Squeezing Value Out of Atlantic Canada
Anaconda Mining Inc. (TSX:ANX) – Initial Estimates
February 6, 2018
Current Price: C$0.395
Squeezing Value Out of Atlantic Canada

Executive Summary

Conclusion:
An undervalued Canadian producer with significant medium term cash-flow growth on the horizon and near-term catalysts that should close the valuation gap to peers.

Estimates:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaconda Mining (RCKS Est.)</td>
<td>$1.01</td>
<td>$5.9</td>
<td>$14.5</td>
<td>$6.5</td>
<td>$16.1</td>
</tr>
<tr>
<td>Current Multiple</td>
<td>0.39x</td>
<td>7.0x</td>
<td>2.9x</td>
<td>6.4x</td>
<td>2.6x</td>
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<tr>
<td>Peer Multiple</td>
<td>0.63x</td>
<td>6.7x</td>
<td>4.9x</td>
<td>6.4x</td>
<td>4.4x</td>
</tr>
</tbody>
</table>

As of market close on February 6, 2018.

Key Reasons We Like Anaconda:
1. Get 2 projects for the price of 1
2. Significant production cash flow growth expected
3. Proven track record in a tier 1 jurisdiction

Upcoming Catalysts:
1. Ongoing drill results from Goldboro & Point Rousse
2. Increased production & cash flow in H2 2018
3. Ongoing development activities from Goldboro
4. Ongoing review of Atlantic Canada consolidation opportunities

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Valuation, Growth and a Proven Track-Record
Three key reasons why we like Anaconda Mining Inc. (TSX:ANX)

1. **Get 2 Projects for the Price of 1**
   - Our estimates suggest that at the current EV of $41M investors are paying for either Point Rousse ($58) or Goldboro ($112)
   - For Point Rousse, we assume no upside beyond Argyle – although resource growth potential exists both at Argyle and other targets
   - For Goldboro, we have based our estimate on the conservative PEA – room for resource growth as well as operating and capital cost improvements

2. **Production Expected to Grow to 55 koz per year by 2021 – Positioned to Further Consolidate**
   - We forecast production growing from 18 koz in 2018E at US$1,335/oz All-In Cash Costs* (AICC) to 55 koz per year by 2021E at US$915/oz
   - As well, the company is well positioned to add additional assets in Atlantic Canada

3. **Proven Track Record in a Tier 1 Jurisdiction**
   - Current management has demonstrated an ability to generate cash from the small-scale Point Rousse, allowing it to repair the balance sheet while growing the company
   - Newfoundland and Nova Scotia have proven themselves to be two of the better mining jurisdictions in the world

*AICC = (TCC + (All Capex + Exploration + SG&A + Cash Taxes)/Ounces Produced)
Get 2 Projects for the Price of 1

Valuation Summary

- The current price of ANX shares suggests that the market is not fully valuing Point Rousse and Goldboro, our estimates suggest the current share price reflects the value of Point Rousse or half the value of Goldboro (Figure 2 and 3).

- In our view, because of the long-dated nature of Anaconda's growth, we believe it should be valued on a NAV basis, and based on peer multiples (Figure 4) the company trades at a discount.

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**Figure 2: Pre-Tax NAV Breakdown**

- **Point Rousse Project Open-Pit, NFLD (100%), 30%**
- **Goldboro Project, NS (100%), 58%**
- **Other Assets (US$30/oz), 12%**

<table>
<thead>
<tr>
<th>Category</th>
<th>Discount Rate</th>
<th>NAV (M)</th>
<th>NAVPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point Rousse Project Open-Pit, NFLD (100%)</td>
<td>5.0%</td>
<td>$58.3</td>
<td>$0.39</td>
</tr>
<tr>
<td>Goldboro Project, NS (100%)</td>
<td>8.0%</td>
<td>$111.8</td>
<td>$0.74</td>
</tr>
<tr>
<td>Taxes</td>
<td>5.0%</td>
<td>($32.6)</td>
<td>($0.22)</td>
</tr>
<tr>
<td>Other Assets (US$30/oz)</td>
<td>in-situ</td>
<td>$22.8</td>
<td>$0.15</td>
</tr>
<tr>
<td>Corporate G&amp;A</td>
<td>5.0%</td>
<td>($28.7)</td>
<td>($0.19)</td>
</tr>
<tr>
<td>Future Financing Cash Flows</td>
<td>5.0%</td>
<td>$15.1</td>
<td>$0.10</td>
</tr>
<tr>
<td>Working Capital</td>
<td>Current est.</td>
<td>$5.9</td>
<td>$0.04</td>
</tr>
<tr>
<td><strong>Total NAV</strong></td>
<td></td>
<td>$152.6</td>
<td>$1.01</td>
</tr>
</tbody>
</table>

Source: RCKS Estimates

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**Figure 3: NAV Breakdown**

<table>
<thead>
<tr>
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<th>Discount Rate</th>
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<th>NAVPS</th>
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<td></td>
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<td>$1.01</td>
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</table>

Source: Red Cloud KS Estimates

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**Figure 4: Implied Valuation**

Source: Red Cloud KS Estimates, Thomson Reuters Broker Research

As of market close on February 6, 2018.

