RCKS Talk Team, RCKSTalk@RedCloudKS.com

October 11, 2018

Anaconda Mining Inc. - (TSX:ANX)

Strong H2/18 Ramp Up in Line with Our Forecast

Quarterly Production

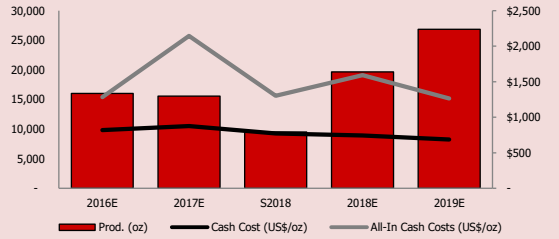
(Currency is C$ unless noted otherwise)

Closing Price		$0.26
Net Asset Value Per Share		$1.02
52 Week Low / High	$0.23 /	$0.56
P/NAV		0.26x
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	116.5	141.5
Market Capitalization ($M)		$30.3
Enterprise Value ($M)		$23.5
Last Reported Cash Balance ($M)		$7.9
Last Reported Debt ($M)		$1.1

FYE: DEC 31	2017A	S2018*	2018E
Gold Produced (000's oz)	15.6	9.5	19.6
Cash Costs (US$/oz)	$875	$771	$744
All-In Cash Costs (US$/oz)	$2,143	$1,302	$1,592
Gross Revenue ($M)	$24.9	$15.4	$32.5
EBITDA ($M)	$5.5	$3.8	$10.5
FCF (CFO+CFI)	-$1.2	-$1.1	$1.9
CFPS	$0.04	$0.02	$0.08
EPS	-$0.02	$0.01	$0.02
Cash At Year End ($M)	$2.5	$4.0	$7.4
Debt At Year End ($M)	$0.6	$1.2	$1.0

STOCK CHART

PRODUCTION FORECAST (oz Au)



DISCLOSURE CODE: 1,2,3,4

(Please refer to the disclosures listed on the back page)

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

Source: RCKS Estimates, Company Information, Capital IQ

Company Description:

Anaconda Mining Inc. operates as a gold mining, development, and exploration company in Canada. It holds 100% interest in the Point Rousse project covering an area of 5,794 hectares located in the Baie Verte Mining District, Newfoundland; Goldboro project comprising 37 contiguous claims covering an area of 600 hectares located to the northeast of Halifax, Nova Scotia; and Viking project that covers an area of 6,225 hectares of prospective land located in Newfoundland.

Impact: Mildly Positive

Anaconda Mining reported a strong increase in gold production in Q3/18 that supports our view for a robust finish to 2018. Financials have yet to be released but we expect these results to generate cash that would support the development efforts at the Goldboro project. **We believe the company is on track to beat 2018 guidance by approximately 9%.**

Highlights:

- **Strong production growth in Q3/18 up 10% Qtr/Qtr (Figure 1).** Anaconda produced 5,099 oz Au in Q3/18, which compares favourably to the 4,632 oz in Q2/18 and supports our view of a strong H2/18. While production for the quarter was slightly below our estimate of 5,687oz Au, we view this as directionally positive as the transition seems temporary. The primarily difference relative to our model was driven by slightly lower grades, as the company processed less ore from Stog'er Tight and more from the Pine Cove pit stockpiles.
- **Mild impact on our Q3/18 financials estimates.** As result of the lower grades in Q3/18 and the company selling 950 oz less than produced, we have modestly adjusted our financial estimates for the quarter. Higher grades from Stog'er Tight should help fuel production and financial performance over the next 18 months.
- **We expect Anaconda to beat 2018 guidance.** Based on Q3 results, we now model the company producing 19.6k oz Au at C$930/oz total cash costs (TCC) (was 20,230oz at C$932/oz TCC), which is ahead of the company's 2018 guidance for 18koz at C$1,000/oz TCC. We currently model 26.9k oz at C$859/oz in 2019.

Valuation:

Near-term production growth not reflected in discounted valuation; Goldboro bulk sample and securing debt financing to act as a potential catalyst. Anaconda continues to trade at a discount to peers despite the growth in production and improved financial performance over the next 18-months. Our NAVPS estimate for Anaconda has increased to C$1.02/sh (was C$1.00/sh) as a result of our model rolling forward. Anaconda trades at 0.26x NAV, a steep discount to peers (0.64x) which should close as the company demonstrates the potential of Goldboro. **Upcoming catalysts:** 1) Q3/18 financial results, 2) 10kt bulk sample at Goldboro, 3) ongoing exploration and 4) debt financing for Goldboro.

