ANACONDA MINING INC.

Management's Discussion and Analysis

of the

Financial Condition and Results of Operations

Fourth Quarter and

Year ended

May 31, 2009

August 31, 2009

Anaconda Mining Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis has been prepared based on information available to Anaconda Mining Inc. ("Anaconda" or the "Company") as at August 31, 2009 and compares its fiscal 2009 results with those of the previous period. This management's discussion and analysis ("MD&A") of the operating results and financial condition of the Company for the fourth quarter and year ended May 31, 2009, should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Management's Responsibilities for Financial Reporting and Controls

The Consolidated Financial Statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and have been approved by the Company's board of directors (the "Board"). The integrity and objectivity of these Consolidated Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the Consolidated Financial Statements.

In support of this responsibility, the Company's management maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, management has chosen those methods it deems most appropriate in the circumstances. The Consolidated Financial Statements may contain certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the Consolidated Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The audit committee is appointed by the Board and has financial experts who are not involved in the Company's daily operations. The audit committee meets periodically with management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy it that each party is properly discharging its responsibilities and to review the Consolidated Financial Statements with the external auditors.

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 Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, designed the Company's disclosure controls and procedures ("DC&P") and its internal control over financial reporting ("ICFR") using the *COSO Internal Control – Integrated Framework* as required by Canadian securities laws. Subject to the limitations and weaknesses identified and disclosed regarding *segregation of duties*, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the DC&P and ICFR were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109— *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and that the Company's ICFR provides reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for external purposes in accordance with Canadian GAAP.

The reader is directed to also review the ***Disclosure Controls and Procedures*** section of this MD&A for further risk identification and assessment and detailed discussion on the existing weaknesses as at May 31, 2009 as determined by the Company's CEO and CFO.

Anaconda Mining Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

General

The Company`s principal business activity is that of a mineral exploration and mining company with operations in Canada and Chile. The Company completed the construction of its mining project in Baie Verte, Newfoundland (the "Pine Cove project") in early June, 2008. Pre-commercial production has been ongoing through the year and the Company has made a series of limited-quantity gold pours as it continues to work toward its full production capabilities. The joint venture agreement that governs the Company's operations, management and ownership percentage defines that full production capability ("Commercial Production") will be achieved as of the first day of the month following the first month in which gold has been produced from the project for a period of thirty consecutive days at an average rate of not less than 70% of the initial-rated capacity of the mill. Upon achieving Commercial Production, the Company will have completed the final requirement of its 60% earn-in criteria. Due to inefficiencies encountered with the concentrator in the processing circuit, the company has thus far been unable to achieve Commercial Production. In November 2008 the concentrator equipment was taken offline allowing for improved gold recoveries in the circuit, however the throughput capabilities of the mill were greatly reduced as a result. In June 2009, a Toll Processing Agreement was reached with Crew Gold allowing for the custom milling of ore from the Pine Cove Mine at Crew's Nugget Pond facility. Thus far the toll milling arrangement has provided cash flow to sustain the mining operations at Pine Cove and it is anticipated that the ongoing cash flow from this arrangement will be utilized by the Company to fund the required upgrades to the Pine Cove mill to facilitate Commercial Production in the intermediate term. The company is reviewing options to upgrade and possibly expand the milling infrastructure currently in employ at its Pine Cove mill.

The Company has not yet established whether its mineral properties in Chile contain resources that are economically recoverable. The downturn in the global economy during the latter half of 2008 and into 2009 has suppressed the demand for steel and subsequently iron ore demand has weakened as well. While not yet at the development-ready stage, the Company's San Gabriel iron project is well positioned to move forward quickly should economic conditions warrant.

Overall Performance

As at May 31, 2009, the Company had assets of $17,896,299 and a net equity position of $11,730,270. This compares with assets of $19,689,548 and a net equity position of $12,387,241 at February 28, 2009 and with assets of $19,886,802 and a net equity position of $15,226,994 at May 31, 2008.

