ounce sold for the three and six months ended November 30, 2015 and 2014:

	For the three months ended		For the six months ended	
	November 30	November 30	November 30	November 30
	2015	2014	2015	2014
Cost of sales	<b>5,462,305</b>	5,137,634	<b>10,839,106</b>	10,665,663
Less: Depletion and depreciation	<b>(1,259,081)</b>	(952,923)	<b>(2,312,509)</b>	(2,033,556)
Cash operating cost	<b>4,203,224</b>	4,184,711	<b>8,526,597</b>	8,632,107
Corporate administration	<b>546,286</b>	472,330	<b>1,043,430</b>	976,826
Purchase of property, mill and equipment	<b>1,043,515</b>	813,512	<b>1,804,419</b>	1,130,931
Purchase of exploration and evaluation	<b>489,888</b>	679,017	<b>814,090</b>	1,101,048
All-in cash cost	<b>6,282,913</b>	6,149,570	<b>12,188,536</b>	11,840,912
Gold ounces sold	<b>4,605</b>	3,431	<b>8,561</b>	7,364
<b>Cash cost per ounce sold</b>	<b>913</b>	1,220	<b>996</b>	1,172
<b>All-in sustaining cash cost per ounce sold</b>	<b>1,364</b>	1,792	<b>1,424</b>	1,608

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

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

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

The following table provides a reconciliation of EBITDA for the three and six months ended November 30, 2015 and 2014:

	For the three months ended		For the six months ended	
	November 30	November 30	November 30	November 30
	2015	2014	2015	2014
	\$	\$	\$	\$
Net income (loss)	766,040	(3,170,174)	581,121	(3,345,984)
Add back:				
Finance expense	3,111	-	3,111	336
Foreign exchange gain	(20,312)	(281)	(17,461)	(10,165)
Unrealized loss (gain) on forward sales contract derivative	(29,423)	67,819	(26,615)	52,597
Share-based compensation	86,581	51,078	167,390	99,197
Income tax recovery	(33,000)	(45,865)	(48,000)	(108,865)
Depletion and depreciation	1,259,081	952,923	2,312,509	2,033,556
<b>EBITDA</b>	<b>2,032,078</b>	<b>(2,144,500)</b>	<b>2,972,055</b>	<b>(1,279,328)</b>
Corporate administration	546,286	472,330	1,043,430	976,826
Other revenues and expenses	16,487	25,480	41,794	(279,972)
Write down of Chilean assets	-	2,260,158	-	2,260,158
<b>Point Rousse Project EBITDA</b>	<b>2,594,851</b>	<b>613,468</b>	<b>4,057,279</b>	<b>1,677,684</b>

### 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 January 7, 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](http://www.sedar.com)) and on the Company's web site ([www.anacondamining.com](http://www.anacondamining.com)).



# ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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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