ANACONDA MINING INC.

Management's Discussion and Analysis

of the

Financial Condition and Results of Operations

Fourth Quarter and

Year Ended

May 31, 2011

August 29, 2011

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 29, 2011. 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, 2011, should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year then ended, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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 the Company's profile on SEDAR at www.sedar.com.

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 existing limitations and weaknesses identified and disclosed below regarding ***segregation of duties and complex and non-routine accounting transactions*** the Chief Executive Officer and the Chief Financial Officer have concluded that, as of ***May 31, 2011***, 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.

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 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.
- 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, 2011***, 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 and a material weakness exists. 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.

Complex and non-routine accounting transactions

Due to the Company's small size and limited resources a material weakness also exists with respect to a lack of full competencies in the areas of complex and non-routine accounting issues and transactions. As a result, there is risk that these transactions may not be recorded correctly and potentially result in a misstatement of the Financial Statements and such misstatements may be material in nature. Where the Company identifies a transaction as potentially complex or non- routine, it has retained (and will continue to retain) the services of external experts to provide advice and guidance.

The Chief Executive Officer and the Chief Financial Officer have concluded however, that no material misstatements exist in the Company's financial reporting as at **May 31, 2011**.

There have been no changes in the Company's internal control over financial reporting during the three months ended **May 31, 2011**.

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

Anaconda Mining Inc. (the "Company" or "Anaconda") was incorporated under the laws of British Columbia. On April 18, 2007, Anaconda completed an acquisition (the "Acquisition") of Colorado Mineral Inc. ("Colorado") by issuing 19,701,560 Anaconda common shares to the shareholders of Colorado in exchange for all the issued and outstanding shares of Colorado. As a result of the issuance, the former shareholders of Colorado owned approximately 50.8% of the then outstanding Anaconda common shares thereby affecting a reverse takeover ("RTO") of Anaconda. Accordingly, for accounting purposes Colorado is deemed to be the acquirer of Anaconda, although Anaconda is the legal parent company and the reporting issuer.

Anaconda operates a gold mine and mill near Baie Verte, Newfoundland (the "Pine Cove project") and is a partner in two companies that own, directly and indirectly, iron ore properties in Chile that are currently being explored and developed.

The Pine Cove project is located on the Baie Verte Peninsula, in north central Newfoundland. Anaconda owns 100% of the Pine Cove project. It is an open pit mine with a strip ratio of 4.3 : 1 over the life of the mine. The site comprises two contiguous mining leases totaling 659.7 hectares and contains a permitted tailings storage facility. The mine currently has approximately 40 employees at the mill and in administration, plus a contract miner.

As at May 31, 2009, the Company had completed the construction of the Pine Cove project and had brought it into limited production. During fiscal 2010, the Company undertook a capital program to expand its existing mill to enable processing of a minimum of 700 tonnes of ore per day. Commissioning of the expanded mill occurred in July 2010 (the first quarter of fiscal 2011).

Anaconda has an interest in two iron ore development projects and a port concession at Taltal via its indirectly owned subsidiaries, Minera Hierro San Gabriel S.A. ("MHSG") and Inversiones Hierro Antofagasta S.A. ("IHA"). Anaconda is in partnership with Inversiones SBX Limitada ("SBX") on both projects and the port concession. MHSG contains several properties including its flagship, San Gabriel, which has approximately 53.6 million tonnes ("Mt") of ore at 31% Fe and an NI 43-101 compliant resource estimate[1]. IHA has an 87.5% interest in a company, Minera Hierro Antofagasta ("MHA") that controls properties spanning over 20,000 hectares.

- **MHSG -** Anaconda owns a 50% interest in MHSG, which include areas called Antonia, Antonio, Esperanza, San Gabriel and Vetarron. The MHSG properties span approximately 8,100 hectares in the Atacama District of Chile, approximately 1,000 kilometers north of the capital city of Santiago.

- **IHA -** Anaconda owns a 20% interest in IHA, a private Chilean company which owns an 82.5% interest in MHA. MHA is a private Chilean company that holds the rights to several project areas encompassing over 20,000 hectares of exploration concession, 35 to 60 kilometers east of the port city of Taltal.

[1] 43-101 Technical Report "San Gabriel Iron Project, Chile," dated August 28, 2008 by M. Easdon, P. Geo.

Series III debentures, extension to warrant expiry dates and changes to exercise price

On August 15, 2011, Anaconda announced that it had reached an agreement with the holders of $842,574 face-amount of 12.5% Series III Debentures to extend the maturity date from July 20, 2011 to April 20, 2012, subject to a principal payment of $150,000 on October 20, 2011. Interest at 12.5% shall continue to be payable quarterly.

