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Anaconda Mining Inc. – TSX:ANX

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Anaconda Bumps Up Maritime Bid

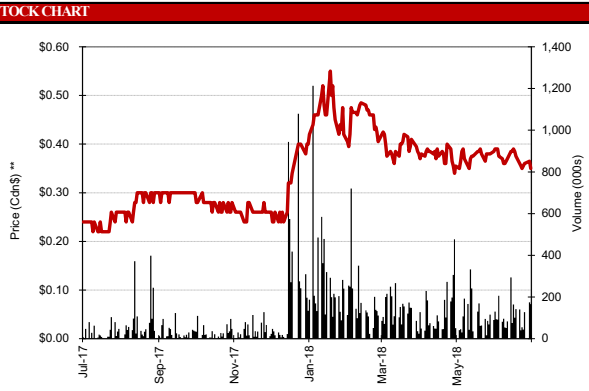
Impact: Mildly Positive

Anaconda Mining has announced that it will increase the takeover bid for Maritime Resources from an exchange ratio of 0.39 Anaconda shares to 0.50 Anaconda shares per Maritime share, a 28% increase.

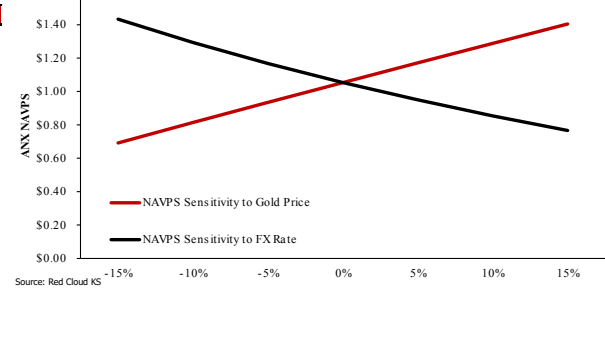
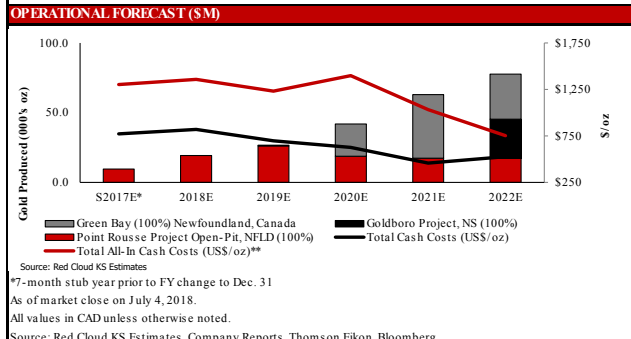
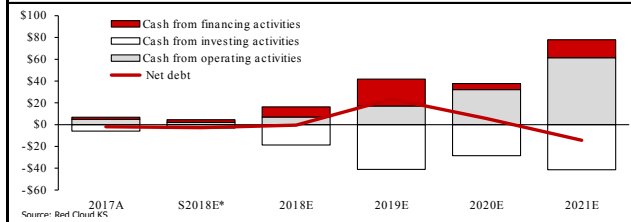
- The offer represents \$0.21 per Maritime share, which equates to a premium of ~110% based on the prior day close's share price. This sweetened offer is likely to entice additional shareholders to tender their shares
- The increased offer is conditional on Maritime's recently [approved private placement](#) being withdrawn. This could eliminate potential investors in that financing who were looking to capture the value gap between the offering price and Anaconda's original bid
- In our opinion, the increased bid has approximately the same dilutive impact as the proposed private placement; however, in this scenario the added premium would only benefit Maritime's current shareholders

We view this new development as positive for both Anaconda and Maritime shareholders with our revised estimate of the probability of the deal being completed to 60-70% (was 40-50%). If we were to factor the revised offer into our estimates, our NAVPS estimate would decrease from the current C\$1.11 to C\$1.05. We are leaving our estimates unchanged at this time but are likely to update when once the increased offer is formalized. Regardless of the completion of the takeover, the company remains attractively valued. Assuming the transaction is completed, Anaconda is trading at 0.34x NAV or if it is not completed Anaconda is trading at 0.36x NAV (peers 0.69x). We believe that a resolution of the hostile bid (either positively or negatively) is likely to lift current overhang on the share price.

