

Anaconda Mining Inc. - TSX:ANX

March 19, 2018

Anaconda Plans to Make Formal Bid for Maritime

Anaconda Mining Inc. (TSX:ANX) has announced it intends to make an offer to acquire Maritime, for consideration of 0.364 of a common share of Anaconda in exchange for each Maritime share, a 40% premium to the market. We view the potential acquisition as accretive to Anaconda shareholders, providing another source of feed for the Pine Cove Mill, specifically, providing a higher-grade source of feed than currently considered in the mine plan. While we expect a merger to be positive for our estimates, we have not yet incorporated it into our model as a formal offer has not yet been made and there is a risk that Maritime's significant shareholder Rambler Metals and Mining (TSXV:RAB), could make a counteroffer as they have similar synergies.

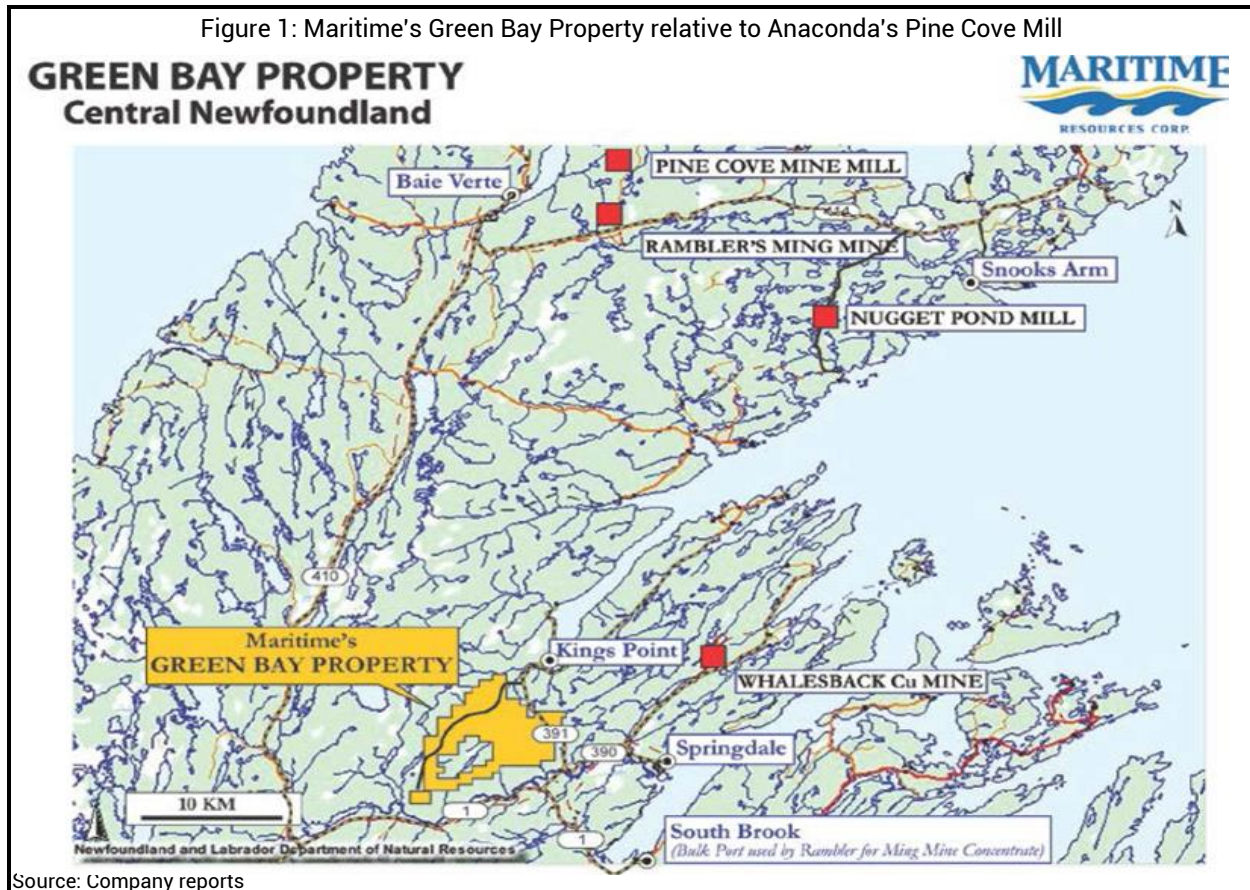
Anaconda offers a premium for Maritime. Anaconda announced its intentions to make a formal offer to acquire Maritime, after its earlier proposal made to Maritime on January 29, 2018. Due to the lack of engagement from Maritime's board of directors, the company is taking the offer directly to Maritime's shareholders. Anaconda would acquire all outstanding shares of Maritime, for consideration of 0.364 of a common share of Anaconda for each Maritime share. The offer represents a 40% premium to market, as of Maritime's closing price on March 16, 2018 of C\$0.10 and a 44% premium based on its volume weighted average trading price (20-day ended March 16, 2018) of C\$0.097 per Maritime share.