As part of the agreement, the Company has agreed to reduce the exercise price of 258,227 unlisted common share purchase warrants originally issued to such Debentureholders from $0.30 to $0.08 per common share as well as extend the exercise date by one year to March 20, 2012 (with respect to 236,000 warrants) and to April 22, 2013 (with respect to 22,227 warrants).

Private placement

On June 3, 2011, the Company closed a non-brokered private placement (the "June 2011 Private Placement") of 16,999,728 common shares at $0.07 per share. The common shares were issued, in part, to retire $1,049,981 of promissory notes (see below) including accrued interest thereon, that were coming due at the end of June 2011. The remainder of the common shares issued generated gross cash proceeds of approximately $140,000.

In addition, the Company issued on a non-brokered private placement basis, 1,394,000 flow-through common shares issuable pursuant to the private placement raising additional proceeds of $97,580.

Extension to warrant expiry dates

During April 2011, Anaconda announced it received approval to extend the expiry date of unlisted common share purchase warrants ("Warrants") originally issued under a non-brokered private placement in two tranches on April 23, 2009 and May 11, 2009 (the "2009 Warrants") and Warrants originally issued under a non-brokered private placement on January 25, 2010 (the "2010 Warrants").

The 2009 Warrants entitled the holders to purchase common shares of Anaconda at an exercise price of $0.20 per common share until 5:00 p.m. (Toronto time) on April 23, 2011 and May 11, 2011, as applicable. There are 10,690,723 2009 Warrants outstanding, of which 6,855,723 2009 Warrants are held by non-insiders and 3,835,000 2009 Warrants are held by insiders of the Company.

The 2010 Warrants entitled the holders to purchase common shares of Anaconda at an exercise price of $0.22 until 5:00 p.m. (Toronto time) on July 25, 2011. There are 3,984,069 2010 Warrants outstanding, of which 3,576,705 2010 Warrants are held by non-insiders and 407,364 2010 Warrants are held by insiders of the Company.

The 2009 Warrants and the 2010 Warrants held by insiders of the Company were not extended, as consented to by such insiders. The 2009 Warrants held by non-insiders, as a result of the proposed amendment, will entitle such holders to purchase common shares at an exercise price of $0.20 per common share until 5:00 p.m. (Toronto time) on April 23, 2012 and May 11, 2012, as applicable. And the 2010 Warrants held by non-insiders, as a result of the proposed amendment, will entitle such holders to purchase common shares at an exercise price of $0.22 per common share until 5:00 p.m. (Toronto time) on July 25, 2012. The common shares underlying the 2009 Warrants and the 2010 Warrants held by non-insiders which were subject to the proposed amendment represent approximately 8.2% of the issued and outstanding common shares of the Company, at this time.

Rights offering

On April 1, 2011, Anaconda announced the terms of a rights offering (the "Rights Offering") to holders of common shares. Anaconda issued to holders of its common shares as of record at the close of business on April 7, 2011 transferable rights certificates to subscribe for common shares before 4:00 p.m. (Toronto time) on May 3, 2011 on the terms set out in a rights offering circular (the "Rights Offering Circular") dated March 31, 2011. The Rights Offering Circular is also be available on the SEDAR website at www.sedar.com. One right (a "Right") will be issued for each common share outstanding and four (4) Rights will permit the shareholder to purchase one common share (a "Share") for $0.07 per Share.

The Rights and the underlying common shares were approved for listing on the TSX. Actual subscriptions provided for a total of 31,686,444 common shares being issued, raising gross proceeds of $2,218,051. Certain investors including members of management agreed to provide a standby guarantee in the amount of $2,228,818 (the "Standby Guarantee"), which amount was advanced to Anaconda Mining in the form of promissory notes (see below) due on June 29, 2011 and June 30, 2011. Pursuant to a standby guarantee, the standby guarantors were issued 7,921,611 common share purchase warrants (the "Guarantor Warrants"). Each whole Guarantor Warrant entitles the holder to purchase one common share for $0.08 until May 3, 2013.

Net proceeds after Rights Offering expenses were released to Anaconda to be used for working capital purposes. Anaconda called upon the Standby Guarantee and 20,673,870 shares were issued to the standby guarantors for the amount of unsubscribed rights and was settled with paydowns totalling $1,447,171 to the applicable promissory notes, that included $336,246 of promissory notes held by insiders.