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Attractive Relative Valuation
Comparison to Gold Producer Peers

- Based on our estimates and Anaconda’s closing price of C$0.395/share on February 6, 2018, Anaconda trades at a P/NAV of 0.39x, an EV/EBITDA (2018) of 6.4x and a EV/CF (2018) of 7.0x.
- Anaconda is valued at a discount to gold producer peers on a P/NAV basis and a slight premium on an EV/EBITDA and EV/CF basis in 2018E and at a significant discount moving into 2019E.
- Recent M&A transactions for Canadian producers indicate that the consensus P/NAV at offer prices further reflect the significant discount of Anaconda shares.

As of market close on February 6, 2018.

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<tbody>
<tr>
<td>ANX.TO</td>
<td>Anaconda Mining Inc</td>
<td>$0.40</td>
<td>$42</td>
<td>$41</td>
<td>$2</td>
<td>$1</td>
<td>$1.01</td>
<td>0.39x</td>
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<td>2.6x</td>
<td>7.0x</td>
<td>2.9x</td>
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<td>WDO.TO</td>
<td>Wesdome Gold Mines Ltd</td>
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<td>$261</td>
<td>$251</td>
<td>$17</td>
<td>$7</td>
<td>$3.65</td>
<td>0.53x</td>
<td>8.7x</td>
<td>5.9x</td>
<td>7.2x</td>
<td>5.4x</td>
</tr>
<tr>
<td>AGB.V</td>
<td>Atlantic Gold Corp</td>
<td>$1.62</td>
<td>$296</td>
<td>$420</td>
<td>$11</td>
<td>$136</td>
<td>$2.08</td>
<td>0.78x</td>
<td>5.8x</td>
<td>4.7x</td>
<td>7.2x</td>
<td>6.9x</td>
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<td>KDX.TO</td>
<td>Klondex Mines Ltd</td>
<td>$2.38</td>
<td>$427</td>
<td>$433</td>
<td>$26</td>
<td>$31</td>
<td>$3.58</td>
<td>0.66x</td>
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<td>4.2x</td>
<td>3.4x</td>
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<tr>
<td>PVG.TO</td>
<td>Pretium Resources Inc</td>
<td>$8.38</td>
<td>$1,528</td>
<td>$2,362</td>
<td>$67</td>
<td>$901</td>
<td>$16.54</td>
<td>0.51x</td>
<td>8.8x</td>
<td>5.8x</td>
<td>9.2x</td>
<td>6.3x</td>
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<tr>
<td>TMR.TO</td>
<td>TMAC Resources Inc</td>
<td>$9.00</td>
<td>$825</td>
<td>$1,000</td>
<td>$17</td>
<td>$192</td>
<td>$10.78</td>
<td>0.83x</td>
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<td>10.1x</td>
<td>6.0x</td>
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<tr>
<td>ALO.TO</td>
<td>Allo Gold Inc</td>
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<td>$166</td>
<td>$83</td>
<td>$85</td>
<td>$2</td>
<td>$8.56</td>
<td>0.43x</td>
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<td>1.6x</td>
<td>2.2x</td>
<td>1.5x</td>
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<td>MTO.V</td>
<td>Metanor Resources Inc</td>
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<td>$13</td>
<td>$0</td>
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<td>NA</td>
</tr>
<tr>
<td>MQR.V</td>
<td>Monarques Gold Corp</td>
<td>$0.39</td>
<td>$84</td>
<td>$67</td>
<td>$17</td>
<td>$0</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
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<td>NA</td>
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<tr>
<td>Average</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.63x</td>
<td>4.4x</td>
<td>4.4x</td>
<td>4.9x</td>
</tr>
</tbody>
</table>

As of market close on February 6, 2018.