Assets decreased $1,793,249 over the fourth quarter of 2009. Current assets increased by $386,272 due mainly to a net cash increase of $281,373. Receivables (general accounts receivable, GST and subscriptions) increased by $38,091 together with inventory increases of $129,253 and related-party advances of $97,085. These increases were off-set over the quarter with decreases in prepaids, deposits and receivables of $169,938. Investments held-for-sale were marked-to-market resulting in an increase of $168,300 over the previous quarter's balance. Furniture and fixtures, property, plant and equipment and deferred exploration expenditures had a net decrease of $2,119,965 but reflect a reduction from reallocating previously capitalized operations from the Company's Pine Cove project. The Company early adopted *CICA - 3064 – Goodwill and Intangible Assets* that effectively repeals EIC-27 that provided for the capitalization of revenues and expenses during a pre-operating period (See ***Significant Accounting Policies*** of this MD&A). This reversal of capitalized operations accounts for approximately $1.2 million of the decrease with the remainder resulting from the write off of the Gekko concentration unit at the Company's Pine Cove mill (approximately $400,000) together with IVA sales tax claims attributable to properties disposed of or previously written off in Chile (approximately $600,000).

Anaconda's increased cash position over the fourth quarter of 2009 of $281,373 (2008 – (1,403,589)) was the result of the following activities: Cash used in operating activities of $2,699,127 (2008 - $2,170,569); cash provided from financing activities of $1,825,819 (2008 – $1,667,416) and cash provided from (used in) investing activities of $1,151,869 (2008 – ($917,198)). Interest rate fluctuations on foreign currencies held by the Company amounted to $2,812 (2008 - $16,762) for the quarter.

For the 3 months ended May 31, 2009, the Company posted a net loss of $2,390,084 or a $0.03 per share on a basic and fully-diluted basis (2008 - $7,711,461, or $0.14 per share). Net comprehensive loss for the same period amounted to $2,313,346 (2008 – $7,631,361), or $0.03 per share (2008 - $0.14 per share). Net loss is comprised of operating revenue of $445,031 (2008 - $Nil), cost of goods sold of $722,763 (2008 - $Nil), administrative expenses and foreign exchange gains (losses) of $1,187,129 (2008 - $828,124), write-downs of $966,786 (2008 - $6,859,237) and future income taxes (recoveries) of $(41,563) (2008 - $24,100).

Review of Operations

To current date

On June 1, 2009, the Company announced that it had entered into a toll processing agreement with Crew Gold Canada Inc. ("Crew") whereby it would deliver ore for processing from its Pine Cove project to Crew's Nugget Pond mill. Contemporaneously, Anaconda also entered into a side agreement with its joint venture partner New Island Resources Inc. ("New Island") that outlined the terms of, among other things, the recovery of certain previously expended capital as well as capital to be expended in order to commence toll processing (to a maximum of $4 million) as well as the basis where net cash flows from the custom milling arrangement would be distributed to both Anaconda and New Island on an equal basis. On June 29, 2009, Anaconda commenced custom milling of ore that had been trucked and stockpiled at Nugget Pond.

The Pine Cove mill is currently operating on a limited throughput basis, while the Company is reviewing options to upgrade the current processing circuit and expand the current rated capacity of the mill.

In June 2009, the Company completed a private placement of 3,333,334 units and raised $500,000. Each unit consisted of one common share of the Company and one share purchase warrant exercisable for 2 years at an exercise price of $0.25 per purchase warrant. Upon exercise, each warrant will receive one common share of the Company.

Fourth quarter - 2009

Private Placement

At the end of April 2009, Anaconda closed a first tranche of a non-brokered private placement of units at a price of $0.10 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant expires on 24 months from closing and has an exercise price of $0.15 for the first 12 months and then $0.20 for the remaining 12 months until expiry. The first tranche consisted of 20.2 million units for gross proceeds of $2.02 million.