Promissory notes

During the last half of fiscal 2011, the Company issued $2,526,700 of face-value promissory notes with expiry date of March 31, 2011, at a discount to face value of 90.9%, raising proceeds of $2,297,000 that it used for working capital purposes. Repayment of $75,000 was made in March 2011, prior to maturity. On March 31, 2011, the Company came to an agreement with the holders of the promissory notes to extend the maturity date to June 29, 2011 and June 30, 2011, with interest accruing at 15% per annum from April 1, 2012 to maturity.

On May 3, 2012, 20,673,870 common shares were issued pursuant to the Rights Offering retiring $1,447,171 of outstanding promissory notes balance. On June 3, 2011, the Company issued 14,999,728 common shares pursuant to the June 2011 Private Placement in settlement of the remaining outstanding promissory note balance plus accrued interest thereon.

Pine Cove project and transaction with New Island Resources Inc. ("New Island")

On June 11, 2010, Anaconda announced that it formally commenced a share exchange takeover bid for New Island to acquire all of the issued and outstanding common shares of New Island on the basis of 0.3333 Anaconda common shares for each whole New Island share (the "Offer"). The Offer contained a minimum tender condition of 66 2/3% of all New Island shares be deposited under the Offer and was open for acceptance until August 3, 2010. A number of extensions and variations occurred throughout August 2010 with the final offer expiring on August 31, 2010. Pursuant to the Offer, Anaconda acquired a total of 25,098,860 New Island shares and issued 10,541,520 Anaconda common shares in consideration therefor.

On August 30, 2010, Anaconda and New Island issued a joint press release announcing that they reached agreement on a friendly transaction (the "Transaction") to be structured as a plan of arrangement, pursuant to which a total of 22,602,315 Anaconda common shares would be distributed to the shareholders of New Island in exchange for New Island's interest in the Pine Cove project. In addition, pursuant to the proposed plan of arrangement, all of the 25,098,860 New Island shares acquired by Anaconda pursuant to its current take-over bid will be returned to tendering shareholders. The Transaction received approval by special resolution and a majority of minority of the New Island shareholders on January 11, 2011 and received final approval of the Alberta Court of the Queen's Bench on January 13, 2011.

The Company acquired the Pine Cove assets owned by New Island and valued the acquisition based on the fair value of the securities issued to acquire the remaining asset (being the remaining 40% of the project it did not already own) once the Transaction was finalized and received both shareholder and court approval (*CICA Section 3381.10 – Non-monetary Transactions*). The Company issued a total of 22,602,315 common shares to acquire the asset. The closing price of Anaconda common shares on January 13, 2011, was $0.14, resulting in a fair value of $3,164,324.

The Company incurred $608,610 of Transaction costs of which $75,000 has been capitalized to property, mill and equipment on the consolidated balance sheet and the remainder of $533,610 has been expensed in the current year's operating results. For more information please see the press releases available on SEDAR at www.sedar.com.

San Gabriel, Vetarron and Antonio properties

During fiscal 2011, Anaconda and Inversiones SBX Limitada ("SBX"), Anaconda's Chilean Joint Venture Partner, have focused their resources on moving the Esperanza iron deposit forward toward a commercial development decision. Esperanza is a near-surface hosted deposit in the greater San Gabriel project area containing an indicated resource of 4.3 million tonnes at an average grade of 41% total iron. (see Anaconda's PR dated Aug 14, 2008 regarding the San Gabriel 43-101 Resource report). Detailed metallurgical studies along with preliminary process engineering have been completed. The JV partners have requested equipment pricing from suppliers in order to finalize a detailed Mine Plan (including Capex and Opex) to determine the economic scope under which a near term development decision can be based. The Esperanza mineral resource is near surface and as a result will require minimal pre-stripping and could be in production within approximately 12 months following a production decision.

Based on preliminary work performed to date, Esperanza is expected to produce approximately 700,000 tonnes per year of iron concentrate grading greater than 63 percent iron (based on metallurgical tests indicating an optimal 3 millimetre fines product). SBX, which has advanced the feasibility evaluations, has requested quotes, designs and plans from various third party contractors for several aspects of the project's development, including the design of a magnetic separation plant, mine planning, contract mining and transportation. In addition, SBX has been in discussions with CAP S.A. ("CAP") regarding access to its port. No agreement exists regarding the use of the CAP port, or other alternatives at this time.

Anaconda, with the assistance of Gryphon Partners, has been pursuing potential off-take agreements for the product to be produced from Esperanza. Anaconda has signed confidentiality agreements with a number of parties availing them of the technical project information on Esperanza upon which commercial terms can be negotiated.