Figure 1: Quarterly results compared to estimates

	Q1 2018A	Q2 2018A	Previous Q3 2018E	Updated Q3 2018E	Diff. to estimate
Gold Produced (oz)	4293	4632	5687	5099.0	**-10%**
Average Tonnes per Day	1,332	1,350	1,300	1,332	**-1%**
Cash Costs (US$/oz)	$720	$697	$789	$915	**3%**
All-In Cash Costs (US$/oz)	$1,658	$1,597	$1,536	$1,938	**4%**
Gross Revenue (C$M)	$7.6	$7.4	$9.2	$6.9	**3%**
CFPS (C$/sh)	$0.02	$0.01	$0.03	$0.01	**54%**
EBITDA (C$M)	$2.0	$2.9	$2.9	$1.4	**-30%**
FCF (CFO+CFI) (C$M)	$1.6	$1.0	-$1.5	-$0.5	**57%**
EPS (C$/sh)	$0.00	$0.01	$0.01	$0.00	**-122%**
Cash Balance (C$M)	$2.8	$7.9	$6.3	$7.60	**-65%**

Source: Company Reports, RCKS Estimates

Financial and Operating Summary

TICKER	**ANX.TO**
CURRENT PRICE	**$0.26**
52-WEEK HIGH	**$0.56**
52-WEEK LOW	**$0.22**
SHARES OUTSTANDING (M)	**116.46**
MARKET CAPITALIZATION ($M)	**$30.3**
CASH ($M)	**$7.9**
DEBT ($M)	**$1.1**
ENTERPRISE VALUE ($M)	**$23.5**

TECHNICAL ASSUMPTIONS*

	2018A	S2017E*	2020E	2021E	2022E	2023E
Gold (US$/oz)	1,258	1,277	1,300	1,300	1,300	1,300
FX Rate (C$/US$)	0.78	0.77	0.80	0.80	0.80	0.80

FINANCIAL DATA

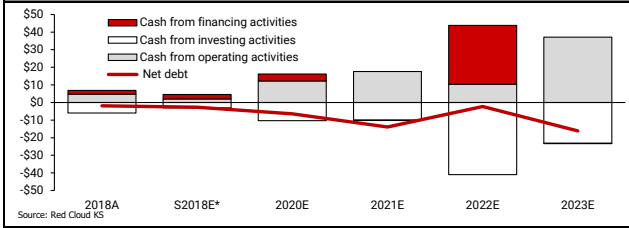
Capital Structure	Shares (M)
Shares Outstanding	116.5
Options	8.7
Warrants	16.4
Fully Diluted Shares	141.5

Ownership (Feb 2018)	Shares O/S (M)	% O/S
Ennio D'Angela	5.5	4.72%
Jacques Levesque Jacques	4.8	4.08%
Thorsen-Fordyce Merchant Capital, Inc.	1.4	1.19%
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)

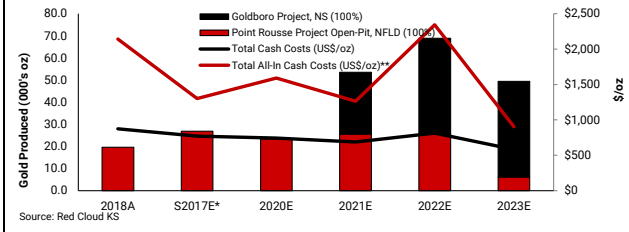
	2018A	S2017E*	2020E	2021E	2022E	2023E
Shares Outstanding (M)	95.5	105.6	116.5	116.5	141.5	141.5
EPS	(0.02)	0.01	0.02	0.11	0.04	0.23
CFPS	0.04	0.02	0.08	0.15	0.08	0.30
P/CF	6.7x	10.5x	3.1x	1.7x	3.5x	0.9x
Income Statement ($M)						
Net Revenue	24.93	15.36	32.52	43.64	37.99	86.98
Operating Costs	(17.53)	(9.52)	(17.28)	(23.07)	(23.79)	(38.99)
EBITDA	5.54	3.75	10.53	17.57	11.21	44.99
EBIT	(1.72)	(0.50)	3.63	12.84	7.03	33.98
Net Earnings	(3.38)	0.98	2.49	12.83	6.12	31.87
EPS	(0.02)	0.01	0.02	0.11	0.04	0.23

Cash Flow & Net Debt ($M)



Source: Red Cloud KS

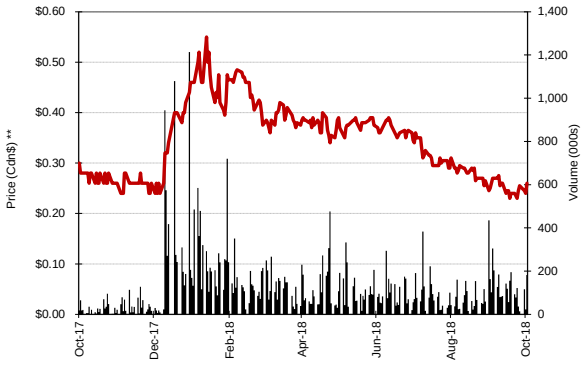
OPERATIONAL FORECAST ($M)