At the beginning of May 2009, Anaconda closed a second tranche of the non-brokered private placement financing. The second tranche consisted of 4.8 million units for gross proceeds of $480,000, bringing the total gross proceeds of the private placement to $2.5 million. The proceeds of the private placement were used to fund preliminary mining and related activities at the Pine Cove gold mine in conjunction with the then proposed custom milling arrangement with Crew Gold Canada Inc. ("Crew") and for general working capital purposes.

The Company paid a total of $50,400 in finder's fees and commissions regarding the private placement.

Adoption of *CICA 3064 – Goodwill and Intangible Assets*

As at May 31, 2009, the Company adopted *CICA 3064 - Goodwill and Intangible Assets* (Section 3064). Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, ("3064 Adoption") that provides clarifying guidance on the criteria that must be satisfied in order for an intangible asset to be recognized, including internally developed intangible assets. The CICA's *Emerging Issues Committee (EIC) Abstract No. 27, Revenues and Expenditures During the Pre-operating Period*, is no longer applicable once Section 3064 has been adopted. As a result of adopting Section 3064, the Company has expensed $1,426,841 of costs incurred in the pre-operating period during fiscal 2009 that otherwise would have been capitalized as property, mill and equipment.

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Annual - 2009

In addition to the above-note fourth quarter events, the following activities occurred during the Company's fiscal 2009 period.

Convertible Loans

In July 2008, the Company arranged for a 7.5% convertible, unsecured loan facility (the "Thorsen Loan") of up to $1.5 million dollars from Thorsen-Fordyce Merchant Capital Inc. ("Thorsen"), an insider of the Company. The Thorsen Loan allows the holder to convert the indebtedness, in whole or in part, into units of the Company, each unit consisting of one common share and one-half of one common share purchase warrant, at the greater of (i) $1.00 per unit, and (ii) the volume weighted average trading price of the common shares of the Company for the twenty trading days immediately preceding the date of the notice of conversion (the "Conversion Price"), per unit. Each whole warrant received on the conversion will entitle the holder to purchase one common share during the 18 months after the date of conversion at (i) a price of $1.25 per share where the conversion price was $1.00, or (ii) at a price equal to 1.25 times the Conversion Price.

In January 2009, the Company re-negotiated the terms of the Thorsen Loan, whereby the maximum amount of the facility was increased to $2 million, the maturity date was extended by one year to May 31, 2010 and the interest rate changed to 12% with interest payable monthly. In consideration of the additional advance, the Company issued 500,000 warrants exercisable at $0.20 each for two years.

On September 16, 2008, the Company closed on a portion of a non-brokered, secured, convertible, 12% debenture financing (the "Debenture"). The Debenture consists of a total of up to 3,300 debenture units (the "Debenture Units") with a face value of $1,000 per Debenture Unit, maturing September 15, 2013 (the "Maturity"), and a subscription price of $900 per Debenture Unit. The amount closed consisted of 1,713 Debenture Units and raised $1,541,700 of discounted proceeds.

Interest is payable semi-annually until Maturity and the Debenture may be prepaid in whole or in part (including accrued interest) at any time without penalty or bonus. The Company paid finders' fees of $12,924 and legal costs of $127,883, for total transaction costs of $140,807 regarding debenture amounts raised to-date.

The Debenture is secured by a charge over certain of the Company's assets, including the common shares of Merc International Minerals Inc. ("MIMI") (the "MIMI Shares") that it currently owns. During the time that the MIMI Shares are held as security hereunder, the Company has surrendered the share certificates to a trustee pursuant to the General Security and Pledge Agreement.

The Company has also established a debt reduction escrow account funded from gold sales from the Company's Pine Cove gold project from which debt service and/or principal repayments will be made.