Overall performance

As at May 31, 2011, Anaconda had assets of $23,463,882 and a net equity position of $7,966,366. This compares with assets of $21,385,328 and a net equity position of $12,061,296 at May 31, 2010. As at May 31, 2011, the Company had a working capital deficiency of $5,186,710 and an accumulated deficit of $31,425,321.

The Company has experienced ongoing losses and negative cash flow from operations both of which raise concerns regarding its ability to continue as a going concern. At this time cash generated from the operations of the Pine Cove project is insufficient to fund the Anaconda's ongoing working capital requirements, corporate and administrative expenses, debt service, capital-expenditure requirements and other contractual obligations, including those for its mineral properties in Chile. The strategy of the Company is to ameliorate the operations of its Pine Cove project to improve processing, grade control and precious metal recovery. If these efforts are successful, management believes the Pine Cove project will generate sufficient cash from operations to fund such corporate obligations for at least the next 12 months. If these efforts are not successful, Anaconda will need to raise additional capital in order to fund any shortfall in working capital, unfunded corporate and administrative expenses, debt service, capital-expenditure requirements and other contractual obligations over the next 12 months. See also ***Liquidity, working capital and capital resources*** section of this MD&A.

3 months ended May 31, 2011

Assets increased by $617,732 over the fourth fiscal quarter of 2011. Current assets increased by $1,138,582 with an increase in cash of $113,161 (see below for details of material changes in the unrestricted cash balance of the Company). Short-term restricted cash increased by $238,684 with the additional requirement to restrict 10% of gold-sales proceeds from the Pine Cove project to satisfy series I debenture interest payments. Accounts receivable, prepaids and deposits increased by $121,383 mainly due to additional minor advances and prepaids made to vendors at the Company's Chilean subsidiary. HST recoverable increased by $24,255 with increased taxable expenditures made at the Company's corporate head office and its Pine Cove project. Due from related parties increased by $143,552 as a result of increased receivables from SBX of $175,741 for Chilean exploration expenditures offset by a reduction to amounts owed by Ravenhill Partners ("Ravenhill") of $32,189 (see ***Transaction with related parties*** section of this MD&A), with regard to office rental charges. Inventory balances increased by $517,480, as a result of increased raw material stockpiles and depletion and depreciation allocations. Decreases to the balances of other assets of $520,850 is detailed as follows: Long-term restricted cash increased by $1,194, represented by interest income for the period on the restricted balances; mineral property and deferred exploration expenditures increased by $176,502, offset by decreases to the deferred transaction costs accrual of the rights offering of $80,000, leasehold improvements decreased by $2,001 as a result of quarterly amortization and property, mill and equipment decreased by $616,546 as a result of $245,666 of amortization, a reallocation of previously capitalized Transaction costs of $533,610 offset by acquisitions of $162,730 for the quarter.

Anaconda's non-restricted cash position by $113,161 from the third quarter of 2011, the result of the following activities: Cash used in operations of $1,264,295 with net loss after adjusting for non-cash operating items such as depletion, amortization, stock-based compensation, interest accretion, unrealized foreign exchange losses, write-downs and future income tax recoveries, accounting for $643,790 of the cash used. Decreases to working capital items of $620,505 accounted for the remaining cash used in operating activities. In addition to common shares issued pursuant to the Rights Offering for net cash proceeds of $556,585, the issuance of promissory notes of $642,643 plus related-party advances of $239,578, resulted in cash provided from financing activities of $1,438,807. Deferred exploration expenditures, purchases of equipment and restricted cash increases of $175,174, $162,731 and $239,878, respectively offset by deferred transaction costs of $533,610, account for total cash used in investing activities of $44,173. Interest rate fluctuations on foreign currencies held by the Company decreased the Company's cash position by $17,176 for the quarter.