Source: Red Cloud KS Estimates, Thomson Reuters Broker Research

Figure 5: Comparable Companies

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>AGI.TO</td>
<td>Alamos Gold Inc.</td>
<td>RIC.TO</td>
<td>Richmont Mines Inc.</td>
<td>$14.20</td>
<td>$937</td>
<td>$854</td>
<td>$90</td>
<td>$7</td>
<td>$11.15</td>
<td>1.3x</td>
<td>9.8x</td>
<td>10.8x</td>
<td>7.3x</td>
<td>7.3x</td>
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<tr>
<td>SSO.TO</td>
<td>Silver Standard Resources Inc.</td>
<td>CRJ.TO</td>
<td>Claude Resources Inc.</td>
<td>$1.65</td>
<td>$337</td>
<td>$311</td>
<td>$43</td>
<td>$17</td>
<td>$1.06</td>
<td>1.6x</td>
<td>7.3x</td>
<td>7.3x</td>
<td>8.3x</td>
<td>8.3x</td>
</tr>
<tr>
<td>THO.TO</td>
<td>Tahoe Resources Inc.</td>
<td>LSG.TO</td>
<td>Lake Shore Gold Inc.</td>
<td>$1.71</td>
<td>$945</td>
<td>$962</td>
<td>$98</td>
<td>$115</td>
<td>$1.27</td>
<td>1.3x</td>
<td>8.3x</td>
<td>6.8x</td>
<td>8.3x</td>
<td>8.3x</td>
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<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td>1.4x</td>
<td>8.4x</td>
<td>8.3x</td>
<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

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Growing Atlantic Canada Gold Producer
Stable, Low-risk Mining Jurisdictions

▪ >1Moz Au resource between two main projects
  o 2017A Production: 15,600 oz Au
  o 2021E Production: 54,900 oz Au

▪ Goldboro Project, Nova Scotia
  o PEA (2018) presents an economic project, but upside remains
  o Mine construction expected by 2020E and production by 2021E

▪ Point Rousse, Newfoundland & Labrador
  o Operating open-pit gold mine
  o Recently added Argyle deposit with further exploration upside
Goldboro Project, Nova Scotia
Economic Project with Significant Upside

- **Goldboro – High-Grade & Near-Surface**
  - High-grade open pit/underground gold development project in Nova Scotia
  - Gold occurs in quartz veins and disseminated in wall rock forming a mineralization in multiple stacked zones
  - Strike length currently estimated at 1.6km with gold mineralization intersected at depths up to 250-350m
  - Recently released PEA indicates significant economic potential with room for resource growth as well as operating and capital cost improvements
  - Next steps at Goldboro include ongoing drilling (infill and step-out) along with continued technical work to advance the project to Feasibility

- **Mineral Resources**

<table>
<thead>
<tr>
<th></th>
<th>PEA Mine Plan</th>
<th>M&amp;I</th>
<th>Inferred</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes (M)</td>
<td>Grade (g/t)</td>
<td>Ounces (M)</td>
<td>Tonnes (M)</td>
</tr>
<tr>
<td>Goldboro</td>
<td>2.4</td>
<td>5.13</td>
<td>0.396</td>
<td>3.6</td>
</tr>
<tr>
<td>Red Cloud KS Estimate</td>
<td>2.40</td>
<td>5.1</td>
<td>0.396</td>
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</tbody>
</table>

Source: Company Reports, Red Cloud KS Estimates

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Red Cloud Klondike Strike – Assumptions

- We viewed the assumptions in the recent PEA to be relatively reasonable and we based our estimates on it.
- Mine plan:
  - 3 years open-pit mining (5 g/t Au, 800 tpd, strip ratio 7.3:1)
  - 6 years underground mining (600 tpd), a mixture of longhole/cut & fill plus 200 tpd of low-grade stockpile from the open pit to process at 800 tpd at an average grade of 5.13 g/t Au over the LOM.

Figure 13: Model Assumptions

<table>
<thead>
<tr>
<th>Resource</th>
<th>RCKS Estimate</th>
<th>Actual</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource (koz)</td>
<td>396</td>
<td>396</td>
<td>0%</td>
</tr>
<tr>
<td>Head Grade (g/t)</td>
<td>5.13</td>
<td>5.13</td>
<td>0%</td>
</tr>
<tr>
<td>Throughput</td>
<td>800</td>
<td>800</td>
<td>0%</td>
</tr>
<tr>
<td>Average Annual Prod. (k oz)</td>
<td>41</td>
<td>42</td>
<td>-2%</td>
</tr>
<tr>
<td>Mine Life (years)</td>
<td>8.5</td>
<td>8.8</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Open Pit Mining Costs ($/tonne) $4
Underground Mining Costs ($/tonne) $92
Processing Costs ($/tonne) $30
G&A ($/tonne) $8
Total Cash Costs (US$/oz) $558
Initial Capital Cost (SM) $55
Sustaining Capital Cost (SM) $101
Post-tax NPV at 5% (SM) $137
Post-tax NPV at 8% (SM) $112
Post-tax NPV at 10% (SM) $98