Each Debenture Unit may be converted at the holder's option into common shares of the Company on the following basis: Until September 15, 2010 at $0.75 per common share; from September 16, 2010 until September 15, 2012 at $0.90 per common share and from September 16, 2012 until September 15, 2013 at $1.10 per common share. The Company will have the right to call for the conversion of the Debenture into the number of shares as set out above, so long as the Company's shares trade at least 100% above the conversion price for at least 20 consecutive trading days.

Results of Operations

3 months ended May 31, 2009 compared to 3 months ended May 31, 2008

Net loss for the 3-month period ended May 31, 2009 was $2,390,084 (after adjusting for the 3064 Adoption) ($0.03 per share) compared to $7,711,461 ($0.14 per share) last year, a decreased loss of $5,321,377. As previously mentioned, during the year the Company adopted *CICA 3064* and as such stopped capitalizing operations in the current year. As such, the decreased loss is comprised of the following items: Increases to the loss – Gross margin loss of $527,816 and general and administrative expenses and foreign exchange gains (losses) of $108,921 offset by decreases to the loss – write-downs $5,892,451 and future income tax recoveries of $65,663.

Year ended May 31, 2009 compared to year ended May 31, 2008

Net loss for the year ended May 31, 2009 was $5,164,634 ($0.08 per share) compared to $10,900,864 ($0.19 per share) last year, a decreased loss of $5,736,230. As such, the decreased loss is comprised of the following items: Increases to the loss – Gross margin loss of $1,426,841 and future income taxes of $211,800 offset by decreases to the loss – general and administrative expenses and foreign exchange gains (losses) of $1,392,626 and write-downs $5,982,245. The gross margin loss of $1,426,842 is a year-over-year increase of 100% as the Company commenced operations at Pine Cove in the current year. The other major increase was office administrative and general costs were up by $102,772 (+35%). The major decreases were in stock-based compensation, down by $2,297,546 (-95%); project investigation costs, down by $555,697 (-90%) and exploration expenditures written off, down by $5,982,245 (-86%).

Summary of Quarterly Results

The following financial data was prepared in accordance with Canadian generally accepted accounting principles using reverse take-over accounting:

2009	**Mar. 1, 2009 - May 31, 2009**	**Dec. 1, 2008 - Feb. 28, 2009 RESTATED[2]**	**Sep. 1, 2008 - Nov. 30, 2008 RESTATED[2]**	**June 1, 2008 - Aug. 31, 2008 RESTATED[2]**
Total revenues	445,031	403,612	537,224	340,249
Net (income) loss	2,390,084[2]	464,173	1,062,647	1,247,730
Net (income) loss per share[1]	$0.03	$0.01	$0.02	$0.02
Total assets	17,896,299	19,327,573	18,834,975	19,581,109
Long-term liabilities	2,167,974	4,256,549	1,246,655	645,000
Shareholders' equity	11,730,270	12,387,239	12,472,255	14,228,486
Cash dividends declared per common share	$0.00	$0.00	$0.00	$0.00

2008	**Mar. 1, 2008 - May 31, 2008 RESTATED[2]**	**Dec. 1, 2007 - Feb. 29, 2008 RESTATED[2]**	**Sep. 1, 2007 - Nov. 30, 2007 RESTATED[2]**	**June 1, 2007- Aug. 31, 2007 RESTATED[2]**
Total revenues	17,931	31,920	62,938	61,657
Net (income) loss	7,711,461	1,323,882	608,636	1,256,885
Net (income) loss per share[1]	$0.14	$0.02	$0.01	$0.02
Total assets	19,856,802	25,042,583	22,16,652	23,402,928
Long-term liabilities	645,000	502,000	502,000	502,000
Shareholders' equity	15,226,994	19,792,507	19,209,434	19,423,716
Cash dividends declared per common share	$0.00	$0.00	$0.00	$0.00

[1] 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.

[2] Amounts have been restated to reflect the Company's adoption of *CICA 3064* and the non-capitalization of pre-operating revenues and expenses. The restated net income and revenues has the effect of the Company's Pine Cove operations reflected therein. Prior year revenue which was comprised of interest income has been reclassed as a reduction of operating expenses to conform to the current year's presentation.