Year ended May 31, 2011

Assets increased by $2,078,554 over the year. Current assets increased by $1,123,257 with a decrease in unrestricted cash of $242,746 (as detailed below). Short-term restricted cash increased by $469,018 with the additional requirement to restrict 10% of gold-sales proceeds from the Pine Cove project to satisfy series I debenture, interest payments. Accounts receivable, prepaids and deposits increased by $48,943 mainly due to additional minor advances and prepaids made to vendors at the Company's Chilean subsidiary. HST recoverable decreased by $367,209 as recoverable taxable expenditures at May 31, 2010 consisted of one-time capital expenditures regarding the Pine Cove mill expansion. The carrying value of Anaconda's raw materials inventory increased by $33,665 mainly as a result of increased quantities in stock pile and the circuit. Due from related parties increased by $1,109,854 from SBX, pursuant to the terms of the Chilean iron-ore transaction regarding future options payments to be made by SBX and from deferred exploration expenditures incurred during the year; and by $71,731 from Ravenhill pursuant to the recovery of office rent and administrative expenses (see ***Transactions with related parties*** section of this MD&A). Other assets increased by $955,297 and is comprised of a decrease in investments of $336,600 resulting from the disposition of the Company's investment in Merc International Minerals Inc. ("MERC") shares; a decrease in long-term restricted cash of $99,980 as the result of a return of a letter of credit from the province of Newfoundland as the Company fulfilled the requirements thereunder less interest income for the year; a decrease in deferred transaction costs of $79,581 regarding the New Island transaction. Leasehold improvements decreased by $4,512 as a result of amortization for the year. Property, mill and equipment increased by $4,381,294, this increase mainly a result of Anaconda completing the Transaction (see ***Pine Cove project and transaction with New Island Resources Inc.***) less depletion, depreciation and amortization for the period. Deferred exploration expenditures showed a net decrease of $2,905,324, representing the disposal of 50% of the Company's San Gabriel project of $2,040,322 plus further provisions for non-transferrable VAT of $580,896 plus the loss on the 50% disposition of $1,483,157 offset by expenditures for the period of $1,051,825 plus $147,226 on the San Gabriel property and other Chilean properties, respectively, all pursuant to the Chilean iron-ore transaction with SBX.

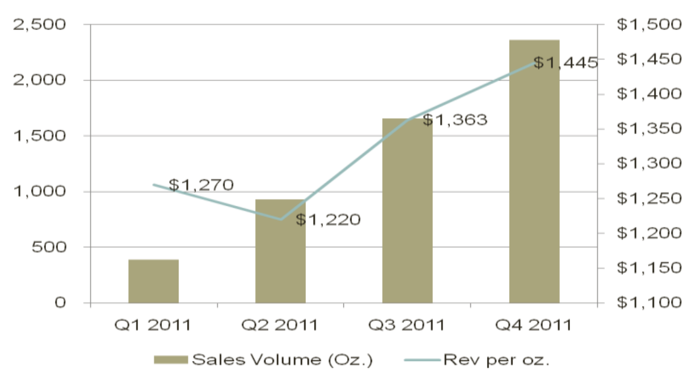
Anaconda's non-restricted cash position decreased by $242,746 over the year ended May 31, 2011, and was the result of the following activities: Cash used in operating activities of $2,549,105 with net loss after adjusting for non-cash operating items such as depletion, amortization, stock-based compensation, interest accretion, unrealized foreign exchange losses, write-downs and future income tax recoveries, accounting for $6,053,917 of the cash used. These expenditures were offset by non-cash increases in working capital items of $3,504,812. The issuance of promissory notes of $2,228,818 together with loans and debentures of $1,750,000 plus shares issued for cash (net of issuance costs of $565,585 less repayments to related-parties of $98,670 and repayments of government loan of $78,644, results in cash provided from financing activities of $4,358,105. Deferred exploration expenditures, purchases of equipment and reduction of restricted cash balances of $222,896, $1,665,856 and $369,038, respectively, offset by deferred transaction costs of $79,581 and proceeds from the sale of MERC shares of $153,000, account for total cash used in investing activities of $2,025,169. Interest rate fluctuations on foreign currencies held by the Company decreased the Company's cash position by $26,561 for the year.

Review of operations

Pine Cove project

The Pine Cove project demonstrated steady improvement throughout fiscal 2011, which manifested itself in the quarter over quarter increase in gold sales volume. From the first quarter through the fourth quarter, there was a strong upward trend in quarterly sales volume for the fiscal year as illustrated in the chart below. In addition, the Company remained un-hedged, which allowed it to capitalize on rising gold prices.

<u>Quarterly Sales Chart: Fiscal 2011</u>



During the first quarter ended August 31, 2010, the Company completed the upgrade and expansion of its mill and began the commissioning process. Consequently, gold production was limited during that period. Then, throughout the late summer and fall, the Company encountered problems at the various mill circuits, primarily related to recovery. There was one major mechanical failure where the mill was down for a few weeks in September and October to replace the primary ball mill starter. By November, Pine Cove had made a significant step forward by maintaining availability for the entire month and selling approximately 533 ounces, which was approximately two to twelve times as much as any previous month during the fiscal year. However, throughput remained in the range of 700 to 800 tonnes per 24-hour day and recovery suffered due to continued difficulties mostly with the leach and filtration circuits. In addition, by the third quarter ended February 28, 2011, snow and inclement weather severely reduced the number of operating days for the period.