*Estimates assume US$1,300/oz Au for RCKS model and US$1,240/oz Au for the ANX PEA
Source: Company Reports, Red Cloud KS Estimates

Figure 14: Goldboro Project, Nova Scotia, (100%) Annual Operational Forecast

Source: Red Cloud KS Estimates

Figure 15: Goldboro Project, Nova Scotia, (100%) Annual Operational Forecast

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Gold Produced (000's oz)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27.9</td>
<td>43.3</td>
<td>43.3</td>
</tr>
<tr>
<td>Average TPD from Operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>525</td>
<td>800</td>
<td>800</td>
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<tr>
<td>Average Grade Mined (g/t)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.75</td>
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<td>5.00</td>
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<tr>
<td>Cash Costs (US$/oz)</td>
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<td>-</td>
<td>-</td>
<td>$436</td>
<td>$392</td>
<td>$392</td>
</tr>
<tr>
<td>All-In Cash Costs (US$/oz)**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$766</td>
<td>$675</td>
<td>$675</td>
</tr>
<tr>
<td>Capital Invested (SM)</td>
<td>$3.8</td>
<td>$5.0</td>
<td>$37.4</td>
<td>$20.8</td>
<td>$15.3</td>
<td>$15.3</td>
</tr>
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</table>

*7-month stub year prior to FY change to Dec. 31
**AICC = (TCC + (All Capex + Exploration + G&A + Cash Taxes)/Ounces Produced)
Source: Company Reports, Red Cloud KS Estimates

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Point Rousse Project, Newfoundland & Labrador
Cash Flowing Asset with Exploration Upside

- Pine Cove Mine and Mill – Operating since 2010
  - Gold mineralization at Pine Cove is hosted within quartz veined and albite, sericite, rutile and pyrite altered mafic volcanic and intrusive rocks
  - Substantial operating infrastructure at the Point Rousse Project
    - 1,300 tpd mill
    - Deep water port
    - Permitted tailings facility
  - Engaged operating team, makes this small-scale operation work
  - Historically underexplored due to a lack of available time and money but regionally prospective as demonstrated by recent Argyle resource

- Mineral Resources

<table>
<thead>
<tr>
<th>Reserves</th>
<th>M&amp;I</th>
<th>Inferred</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
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<td>Grade (g/t)</td>
<td>Ounces</td>
</tr>
<tr>
<td></td>
<td>(M)</td>
<td>(g/t)</td>
<td>(M)</td>
</tr>
<tr>
<td>Stog'ert Tight Deposit</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Argyle Deposit</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Red Cloud KS Estimate</strong></td>
<td><strong>2.283</strong></td>
<td><strong>2.0</strong></td>
<td><strong>0.147</strong></td>
</tr>
</tbody>
</table>

Source: Company Reports, Red Cloud KS Estimates
Point Rousse Project, Newfoundland & Labrador
Operational Summary and Assumptions

- Red Cloud Klondike Strike – Assumptions
  - Point Rousse mining operation in H1 2018 is transitioning to the higher grade Stog'er Tight deposit, however lower grade material is expected to be processed during this period.
  - H1 2018 development capital for Stog'er Tight estimated to be ~$250k in addition to sustaining capital of ~$1.25M for 2018.
  - Operations expected to move to higher-grade material by H2 2018 to produce 18,100 oz Au in 2018.
  - Recent Argyle resource update expected to extend the mine life until Q4 2022 with significant potential for further resource expansion both at Argyle and on the wider property.

- Operational Forecast

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</thead>
<tbody>
<tr>
<td>Gold Produced (000's oz)</td>
<td>15.6</td>
<td>9.5</td>
<td>18.1</td>
<td>26.5</td>
<td>27.0</td>
<td>27.0</td>
<td>26.7</td>
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<tr>
<td>Average TPD from Operations</td>
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<td>1298</td>
<td>1300</td>
<td>1300</td>
<td>1300</td>
<td>1300</td>
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<tr>
<td>Average Grade Mined (g/t)</td>
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<td>1.31</td>
<td>1.45</td>
<td>2.12</td>
<td>2.16</td>
<td>2.16</td>
<td>2.16</td>
<td>-</td>
</tr>
<tr>
<td>Cash Costs (US$/oz)</td>
<td>$873</td>
<td>$909</td>
<td>$883</td>
<td>$722</td>
<td>$708</td>
<td>$706</td>
<td>$705</td>
<td>-</td>
</tr>
<tr>
<td>All-In Cash Costs (US$/oz)**</td>
<td>$1,873</td>
<td>$1,136</td>
<td>$949</td>
<td>$798</td>
<td>$816</td>
<td>$776</td>
<td>$776</td>
<td>-</td>
</tr>
<tr>
<td>Capital Invested ($M)</td>
<td>$20.1</td>
<td>$2.8</td>
<td>$1.5</td>
<td>$2.5</td>
<td>$3.6</td>
<td>$2.4</td>
<td>$2.4</td>
<td>-</td>
</tr>
</tbody>
</table>