Liquidity and Capital Resources

In management's view, the Company's liquidity and solvency are critical information since Anaconda historically has not generated any income from its mineral properties. However, the Company commenced limited operations from its Pine Cove project in June 2008 and recently (July, 2009) began toll milling Pine Cove ore at Nugget Pond.

Currently, the Company's only source of revenue is from its Pine Cove project in two forms: Limited production of saleable product (gold and silver) from the Pine Cove mill and production of saleable product (gold and silver) from its toll milling operation at Nugget Pond. As previously mentioned in this MD&A, the Pine Cove mill continues operating at a reduced rate of throughput due to the removal of the concentrator from the processing circuit. The toll-milling arrangement that commenced in late June has been initiated successfully. While feed grade has been slightly lower than pro-forma, gold recoveries and average daily throughput have exceeded forecast.

Working Capital

As at May 31, 2009, the Company had a working capital deficiency of approximately $2,844,343. The Company has utilized the proceeds from the recently completed private placement (see ***Review of Operations*** in this MD&A) to discharge some of its current obligations. It continues to apply funds generated from its Pine Cove operations (both from its own mill as well as from the toll milling operation) toward the discharge of existing obligations as well as other working capital requirements.

Transactions with Related Parties

The following transactions involved related parties during the 12 month period ended May 31, 2009 (May 31, 2008):

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of $155,000 (2008 - $133,000) in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA. The term of this agreement is ongoing with either party able to terminate upon 30 days written notice to the other.

Tormin Resources Limited charged the Company a total of $64,526 (2008 - $53,000) in respect of engineering and geological services of John Cook, a director of the Company. Tormin also advanced the Company $42,965 (2008 - $Nil) in the form of an interest-free, no fixed term loan.

The Company incurred interest expense of $233,521 (2008 - $Nil) of which $82,072 (2208 - $Nil) related to non-cash interest accretion on the valuation of the conversion feature on the Convertible Loan payable to Thorsen, a company that is controlled by Lewis Lawrick, Anaconda's CEO and a director of the Company. The Company was also advanced $2,000,000 (2008 - $Nil) from Thorsen (the Convertible Loan).

The Company was advanced $50,000 (2008 – Nil) in the form of an interest-free, no fixed-term loan from John McBride, a director or the Company.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Significant Accounting Policies and Critical Accounting Estimates

Going concern

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the consolidated financial statements.

Subsequent to year end, the Company entered into a toll milling arrangement that is providing positive cash flow to the Company. However, for the year ended May 31, 2009, the Company's only source of revenue is from its Pine Cove project. The operation continues to be limited with the current configuration of its ore-processing circuit at its Pine Cove mill. Throughput and gold recovery has been impacted by the inefficiencies encountered in the concentrator circuit in the mill.

If the going concern assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in the consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the period. The most significant estimates and assumptions include those related to the ability of the Company to continue as a going concern, the mineral properties and related deferred costs, asset retirement obligation and the assumptions used in calculating stock-based payments. Actual results could differ from those estimates.

Mineral Properties and Related Deferred Costs

The Company records its interest in mineral properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs will be amortized and depleted using the unit-of-production method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold or abandoned. If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year (see policy regarding ***EIC-174***). As at May 31, 2009, the Company has transferred the fair value of deferred development costs relating to its Pine Cove project to the Property, mill and equipment category and will commence amortization of its mill and equipment using the unit-of-production method in fiscal 2010.

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

Proceeds from partial dispositions of mineral properties during the exploration stage are credited as a reduction to carrying costs. No gain or loss is realized until all carrying costs of the specific interest have been recovered.