In late January 2011, the Company ascertained that the source of the recovery problems related to the disproportional amounts of clay minerals in certain areas of the deposit. The flotation concentrate that was being produced did not adequately remove enough of the clays and gangue at the front end of the milling process. As the concentrate product reported to the filters, it "blinded" the filters so that they could not recover properly the gold that was in solutin. In addition, because more tonnage was being processed, the filters had to work in parallel as opposed to in series, which enables re-washing. Consequently, by early February, the Company initiated a multi-step process to minimize the adverse effects of clay minerals in the ore, create a higher grade flotation concentrate and ultimately enable the filters to be configured in series. The primary steps in this process included incorporating a cleaner cell in the flotation circuit and water washing the flotation concentrate.

On February 25, 2011, the Company and Rambler Metals and Mining Canada Limited ("Rambler") entered into a gold concentrate toll processing agreement (the "Agreement") where Rambler would process the Company's gold concentrate from Pine Cove at Rambler's Nugget Pond mill. The purpose of entering into the Agreement was to conduct a short trial to evaluate the efficacy of shipping concentrate off-site and processing it through Rambler's leach and carbon-in-pulp ("CIP") circuits. The Nugget Pond mill employs a CIP process which does not rely on separating the solutions/solids as the Merrill Crowe process at Pine Cove requires. The Company viewed it as an opportunity to test another method of processing on such a large scale in conjunction with on-site work being done simultaneously to solve Pine Cove's filtration issues.

Shipments of concentrate commenced on March 11, 2011 (the "Trial Processing") after the Company relined its ball mill and made repairs to its crusher. The trial lasted for approximately four weeks with the final concentrate shipment occurring on April 13, 2011. During the trial period, Pine Cove processed 26,039 tonnes of ore, producing 856 tonnes of concentrate, which were shipped (at approximately 60% density) in fifty-five truck loads and pumped to the leach tanks at Nugget Pond. The trial produced 790 ounces. The combined recovery rate between Pine Cove's flotation circuit and Rambler's leach circuit was in the low to mid 80% range.

Upon completion of the Trial Processing at Nugget Pond, the Company and Rambler had not yet entered into a longer term arrangement to ship concentrate to and process at Nugget Pond. Therefore, the Company restarted the back half of the Pine Cove mill and began processing the higher grade concentrate it had been shipping to Nugget Pond. There was a significant improvement in circuit operation, particularly the solids/solutions separation because of the higher grade concentrate that was produced due to the implemented changes. As a result, overall mill recovery climbed to the mid 70% range during April / May whereas it had historically been around 50% for the first three quarters of the fiscal year. In addition, during the Nugget Pond trial, Pine Cove made adjustments to its crusher and primary ball mill, which enabled average daily throughput to reach between 950 and 1,000 tonnes per day. The following table summarizes the significant operating improvement that occurred in the mill from January 2011 through May 2011.

	Jan	Feb	Mar	Apr	May
Calendar days	31	28	31	30	31
Operating days	24	18	21	28	29

Availability	77%	63%	69%	93%	92%
Dry tonnes processed	18,759	14,547	16,586	26,997	27,735
Tonnes per 24-hour day	786	825	775	968	972
Grade	2.01	2.92	1.85	1.85	1.72
PC only plant recovery[1]	54%	53%	62%	70%	78%

[1] From the middle of March until the middle of April, Pine Cove was conducting a trial with Nugget Pond where it was shipping its gold concentrate to the Nugget Pond mill for processing. The PC only plant recovery represents the metallurgical accounting for the days when Pine Cove did not ship concentrate to Nugget Pond.

Selected Annual Information

	May 31, 2011	May 31, 2010	May 31, 2009
Consolidated statements of operations and deficit	**$**	**$**	**$**
Revenue (including other income)	7,475,118	11,360,742	1,726,116
Cost of goods sold	8,782,162	9,899,675	3,152,957
Administrative expenses	3,867,602	2,640,401	2,197,485
Interest expense (net of interest income)	1,686,907	888,251	537,769
Depletion and amortization	445,807	585,396	3,241
Write-down of deferred explorations	580,896	654,551	599,941
Write-down of mill and equipment	-	-	366,845
Transaction costs	533,610	-	-
Loss on sale of property	1,483,157	-	-
Loss on sale of investments	1,464,000	-	-
Forex	207,805	24,862	24,862
Future income taxes (recoveries)	(160,050)	7,650	7,650
Net loss	**11,416,774**	**3,340,044**	**5,164,634**
Basic and fully-diluted loss per share	0.10	0.04	0.08
Consolidated statements of cash flow	**$**	**$**	**$**
Cash used in operating activities	(2,549,105)	(1,883,412)	(3,953,103)
Cash flow from financing activities	4,358,105	5,603,712	5,393,105
Cash flow used in investing activities	(2,025,169)	(3,478,841)	(2,545,296)
Consolidated balance sheets	**$**	**$**	**$**
Cash and cash equivalents	290,882	533,628	286,647
Restricted cash (short and long-term)	1,242,585	873,547	600,552
Mineral properties and deferred exploration Expenditures	1,795,317	4,700,641	5,045,833
Property, mill and equipment	17,574,168	13,192,874	11,291,205