*7-month stub year prior to FY change to Dec. 31
**AICC = (TCC + (All Capex + Exploration + SG&A + Cash Taxes)/Ounces Produced)
Source: Company Reports, Red Cloud KS Estimates
Outside Capital Needed for Goldboro Development

Financial Forecast

- Based on our estimates, Anaconda is expected to need outside capital to fund its current plan for Goldboro and the construction of this asset in the forecast timeline.
  - We assume $5M of equity is raised in Q2 2018 (12.5M shares at $0.40) to fund ongoing development activities
  - We assume $20M of equity is raised (16.7M shares at $1.20) and $20M of debt is raised in 2020E to fund the construction of Goldboro

Figure 20: Cash Flow & Net Debt ($M)

Source: Company Reports, Red Cloud KS Estimates

*7-month stub year prior to FY change to Dec. 31

For Disclaimer and Applicable Disclosures, see the end of this report
Risks

Anaconda Mining Inc. is exposed to risks affecting the mining industry in general, business activity in Newfoundland and Nova Scotia and company specific risks. These risks include commodity, currency, cost, execution, technical, financing, political and permitting risks.

1. Commodity Price, Currency and Input Risk
   - The company’s operating costs are in CAD and is therefore exposed to the USD/CAD exchange rate as the gold price is denominated in USD. A change in this exchange rate would impact our estimates, with a significant strengthening of the CAD, relative to USD negatively impacting the company.
   - As well, the companies only commodity is gold and a significant decline in the gold price would negatively impact our estimates.

2. Financing Risk
   - Our estimates assume the company is able to raise additional capital to fund the construction of Goldboro. If the company is unable to do so, it would materially decrease our estimates.

3. Political and Permitting Risk
   - While Newfoundland and Nova Scotia are considered good mining jurisdictions, our estimates assume the company receives the necessary permits for production (both Argyle and Goldboro) in a timely manner and that the current permits remain in good standing.

4. Operational and Execution Risk
   - Our estimates assume a base level of operational execution, should the company fail to execute it would negatively impact our estimates.

5. Technical Risk
   - Our estimates are based on the publicly available information on the company’s projects, along with our August 2017 site visit. New information is likely to impact our current estimates.
Three key reasons we like Anaconda:

1. Get 2 projects for the price of 1
2. Production expected to grow to 54.9 koz per year by 2021
3. Proven track record in a tier 1 jurisdiction

Upcoming Catalysts Include:

1. Ongoing drill results from Goldboro & Point Rousse
2. Increased production & cash flow in H2 2018 as Point Rousse production shifts to the higher grade Stog'er Tight
3. Ongoing development activities from Goldboro including:
   - Underground bulk sample – Q2 2018
   - Feasibility study – Q2 2019
   - First Production – Q2 2021
4. Ongoing review of Atlantic Canada consolidation opportunities to leverage existing assets and infrastructure
## Company Summary

### Financial and Operating

#### Figure 21: Financial and Operating Summary

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Current Price</th>
<th>52-Week High</th>
<th>52-Week Low</th>
<th>Shares Outstanding (M)</th>
<th>Market Capitalization ($M)</th>
<th>Cash ($M)</th>
<th>Debt ($M)</th>
<th>Enterprise Value ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANX.TO</td>
<td>$0.40</td>
<td>$0.56</td>
<td>$0.22</td>
<td>105.57</td>
<td>$41.7</td>
<td>$1.6</td>
<td>$1.0</td>
<td>$41.1</td>
</tr>
</tbody>
</table>

**Technological Assumptions**

- FX Rate (C$/US$): 0.77 (2018E), 0.77 (2019E), 0.80 (2020E), 0.80 (2021E)

### Financial Data

#### Capital Structure

- Shares: 105.6
- Options: 8.0
- Warrants: 10.3

- Fully Diluted Shares: 123.9

#### Ownership (Feb 2018)

- Ennio D’Angela: 5.5%
- Jacques Levesque Jacques: 4.8%
- Thorsen-Fordyce Merchant Capital, Inc: 1.4%
- Victor Lewis Lawrick: 0.4%
- Dustin Anglo: 0.2%
- Jonathan W Fitzgerald: 0.1%
- Robert James Joseph Dufour: 0.1%
- Gordana Slepcev: 0.0%