Financial and Operating Summary: Anaconda Mining Inc. (TSX:ANX)						
TICKER	ANX.TO					
CURRENT PRICE	\$0.35					
52-WEEK HIGH	\$0.56					
52-WEEK LOW	\$0.22					
SHARES OUTSTANDING (M)	118.07					
MARKET CAPITALIZATION (\$M)	\$41.3					
CASH (\$M)	\$2.8					
DEBT (\$M)	\$1.2					
ENTERPRISE VALUE (\$M)	\$39.8					
TECHNICAL ASSUMPTIONS*						
	2017A	S2017E*	2018E	2019E	2020E	2021E
Gold (US\$/oz)	1,258	1,277	1,300	1,300	1,300	1,300
FX Rate (C\$/US\$)	0.77	0.77	0.80	0.80	0.80	0.80
FINANCIAL DATA						
Capital Structure						
	Shares (M)					
Shares Outstanding	118.1					
Options	9.1					
Warrants	10.3					
Fully Diluted Shares	137.5					
Ownership (Feb 2018)						
	Shares O/S (M)		% O/S			
Ennio D'Angela	5.5		4.66%			
Jacques Levesque Jacques	4.8		4.02%			
Thorsen-Fordyce Merchant Capital, Inc.	1.4		1.17%			
Victor Lewis Lawrick	0.4		0.38%			
Dustin Angelo	0.2		0.19%			
Jonathan W Fitzgerald	0.1		0.11%			
Robert James Joseph Dufour	0.1		0.08%			
Gordana Slepcev	0.0		0.01%			
Financial Summary (\$/sh)						
	2017A	S2017E*	2018E	2019E	2020E	2021E
Shares Outstanding (M)	152.4	105.6	168.8	173.0	185.0	185.0
EPS	(0.02)	0.01	0.01	0.07	0.10	0.20
CFPS	0.04	0.02	0.06	0.10	0.17	0.33
P/CF	9.0x	14.1x	5.6x	3.5x	2.0x	1.1x
Income Statement (\$M)						
Net Revenue	25.00	15.36	31.48	43.33	67.95	102.29
Operating Costs	(17.53)	(9.52)	(19.36)	(23.22)	(32.76)	(36.06)
EBITDA	5.61	3.75	8.70	17.11	32.19	63.23
EBIT	(1.65)	(0.50)	2.57	12.69	18.57	38.11
Net Earnings	(3.31)	0.98	1.79	12.67	18.56	36.22
EPS	(0.02)	0.01	0.01	0.07	0.10	0.20
Cash Flow & Net Debt (\$M)						
	2017A	S2018E*	2018E	2019E	2020E	2021E
Cash from financing activities	10	10	10	10	10	10
Cash from investing activities	(10)	(10)	(10)	(10)	(10)	(10)
Cash from operating activities	10	10	10	10	10	10
Net debt	10	10	10	10	10	10
COMPARABLES (Consensus versus Our Estimate)						
	Ticker	Price	NAV (\$/sh)	P/NAV	EV/EBITDA 2018E	EV/CF 2018E
Anaconda Mining Inc	ANX.TO	\$0.37	\$1.06	0.34x	4.27x	5.64x
Wesdome Gold Mines Ltd	WDO.TO	\$3.26	\$3.84	0.85x	8.48x	8.85x
Atlantic Gold Corp	AGB.V	\$1.78	\$2.55	0.70x	5.49x	6.75x
McEwen Mining Inc	MUX.TO	\$2.88	\$2.71	1.06x		
Pretium Resources Inc	PVG.TO	\$9.91	\$17.89	0.55x	6.51x	6.71x
TMAC Resources Inc	TMR.TO	\$6.62	\$11.32	0.58x	4.53x	5.21x
Alo Gold Inc	ALO.TO	\$1.94	\$5.18	0.37x	1.07x	1.44x
Metanor Resources Inc	MTO.V	\$0.61	NA	NA	NA	NA
Monarques Gold Corp	MQR.V	\$0.30	NA	NA	NA	NA
Average				0.69x	5.22x	5.79x
NET ASSET VALUE						
		Discount Rate	(\$M)	(\$/sh)		
Green Bay (100%) Newfoundland, Canada		8.00%	106.40	0.53		
Point Rousse Project Open-Pit, NFLD (100%)		5.00%	43.91	0.22		
Goldboro Project, NS (100%)		8.00%	101.91	0.51		
Taxes		5.00%	(45.61)	(0.23)		
Other Assets (US\$30/oz)		in-situ	22.84	0.11		
Corporate G&A		5.00%	(27.97)	(0.14)		
Future Financing Cash Flows		5.00%	(0.36)	(0.00)		
Working Capital		Current est.	10.55	0.05		
Total NAV			\$211.7	\$1.06		
GLOBAL RESOURCE ESTIMATE						
Category	Tonnes (M)	Au Grade (g/t)	Au Ounces (M)			
Measured and Indicated	9.09	4.11	1.20			
Inferred	25.79	1.87	1.55			
Total	34.88	2.46	2.75			
RCKS Est.	26.37	1.57	1.33			
SENSITIVITY ANALYSIS						
ANX NAVPS						
NAVPS Sensitivity to Gold Price						
NAVPS Sensitivity to FX Rate						
OPERATIONAL FORECAST (\$M)						
Gold Produced (000's oz)						
Total All-In Cash Costs (US\$/oz)**						
Green Bay (100%) Newfoundland, Canada						
Point Rousse Project Open-Pit, NFLD (100%)						
Goldboro Project, NS (100%)						
Total Cash Costs (US\$/oz)						



**Announcement of a 4 for 1 roll back in effect as of January 22, 2018.



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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Anaconda Mining Inc.	TSX:ANX	1,2,3,4
Maritime Resources Corp.	TSXV:MAE	4

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