Total assets	**23,463,882**	**21,385,328**	**17,896,299**
Shareholders' equity	**$7,966,366**	**$12,061,296**	**$11,730,270**
Weighted average number of shares outstanding at May 31	**119,195,000**	**89,563,000**	**63,064,000**

Results of operations

3 months ended May 31, 2011 compared to 3 months ended May 31, 2010

Net loss for the 3-month period ended May 31, 2011 was $1,084,814 or $0.008 per basic and fully-diluted share. This compares with a net loss of $1,702,719 or $0.018 per basic and fully-diluted share for the corresponding 3-month period in 2010. The net loss decrease of $889,069 is the result of the following significant items:

Gross operating margin

Gold sales increased significantly from the Q4-2010, up by $2,379,230, with both the number of ounces sold increasing (2,363 ounces in Q4-2011 versus 901 ounces in Q4-2010) coupled with the increase in the average price of gold for the quarter ($1,445/oz for Q4-2011 versus $1,149 for Q4-2010/oz). Other income increase by $50,000 as the Company recognized the final receipt of payment for the sale of its Lingman Lake claims that it had previously written down to zero.

Cost of goods sold increased by $1,184,875. Details regarding the increase are as follows: Mill operating costs increased by $109,231 and mining costs increased by $201,367 both as a result of the increased mining and processing levels of production. Payroll costs increased by $506,333 as a result of personnel increases as the Company normalized personnel levels to function with the newly expanded mill. Third-party processing costs increased by $300,902 but no correlation may be made regarding the increase as the current period's charges ($659,054) relate to the gold concentrate processing at Nugget Pond whereas Q4-2010 charges of $152,751 relate to the final payment under the toll-milling arrangement with Crew Gold (Canada) Ltd that was terminated in December 2009. Net smelter returns increased by $67,043 due to increased sales of gold and silver.

Administrative expenses

Office and general costs decreased by $372,975, with office administration and rental costs down by $278,919 mainly as a result of a non-cash reallocation of freight charges more appropriately categorized as cost of goods sold. Representation and travel, shareholder and regulatory reporting account for a reduction of $61,870 as the Company's public reporting requirements at the end of fiscal 2010 were higher due to the New Island transaction and its corporate travel was lessened with less travel regarding its Chilean properties. These decreases were offset with increases to stock-based compensation of $20,316 as the Company reported higher vesting of options during the recent fiscal quarter.

Consulting and professional fees decreased by $66,460 mainly due to legal activity regarding the New Island transaction during the last fiscal quarter of 2010.

Interest expense

Interest expense (net of interest income) is higher by $346,377, a reflection of the increased debt the Company had outstanding during the current fiscal quarter.

Transaction costs

One-time transaction costs of the New Island transaction (finalized once the court order and shareholder approval were received) of $533,610 were recognized in the most recent quarter of fiscal 2011.

Year ended May 31, 2011 compared to year ended May 31, 2010

Net loss for the year ended May 31, 2011 was $11,576,824 or $0.096 per basic and fully-diluted share. This compares with a net loss of $3,340,043 or $0.037 per basic and fully-diluted share for 2010. The net loss increase of $8,076,730 is the result of the following significant items:

Gross operating margin

Overall, year-over-year, gold sales were down on a net basis by $3,885,624. However, sales generated from production at the Pine Cove mill (including gold concentrate partially processed at Nugget Pond in Q4-2011) were up by $4,486,747 mainly as a result of a greater number of ounces sold (5,347 ounces in 2011 versus 2,670 ounces in 2010) coupled with a higher average gold price ($1,368/oz for 2011 versus $1,063/oz for 2010). This increase was entirely offset by the reduction in toll-milling gold sales from Nugget Pond (0 ounces in 2011 versus 7,745 ounces in 2010) of $8,522,405. Other income increased by $150,035 as the Company recognized the sale of its Lingman Lake and Borthwick claims that it had previously written down to zero.