- Source: Red Cloud KS

#### Financial Summary ($/sh)

- **2017A**
  - Shares Outstanding (M): 382.1
  - EPS: 0.01
  - CFPS: 0.03
  - P/CF: 13.5x
- **2018E**
  - Shares Outstanding (M): 109.6
  - EPS: 0.00
  - CFPS: 0.01
  - P/CF: 27.8x
- **2019E**
  - Shares Outstanding (M): 118.1
  - EPS: 0.09
  - CFPS: 0.14
  - P/CF: 7.1x
- **2020E**
  - Shares Outstanding (M): 118.1
  - EPS: 0.35
  - CFPS: 0.32
  - P/CF: 2.3x
- **2021E**
  - Shares Outstanding (M): 134.7
  - EPS: 0.35
  - CFPS: 0.35
  - P/CF: 2.7x

- Net Revenue: $50.40
- Operating Costs: $50.00
- Net Earnings: $0.40
- EBITDA: $5.61
- EBIT: $5.61
- Net Earnings: $3.31
- EPS: $0.43

- Source: Red Cloud KS

#### Comparison (Consensus versus Our Estimate)

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Price ($)</th>
<th>NAV ($)</th>
<th>P/NAV</th>
<th>EV/EBITDA 2018E</th>
<th>EV/CF 2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANX.TO</td>
<td>$0.40</td>
<td>$0.01</td>
<td>39.9x</td>
<td>6.95x</td>
<td>7.03x</td>
</tr>
<tr>
<td>Wesdome Gold Mining Ltd</td>
<td>WDO.T</td>
<td>$1.95</td>
<td>$3.65</td>
<td>53.6x</td>
<td>7.74x</td>
</tr>
<tr>
<td>Atlantic Gold Corp</td>
<td>AGB.V</td>
<td>$1.62</td>
<td>$2.08</td>
<td>78.2x</td>
<td>7.12x</td>
</tr>
<tr>
<td>Klondex Mines Ltd</td>
<td>KDX.TO</td>
<td>$2.38</td>
<td>$3.58</td>
<td>66.6x</td>
<td>4.21x</td>
</tr>
<tr>
<td>Premia Resources Inc</td>
<td>PVG.TO</td>
<td>$8.38</td>
<td>$16.54</td>
<td>51.6x</td>
<td>9.26x</td>
</tr>
<tr>
<td>TMAC Resources Inc</td>
<td>TMR.TO</td>
<td>$9.00</td>
<td>$10.78</td>
<td>83.8x</td>
<td>9.16x</td>
</tr>
<tr>
<td>Altio Gold Inc</td>
<td>ALO.TO</td>
<td>$3.72</td>
<td>$8.56</td>
<td>43.4x</td>
<td>2.29x</td>
</tr>
<tr>
<td>Metanor Resources Inc</td>
<td>MTO.V</td>
<td>$0.67</td>
<td>NA</td>
<td>NA</td>
<td>M &amp; I</td>
</tr>
<tr>
<td>Monarques Gold Corp</td>
<td>MQR.V</td>
<td>$0.39</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

#### NAVPS Sensitivity to FX Rate

- **Point Rouse Project Open Pit, NFLO (100%)**
  - Discount Rate: 5%
- **Goldboro Project, NS (100%)**
  - Discount Rate: 8%

- Taxes: 5% (32.56%)
- Other Assets (US$/30/oz): in-situ
- Current: 22.84
- Total NAV: $152.6

- Source: Red Cloud KS

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*As of market close on February 6, 2018.

Source: Red Cloud KS, Estimates, Company Reports, Thomson Eikon, Bloomberg

**Priced as of prior trading day’s market close, EST (unless otherwise noted). All values in CAD unless otherwise noted.**

**For Disclaimer and Applicable Disclosures, see the end of this report.**
Appendix

Metal and Currency Price Assumptions

- **Gold Price Forecast**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Price (US$/oz)</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$1,300</td>
</tr>
<tr>
<td>Consensus Gold Price (US$/oz)</td>
<td>$1,290</td>
<td>$1,317</td>
<td>$1,349</td>
<td>$1,417</td>
<td>$1,274</td>
</tr>
</tbody>
</table>

Source: Red Cloud KS Estimates, Bloomberg

- **CAD/USD exchange rate**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CAD/USD exchange rate</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Source: Red Cloud KS Estimates