Source: Red Cloud KS

*7-month stub year prior to FY change to Dec. 31
As of market close on October 11, 2018.
All values in CAD unless otherwise noted.
Source: Red Cloud KS Estimates, Company Reports, Thomson Eikon, Bloomberg

STOCK CHART



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

COMPARABLES (Consensus versus Our Estimate)

	Ticker	Price	NAV ($/sh)	P/NAV	EV/EBITDA 2018E	EV/CF 2018E
Anaconda Mining Inc	ANX.TO	$0.26	$1.02	0.26x	1.97x	2.32x
Wesdome Gold Mines Ltd	WDO.TO	$3.93	$4.13	0.95x	11.70x	9.89x
Atlantic Gold Corp	AGB.V	$1.75	$2.48	0.71x	5.62x	6.68x
Alamos Gold Inc	AGI.TO	$6.57	$7.61	0.86x	5.69x	6.21x
Pretium Resources Inc	PVG.TO	$10.75	$17.86	0.60x	6.84x	7.73x
TMAC Resources Inc	TMR.TO	$4.93	$10.50	0.47x	4.09x	5.04x
Alio Gold Inc	ALO.TO	$1.09	$4.48	0.24x	1.05x	1.31x
Metanor Resources Inc	MTO.V	$0.58	NA	NA	NA	NA
Monarques Gold Corp	MQR.V	$0.19	NA	NA	NA	NA
Average				0.64x	5.83x	6.14x

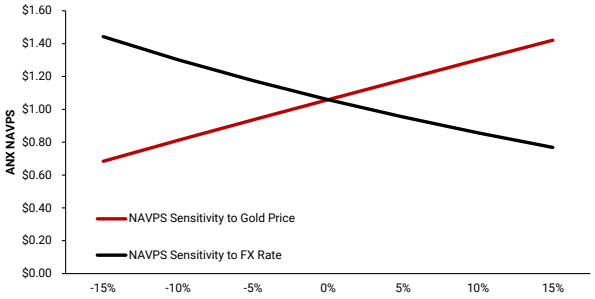
NET ASSET VALUE

	Discount Rate	($M)	($/sh)
Point Rousse Project Open-Pit, NFLD (100%)	5.00%	41.37	0.28
Goldboro Project, NS (100%)	8.00%	122.25	0.83
Taxes	5.00%	(33.53)	(0.23)
Other Assets (US$30/oz)	in-situ	22.84	0.15
Corporate G&A	5.00%	(27.89)	(0.19)
Future Financing Cash Flows	5.00%	15.54	0.11
Working Capital	Current est.	9.84	0.07
Total NAV		$150.4	$1.02

GLOBAL RESOURCE ESTIMATE

Category	Tonnes (M)	Au Grade (g/t)	Au Ounces (M)
Measured and Indicated	7.07	3.20	0.73
Inferred	22.94	1.29	0.95
Total	30.02	1.74	1.68
RCKS Est.	25.43	1.39	1.14

SENSITIVITY ANALYSIS



Source: Red Cloud KS

Derek Macpherson | VP Mining Analysis
Alex Pitcher | Associate, Mining Analysis
Edmond Thorose | VP Corporate Development
Beatrice Cigagna | Associate, Mining Analysis

Red Cloud Klondike Strike Inc.
105 King Street East, 2nd Floor
Toronto ON, M5C 1G6
RCKSTalk@RedCloudKS.com
www.redcloudks.com/rcks-talk

Disclaimer
Red Cloud Klondike Strike Inc. is registered as an Exempt Market Dealer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, and the Yukon. Part of Red Cloud Klondike Strike Inc.'s business is to connect mining companies with suitable investors that qualify under available regulatory exemptions (the "Red Cloud KS Business"). Red Cloud Klondike Strike Inc., its affiliates and associates, and their respective officers, directors, representatives, researchers and members of their families (collectively, "Red Cloud KS") may hold positions in the companies mentioned in this publication and may buy or sell, or buy and sell their securities or securities of the same class on the market or otherwise. Additionally, Red Cloud KS may have provided in the past, and may provide in the future, certain advisory or corporate finance services and receive financial and other incentives from issuers as consideration for the provision of such services. Red Cloud KS has prepared this publication for general information purposes only, NOT as part of the Red Cloud KS Business. This publication should not be considered a solicitation to purchase or sell securities or a recommendation to buy or sell securities. The information provided by Red Cloud KS for the purposes of this publication has been derived from sources believed to be accurate, but cannot be guaranteed. Opinions or analysis contained in this publication may be subject to change and Red Cloud KS does not undertake to advise the reader of such changes. This publication does NOT take into account the particular investment objectives, financial situations, or needs of individual recipients and other issues (e.g. prohibitions to investments due to law, jurisdiction issues, etc.) which may exist for certain persons. Recipients should rely on their own investigations and take their own professional advice before investment. Red Cloud KS will not treat recipients of this publication as customers or clients by virtue of having viewed this report.

Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Anaconda Mining Inc.	TSX:ANX	1, 2, 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.