Maritime's Green Bay Property well positioned. Maritime wholly owns the Green Bay Property (12,775 acres) near Springdale, Newfoundland, which hosts the past producing Hammerdown Gold Mine, Orion gold deposit and the Lochinvar base-precious metals deposit. The property hosts a NI 43-101 compliant resource (2013) of 473,200 oz Au (2.22Mt @ 7.28 g/t Au – M&I) and 601,900 oz Au (2.845Mt @ 6.58 g/t Au – Inferred). The company completed a PFS for the property in April 2017, which outlined total recovered gold of 173,977 at 7.96 g/t Au over a 5 year mine life. The economics of the project estimate, total operating costs (excluding toll milling charges) of C\$97.1M, total capital costs of C\$67.8M, after-tax cash flow of C\$69.2M, with an after-tax NPV_{8%} of C\$44.2M and IRR of 34.8%.

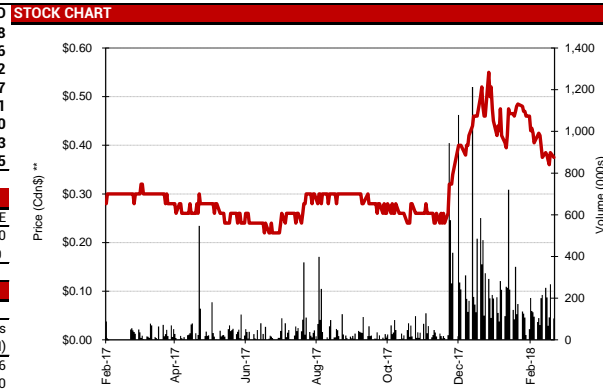
Acquisition likely to be accretive to our estimates. We view the proposed acquisition as accretive for both Anaconda and Maritime shareholders. Given the Green Bay Property's relative location to Anaconda's Pine Cove Mill (Figure 1), which has available capacity, Anaconda could quickly advance the property by taking advantage of this existing infrastructure and team, while reducing costs. Importantly, with excess capacity at the mill, the acquisition would provide a higher-grade source of feed for the mill.

It's not a done deal yet. We highlight that there is probably a ~50% chance it is completed. First, this is likely to be a hostile offer by Anaconda, which comes with lower probability by nature. As well, the other operating mining company in Newfoundland, Rambler Metals and Mining has similar synergies with Maritime and already owns 7.91% of the company. In our view, the possibility exists that Rambler makes an offer of its own. When the likelihood of Anaconda acquiring Maritime increases we plan to incorporate it in our estimates.

Figure 1: Maritime's Green Bay Property relative to Anaconda's Pine Cove Mill



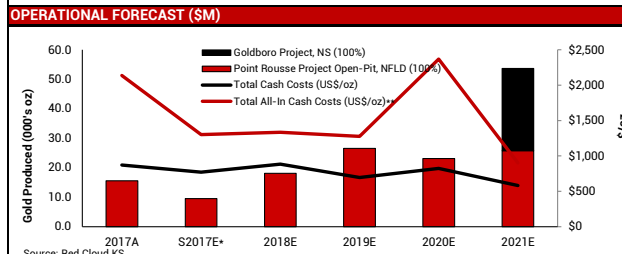
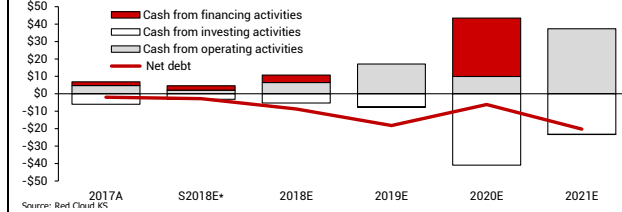
Financial and Operating Summary: Anaconda Mining Inc. (TSX:ANX)						
TICKER	ANX.TO					
CURRENT PRICE	\$0.38					
52-WEEK HIGH	\$0.56					
52-WEEK LOW	\$0.22					
SHARES OUTSTANDING (M)	105.57					
MARKET CAPITALIZATION (\$M)	\$40.1					
CASH (\$M)	\$4.0					
DEBT (\$M)	\$1.3					
ENTERPRISE VALUE (\$M)	\$37.5					
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	105.6					
Options	8.0					
Warrants	10.6					
Fully Diluted Shares	124.2					
Ownership (Feb 2018)						
	Shares O/S (M)	% O/S				
Ennio D'Angela	5.5	5.21%				
Jacques Levesque Jacques	4.8	4.50%				
Thorsen-Fordyce Merchant Capital, Inc.	1.4	1.31%				
Victor Lewis Lawrick	0.4	0.42%				
Dustin Angelo	0.2	0.21%				
Jonathan W Fitzgerald	0.1	0.12%				
Robert James Joseph Dufour	0.1	0.09%				
Gordana Slepcev	0.0	0.01%				
Financial Summary (\$/sh)						
	2017A	S2017E*	2018E	2019E	2020E	2021E
Shares Outstanding (M)	95.5	105.6	118.1	118.1	134.7	134.7
EPS	(0.02)	0.01	0.00	0.11	0.05	0.24
CFPS	0.04	0.02	0.06	0.14	0.08	0.32
P/CF	9.8x	15.3x	6.9x	2.6x	5.1x	1.2x
Income Statement (\$M)						
Net Revenue	25.00	15.36	29.47	43.18	37.59	87.22
Operating Costs	(17.53)	(9.52)	(20.03)	(23.10)	(23.79)	(39.02)
EBITDA	5.61	3.75	6.44	17.08	10.80	45.20
EBIT	(1.65)	(0.50)	0.39	13.17	7.15	35.09
Net Earnings	(3.31)	0.98	0.38	13.17	6.25	32.99
EPS	(0.02)	0.01	0.00	0.11	0.05	0.24
Cash Flow & Net Debt (\$M)						
	2017A	S2017E*	2018E	2019E	2020E	2021E
Cash from financing activities	10	10	10	10	10	10
Cash from investing activities	(5)	(5)	(5)	(5)	(5)	(5)
Cash from operating activities	(5)	(5)	(5)	(5)	(5)	(5)
Net debt	0	0	0	0	0	0
OPERATIONAL FORECAST (\$M)						
	2017A	S2017E*	2018E	2019E	2020E	2021E
Gold Produced (000's oz)	15	10	15	25	20	55
Total Cash Costs (US\$/oz)	15	10	15	25	20	55
Total All-in Cash Costs (US\$/oz)	15	10	15	25	20	55
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.	25.78	1.39	1.15			
SENSITIVITY ANALYSIS						
ANX NAVPS	Sensitivity to Gold Price and FX Rate					
	-15%	-10%	-5%	0%	5%	15%
NAVPS Sensitivity to Gold Price	0.60	0.70	0.80	0.90	1.00	1.10
NAVPS Sensitivity to FX Rate	1.30	1.20	1.10	1.00	0.90	0.80