- **NAVPS Sensitivity**

<table>
<thead>
<tr>
<th>Gold Price (US$/oz)</th>
<th>0.70</th>
<th>0.75</th>
<th>0.80</th>
<th>0.85</th>
<th>0.90</th>
<th>0.95</th>
<th>1.00</th>
<th>1.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$950</td>
<td>$0.59</td>
<td>$0.46</td>
<td>$0.33</td>
<td>$0.21</td>
<td>$0.10</td>
<td>$0.00</td>
<td>($0.09)</td>
<td>($0.17)</td>
</tr>
<tr>
<td>US$1,000</td>
<td>$0.69</td>
<td>$0.57</td>
<td>$0.45</td>
<td>$0.33</td>
<td>$0.22</td>
<td>$0.11</td>
<td>$0.02</td>
<td>($0.07)</td>
</tr>
<tr>
<td>US$1,050</td>
<td>$0.80</td>
<td>$0.67</td>
<td>$0.55</td>
<td>$0.44</td>
<td>$0.33</td>
<td>$0.22</td>
<td>$0.12</td>
<td>$0.03</td>
</tr>
<tr>
<td>US$1,100</td>
<td>$0.90</td>
<td>$0.77</td>
<td>$0.65</td>
<td>$0.54</td>
<td>$0.44</td>
<td>$0.33</td>
<td>$0.23</td>
<td>$0.13</td>
</tr>
<tr>
<td>US$1,150</td>
<td>$1.00</td>
<td>$0.86</td>
<td>$0.74</td>
<td>$0.63</td>
<td>$0.53</td>
<td>$0.43</td>
<td>$0.33</td>
<td>$0.23</td>
</tr>
<tr>
<td>US$1,175</td>
<td>$1.05</td>
<td>$0.91</td>
<td>$0.79</td>
<td>$0.67</td>
<td>$0.57</td>
<td>$0.47</td>
<td>$0.38</td>
<td>$0.28</td>
</tr>
<tr>
<td>US$1,200</td>
<td>$1.10</td>
<td>$0.96</td>
<td>$0.83</td>
<td>$0.71</td>
<td>$0.61</td>
<td>$0.51</td>
<td>$0.42</td>
<td>$0.33</td>
</tr>
<tr>
<td>US$1,250</td>
<td>$1.20</td>
<td>$1.05</td>
<td>$0.92</td>
<td>$0.80</td>
<td>$0.69</td>
<td>$0.59</td>
<td>$0.50</td>
<td>$0.42</td>
</tr>
<tr>
<td>US$1,300</td>
<td>$1.30</td>
<td>$1.14</td>
<td>$1.01</td>
<td>$0.89</td>
<td>$0.77</td>
<td>$0.67</td>
<td>$0.58</td>
<td>$0.50</td>
</tr>
<tr>
<td>US$1,350</td>
<td>$1.40</td>
<td>$1.24</td>
<td>$1.09</td>
<td>$0.97</td>
<td>$0.85</td>
<td>$0.75</td>
<td>$0.66</td>
<td>$0.57</td>
</tr>
<tr>
<td>US$1,400</td>
<td>$1.50</td>
<td>$1.33</td>
<td>$1.18</td>
<td>$1.05</td>
<td>$0.93</td>
<td>$0.83</td>
<td>$0.73</td>
<td>$0.64</td>
</tr>
</tbody>
</table>

Source: Red Cloud KS Estimates

Priced as of prior trading day’s market close, EST (unless otherwise noted).
All values in CAD unless otherwise noted.

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Appendix
Management

**Dustin Angelo**, President, CEO & Director
Mr. Angelo has been President and CEO of Anaconda Mining, a Toronto Stock Exchange listed company, since September 2010, and has been a director since November 2009. Prior to joining the Anaconda team, Dustin served as CFO of Elgin Mining Inc. (formerly known as Phoenix Coal Inc., a TSX-listed resource company). Dustin earned a BSBA in Accounting and International Business from Georgetown University and an MBA from the Columbia Business School.

**Robert Dufour**, Chief Financial Officer
Mr. Dufour brings an extensive background in the mining sector with a depth of experience in capital markets and finance. Most recently Mr. Dufour was Chief Financial Officer of Newmarket Gold, a TSX-listed mid-tier Australian gold producer which produced over 220,000 ounces of gold annually.

**Gordana Slepcev**, Chief Operating Officer
Ms. Slepcev is the Chief Operating Officer of Anaconda Mining and is responsible for managing all operational aspects of the company and plays an integral role in tactical matters such as permitting and mine development of the Point Rousse and the Goldboro Project. In addition to Anaconda Mining, she has held senior roles at Labrador Iron Mines Holdings, Agrium Inc. and Western Coal Corp.

**Paul McNeill**, Vice President, Exploration
Mr. McNeill joined Anaconda in the summer of 2014. Formerly, he served as Principal Geologist with Paladin Energy Ltd. from 2011 to 2013 and Vice President – Exploration for Aurora Energy Resources Ltd. from 2009 until 2011.