Stock-based Compensation

The Company applies the fair-value based method to all stock options granted. Accordingly, compensation cost is measured at fair value at the date of grant and is expensed on a straight line basis over the vesting period, with the related credit included in contributed surplus. Amounts expensed in the current year for unvested options are reversed upon forfeiture of the options by departing employees. The applicable contributed surplus is transferred to share capital, if and when stock options are exercised. Any consideration paid on the exercise of stock options is credited to capital stock.

The Company uses the Black-Scholes option pricing model to calculate option and warrant values. This model, as well as other currently accepted option valuation models, was developed to estimate the fair value of freely tradeable, fully transferable warrants and options without vesting restrictions, which differ somewhat from the Company's stock option awards. The models also require highly subjective assumptions, including volatility and expected time until exercise, which affect the calculated values.

Asset Retirement Obligations

The Company follows the CICA Handbook Section 3110 "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement of fair value. As at May 31, 2009, the Company has estimated $722,400 in asset retirement obligations related to its Pine Cove property. Interest accretion included in the current year's net loss is $77,400.

Revenue Recognition

Revenue from the sales of metal in concentrate is recognized when persuasive evidence of a sales agreement exists, title and risk is transferred to the customer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sales of metal may be subject to adjustment upon final settlement of shipment weights, assays and estimated metal prices. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. Cash received in advance of meeting these revenue recognition criteria is recorded as deferred revenue. Interest revenue is accrued as earned.

Newly-Adopted Accounting Changes

Capital Disclosure and Financial Instruments – Disclosure and Presentation.

The Company has adopted *Section 1535* that specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company's capital management disclosures are contained in ***note 3*** to the consolidated financial statements.

The Company has adopted *Sections 3862 and 3863* that replace Handbook *Section 3861 – Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged it presentation requirements. These new sections place increased emphasis on disclosures about the nature and extend of risks arising from financial instruments and how the entity manages those risks. The Company's disclosure under these new Sections is contained in ***note 4*** to the consolidated financial statements.

EIC – 166 – Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("*EIC-166*"). This standard requires an entity to disclose the accounting policy for transaction costs for all financial assets/liabilities other than those classified as held-for-trading. Transaction costs can either be recognized in net income or added to the initial carrying amount of the asset/liability it is directly attributable to. The same accounting policy must be chosen for all similar financial instruments, but a different accounting policy may be chosen for financial instruments that are not similar. *EIC 166* should be applied retrospectively to transaction costs accounted for in accordance with *CICA Section 3855* in financial statements issued for interim and annual periods ending on or after Sep. 30, 2007. Anaconda's accounting policy with respect to transaction costs has been to expense all transaction costs for all financial instruments as incurred (except for those classified as held-for-trading). This policy did not change as a result of adopting *EIC 166*. The Company has expensed $ 163,525 relating to transaction costs for the year ended May 31, 2009.

EIC – 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued *EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.* The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions resulting from the implementation of *EIC 173* require the abstract to be applied retrospectively without restatement of prior periods. The Company adopted this EIC effective January 12, 2009. The adoption of the EIC did not have a significant impact on the Company's consolidated financial statements.

EIC – 174 – Mining Exploration Costs

On March 27, 2009, the Emerging Issue Committee of the CICA issued a new EIC (*EIC-174*) requiring that an entity is to consider the following criteria in its determination of impairments that may exist in its properties in addition to those conditions set out in *CICA 3063.09 - .10* and *AcG 11*, paragraphs 15-19, for current and subsequent accounting periods:

- Market value of the underlying commodity that the Company is exploring has had long-term, non-temporary decreases.
- The entity's book value is in excess of its market value.
- The entity's ability to meet future commitments is in question.

The existence of any of the above-noted conditions may signify that an impairment exists in the fair value of a company's properties.

Anaconda has reviewed the above-noted conditions together with those set out in *CICA 3063.09 - .10* and *AcG 11*, paragraphs 15-19 and has adjusted for all impairments and determined that none others exist as at May 31, 2009.