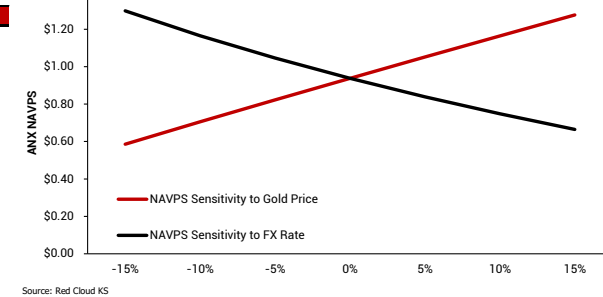
**Announcement of a 4 for 1 roll back in effect as of January 22, 2018.

COMPARABLES (Consensus versus Our Estimate)							
	Ticker	Price	NAV (\$/sh)	P/NAV	EV/EBITDA 2018E	EV/CF 2018E	
	Anaconda Mining Inc	ANX.TO	\$0.38	\$0.95	0.39x	5.76x	6.35x
	Wedome Gold Mines Ltd	WDO.TO	\$1.75	\$3.65	0.48x	6.24x	6.23x
	Atlantic Gold Corp	AGB.V	\$1.92	\$2.08	0.92x	7.08x	8.35x
	Klondex Mines Ltd	KDX.TO	\$2.86	\$3.58	0.80x	4.60x	5.07x
	Pretium Resources Inc	PVG.TO	\$9.19	\$16.54	0.56x	6.03x	6.75x
	TMAC Resources Inc	TMR.TO	\$8.09	\$10.78	0.75x	5.46x	5.57x
	Alto Gold Inc	ALO.TO	\$2.83	\$8.56	0.33x	1.14x	1.31x
	Metanor Resources Inc	MTO.V	\$0.59	NA	NA	NA	NA
	Monarques Gold Corp	MQR.V	\$0.39	NA	NA	NA	NA
	Average				0.64x	5.09x	5.55x

NET ASSET VALUE			
	Discount Rate	(\$M)	(\$/sh)
Point Rousse Project Open-Pit, NFLD (100%)	5.00%	49.80	0.33
Goldboro Project, NS (100%)	8.00%	111.78	0.74
Taxes	5.00%	(33.19)	(0.22)
Other Assets (US\$/30/oz)		in-situ	22.84
Corporate G&A	5.00%	(29.08)	(0.19)
Future Financing Cash Flows	5.00%	14.85	0.10
Working Capital	Current est.	6.84	0.05
Total NAV		\$143.8	\$0.95



*7-month stub year prior to FY change to Dec. 31
 As of market close on March 19, 2018.
 All values in CAD unless otherwise noted.
 Source: Red Cloud KS Estimates, Company Reports, Thomson Eikon, Bloomberg



Source: Red Cloud KS

Derek Macpherson | VP Mining Analysis
Victoria Ellis Hayes | Associate
Alex Pitcher | Associate

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

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Company Name	Ticker Symbol	Disclosures
Anaconda Mining Inc.	TSX:ANX	1,3,4

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