**Allan Cramm**, Innovation & Development
Mr. Cramm is the Vice President, Innovation and Development focusing on key strategic projects to maximize the company’s assets. Mr. Cramm has been involved in various management and supervisory roles associated with mining for the past 25 years (both open pit and underground).

**Lynn Hammond**, Vice President, Public Relations
Ms. Hammond has been the Vice President Public Relations for Anaconda Mining since December 2015, responsible for media, public and government relations. Her career experience consists of senior roles in public service including Director of Communications for Newfoundland and Labrador government departments.

**Anthony Chislett**, Operations Manager
Mr. Chislett is responsible for managing all operational aspects of milling and mining for the Point Rousse Project gold mine. In addition to Anaconda Mining, he has held senior roles with the Newfoundland and Labrador Department Of Transportation and Works’, Engineering and Maintenance Departments.
Appendix

Directors

Jonathan Fitzgerald, Chairman
Mr. Fitzgerald was a Director and officer of Orex since December 15, 2016. From August 2016 to January 2017, Mr. Fitzgerald was the Managing Director in the Investment Banking Department of Gravitas Securities Inc. of Toronto. Mr. Fitzgerald was the Co-Founder of Stope Capital Advisors, Inc. in 2012, a private Canadian company engaged in merchant banking transactions in the mining, energy and agriculture sectors.

Lewis Lawrick, Director
Mr. Lawrick has extensive executive management experience in the mining and mineral exploration sector. Mr. Lawrick is currently the President & CEO of Brionor Resources Inc., a TSXV listed precious metals exploration company. Previously, he held the position of President of Colorado Minerals Inc. from its inception in October 2005 to its merger with Anaconda Corp. in April 2007. Mr. Lawrick acted as Chief Executive Officer (from January 2007) and President (from January 2008) of Anaconda until September 21, 2010.

Maruf Raza, Director
Mr. Raza is an Audit Partner at MNP LLP and National Director of the firm’s public companies practice. Mr. Raza has over 10 years of experience in professional practice, and a significant portion of his practice is in the mining and oil and gas sectors, ranging from exploration stage to production. He is currently also a director of White Gold Corp and is a member of CPA Canada and PDAC’s mining task force.

Michael Byron, Director
Dr. Byron has more than 30 years of domestic and international experience in field work, research, and senior management experience in gold, base-metal, magmatic nickel & PGE, diamond, and gemstone exploration, spanning employment within the mineral exploration industry and government. Dr. Byron is the President and Chief Executive Officer of Nighthawk Gold Corp and he is currently director of Brionor Resources Inc., X-Terra Resources Inc. and Nighthawk Gold Corp.

Jacques Levesque, Director
Mr. Levesque is a Chartered Professional Accountant. Mr. Levesque has was involved in Orex for 28 years, as director, President, Chief Executive Officer, Chief Financial Officer, management contractor and in the management of exploration programs.

Kevin Bullock, Director
Mr. Bullock is a registered Professional Mining Engineer in the Province of Ontario. Mr. Bullock was previously the Corporate Development Advisor for B2Gold Corp. from January 2014 to December 2014 and was Volta Resources Inc.’s President and CEO. Volta resources was sold to B2Gold Corp. at the end of 2013. He currently serves on the boards of directors of B2Gold Corp., Golden Reign Resources Ltd. New Millennium Iron Corp. and Torrent Capital Ltd, where he serves as Chairman.

Priced as of prior trading day’s market close, EST (unless otherwise noted).
All values in CAD unless otherwise noted.
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If you have any follow-up questions please contact:

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dmacpherson@redcloudks.com

**Alex Pitcher, Associate, Mining Analysis**
apitcher@redcloudks.com

**Victoria Ellis Hayes, Associate, Mining Analysis**
vellishayes@redcloudks.com
Disclosures

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Anaconda Mining Inc. - TSX:ANX - 1,3,4

1) A member of Red Cloud KS team has visited/viewed material operations of the issuer.
2) In the last 12 months, Red Cloud KS has been retained under a service or advisory agreement by the subject issuer.
3) In the last 12 months, Red Cloud KS has received compensation for investment banking services.
4) Red Cloud KS or a member of the Red Cloud KS team or household, has a long position in the shares and/or the options of the subject issuer.
5) Red Cloud KS or a member of the Red Cloud KS team or household, has a short position in the shares and/or the options of the subject issuer.
6) Red Cloud KS or a member of the Red Cloud KS team own more than 1% of any class of common equity of the subject issuer.
7) A member of Red Cloud KS team or a member’s household serves as a Director or Officer or Advisory Board Member of the subject issuer.