Goodwill and Intangible Assets

As at May 31, 2009, the Company adopted *CICA 3064 - Goodwill and Intangible Assets* (Section 3064). Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, that provides clarifying guidance on the criteria that must be satisfied in order for an intangible asset to be recognized, including internally developed intangible assets. The CICA's Emerging Issues Committee (EIC) Abstract No. 27, *Revenues and Expenditures During the Pre-operating Period*, is no longer applicable once Section 3064 has been adopted. As a result of adopting Section 3064, the Company has expensed $1,426,841 of costs incurred in the pre-operating period during fiscal 2009 that otherwise would have been capitalized as property, mill and equipment.

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Going Concern

On June 1, 2008 the Company adopted *Section 1400 - General standards of financial statement presentation*, and it has since been amended to include going concern requirements. The amendments require management to make an assessment of the Company's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The Company's disclosures in ***note 1*** to the consolidated financial statements reflect such assessments.

Inventory

Effective June 1, 2008 the Company adopted the Canadian Institute of *CICA 3031 - Inventory*. The adoption of this new inventory standard requires changes for accounting of inventory including the requirement to allocate overhead costs based on normal production levels and changes to the definition of net realizable value. The new inventory standard clarifies the definition of 'cost' to include all costs of purchase, costs of conversion and other costs incurred to bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write downs if the finished goods in which they will be incorporated are expected to be sold at or above cost. There was no impact of this change to the financial statements of the Company on the adoption of this new standard.

Future Accounting Changes

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outline the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of June 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations

In January 2009, the CICA issued *Handbook Section 1582 - Business combinations* which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

Non-Controlling Interests

In January 2009, the CICA issued *Handbook Section 1602 - Non-controlling interests* which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

Consolidated Financial Statements

In January 2009, the CICA issued *Handbook Section 1601 - Consolidated financial statements* which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

Dividends

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation 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.

Risks and Uncertainties

Political Risk

The Company operates in Chile, which is an immature and emerging economy with associated risk factors. Anaconda's operations and related assets are subject to the risks of actions by governmental authorities, insurgent groups or terrorists. The Company conducts its business and financial affairs to protect against political, legal, regulatory and economic risks applicable to our operations. However, there can be no assurance that the Company will be successful in protecting itself from the impact of these risks.

Business Risk

The gold and iron-ore industries are highly competitive, particularly with respect to searching for and developing new sources of gold and iron-ore reserves, constructing and operating mines, and transporting and marketing gold and iron-ore products.

In Chile, the Company is pursuing a pure exploration program, and there is no assurance that feasible iron-ore reserves will be discovered and economically produced. Financial risks in the commodity industry include fluctuations in commodity prices, and interest and currency exchange rates. Operational risks, if a discovery were made, include reserve performance uncertainties, reliance on partners, competition, environmental and safety issues, and a complex regulatory environment. In Canada, the Company is working toward Commercial Production at its Pine Cove project. Operational risks include reserve uncertainties, mine and mill performance uncertainties, environmental and safety issues.

Anaconda is exploring its iron-ore property in Chile and has not yet determined whether it contain any reserves. The recovery of both the costs of acquiring the iron-ore and the related deferred exploration costs depends on the existence of economically recoverable reserves, its ability to obtain the financing necessary to complete the exploration and development of the any property, and the future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

Operating a foreign registered subsidiary presents risks associated with differences in business regulations and practices compared with operating a Canadian corporation. The Company is a responsible member of the Chilean community and are building relationships with its members and involving them in key decisions that will have an impact on their lives.

Commodity Risk

There are risks of volatility in world gold and iron-ore prices and other risks that the Company cannot control. Anaconda has no current plans to hedge its production to eliminate pricing risk.

Exploration, Development and Production Risks

A portion Anaconda's current and future working capital will be expended on iron-ore exploration, exploitation and development activities, which are high-risk ventures with uncertain prospects for success. Iron-ore exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration activities by the Company will result in new discoveries of commodities that are commercially viable or economically producible. Holders of securities of the Company must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Company. It is difficult to project the costs of implementing any exploratory or developmental drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole and changes in drilling. Few properties that are explored are ultimately developed into new reserves. In certain instances, the Company may be precluded from pursuing an exploration program or decide not to continue with an exploration program and such an occurrence may have a negative effect on the value of the securities of the Company.

Future exploration may involve unprofitable efforts, not only from lack of commodity reserves, but from commodity reserves that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a mine does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful mine sites. These conditions include: delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions.

Gold and Iron-Ore Reserves

All evaluations of future net revenues are before consideration of indirect costs such as administrative overhead, other miscellaneous expenses and income taxes. The future net revenues may not be representative of the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable reserves, including many factors beyond the control of the Company.

In general, estimates of economically recoverable reserves and the future net revenues there-from are based upon a number of variable factors and assumptions, such as historical production from the properties, commodity prices, the assumed effects of regulation by governmental agencies and future operating costs, each of which may vary considerably from actual results. Estimates of the economically recoverable reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected there from, prepared by different engineers and geologists or by the same engineers and geologists at different times, may vary substantially.

Foreign Currency Exchange Rates

The Company's functional currency is the Canadian dollar. The Company transacts business using the Canadian dollar, the US dollar and the Chilean peso.

The Company may sell its future reserve production pursuant to marketing agreements that are denominated in the Chilean Peso that first must be denominated into US dollars or in Canadian dollars when producing in Canada. Many of the operational and other expenses incurred by the Company are paid in US dollars or in local currency of the country where operations are performed. The assets and liabilities of the Company (including reserve information) are recorded in Canadian dollars. As a result, fluctuations in the US dollar or Chilean Peso against the Canadian dollar and each of these currencies against local currencies in jurisdictions where properties of the Company are located could result in unanticipated and material fluctuations in the financial results of the Company. The Company do not hedge its foreign currency transactions.

Competition

A number of other gold and iron-ore companies operate and are allowed to bid for exploration and production licenses and other services in Chile and Canada which are the focus of the business and operations of the Company, thereby providing competition to the Company. Larger companies may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees and may conduct their own commodity marketing operations, which may give such companies a competitive advantage over the Company. Some of these companies have been conducting operations in Chile and Canada for considerably longer periods of time than has the Company and thus these companies may be more familiar with the political and business landscape in Chile and Canada than the Company. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Environmental Regulation

The current and future operations of the Company that are conducted in Chile and Canada are subject to environmental regulations promulgated by the Governments of Chile and Canada. Current environmental legislation in Canada and Chile provides for restoration of mine sites and safe disposal of any chemicals extracted or used in the mine development. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The existing operations of the Company are subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a material adverse effect on the future financial condition or results of the operations of the Company.

Disclosure Controls and Procedures

DC&P have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the effectiveness of the Company's DC&P as of the date of this MD&A, that the disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company, subject to the weaknesses identified and disclosed below regarding segregation of duties and complex and non-routine accounting transactions. However, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control Over Financial Reporting

Management is responsible for certifying the design of the Company's ICFR as required by *Multilateral 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 Canadian generally accepted accounting principles (GAAP). 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 Canadian GAAP.
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors.
- 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 Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's IFCR 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 May 31, 2009, 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. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of 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.

There have been no changes in the Company's internal control over financial reporting during the three months ended May 31, 2009.

Disclosure of Outstanding Share Information

The following table sets forth information concerning the outstanding securities of the Company as at August 31, 2009:

Common Shares of no par value	**Number**
Shares	88,354,954
Warrants	30,125,834
Options	3,225,000

The table above reflects the legal number of outstanding shares of Anaconda. As noted in the audited consolidated financial statements of the Company, the dollar amount of the stated capital of Anaconda differs from the legal amounts due to the RTO and reporting in accordance with GAAP there under.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at August 31, 2009. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's web site (www.anacondamining.com).