Cost of goods sold decreased by $1,117,513. Details regarding the decrease are as follows: Mill operating, mining and direct payroll costs were up by $388,504, $278,722 and $608,489, respectively, all as a result of the increased mining and processing levels of production and the associated personnel increase to a normalized level to function with the newly expanded mill together with one-time operating expenditures incurred in an effort to rectify ongoing issues with the mill circuit. Cost of goods sold was decreased by the savings resulting from third-party toll-milling costs of $3,545,675 (the toll-milling project was terminated in December 2009) and with a reduction to net smelter royalties due to the overall reduction in gold and silver sales for the year by $128,641.

Administrative expenses

Office and general costs decreased by $55,121, mainly due to decreased computer network costs and rental charges regarding the Company's move to new office premises in October 2010 whereby its net rental costs are lower by approximately $4,000/ month as a result of recharges to subtenants. These decreases were further decreased by reductions in financing costs of $23,510 as a result of one-time fees paid during 2010.

Consulting and professional fees increased by $808,609 as the Company engaged various experts and professionals to review its Pine Cove mill circuit and implement a remediation program.

Stock-based compensation increased by $360,578. The annual expense of vesting of options issued during fiscal 2011 accounted for $648,098 versus the vesting of options issued during 2010, that accounted for $287,521.

Shareholder and regulatory reporting increased by $28,654 over fiscal 2010, mainly as a result of the increased expenditures regarding the Rights Offering.

Salaries and benefits costs increased by $163,413 as a result of one-time severance costs to the outgoing CEO ($180,000) offset by small reductions to extended benefits premiums.

Other expenses, write-downs and future income taxes

Interest expense (net of interest income) increased by $818,655 as the Company's average debt balance during 2011 was higher as a result of issuing the series III debentures and promissory notes and drawing down on loans from the government of Newfoundland and an agency of the Federal Government.

Depreciation, depletion and amortization for year ended May 31, 2011 was $445,807 versus $585,396 during 2010, a decrease of $139,569. The decrease is mainly a result of the lower gold production during fiscal 2011, as gold production is the basis of the units-of-production depletion and depreciation calculation.

During the year ended May 31, 2011, the Company provided for and wrote down VAT expenditures of $580,896 made by its Chilean holding subsidiary as VAT expenditures are not permitted to be capitalized under Canadian GAAP.

Loss on sale of properties increased by $1,483,157 over fiscal 2010, as the Company completed the transactions to acquire interests in two iron exploration portfolios from SBX. Anaconda acquired a 50% interest in iron exploration concessions located in the immediate area of the Company's San Gabriel iron project and a 20% interest in IHA. In return, SBX acquired from Anaconda a 50% interest in the Company's San Gabriel property. As part of the consideration provided to Anaconda, SBX was also required to fund the remaining US$2.2 million in option payments related to the San Gabriel property (the first of which in the amount of US$500,000 was paid by SBX during fiscal 2011 and the remaining payment of US$1.72 million was paid in June 2011). The combined San Gabriel area assets are held by a new company, Minera Hierro San Gabriel S.A., which is owned on a 50:50 basis by Anaconda and SBX.

Loss on sale of investments amounted to $1,464,000 as the Company realized previously unrealized losses of $1,225,002 and current period loss of $238,998 when it sold its MERC shares to raise funds for working capital purposes.

Future income taxes (recoveries) vary with mark-to-market of the Company's investments as these increase and decreases are captured in the consolidated statement of comprehensive loss, net of taxes (recoveries) thereon. During the year, the Company disposed of its investments and transferred all unrealized losses (net of taxes (recoveries) to income from the accumulated comprehensive income/loss account. Recovery of future income taxes related to this amount was $160,050, resulting in a change of $167,700, from the prior year's taxes of $7,650.

Summary of quarterly results

	Mar. 1, 2011 - May 31, 2011	Dec. 1, 2010 - Feb. 28, 2011	Sept. 1, 2010 - Nov. 30, 2010	Jun. 1, 2010 - Aug. 31, 2010
	$	$	$	$
Total revenues	2,429,230	2,276,989	1,136,082	496,961
Net loss	(1,084,814)	(1,870,117)	(4,126,972)	(4,334,049)
Net loss per share – basic[1]	(0.008)	(0.015)	(0.04)	(0.04)
Net loss per share – fully-diluted[1]	(0.008)	(0.015)	(0.04)	(0.04)
	$	$	$	$
Total assets	23,463,882	22,766,151	21,599,129	22,364,908
Long-term liabilities	6,893,906	6,956,554	13,894,708	6,829,818
Shareholders' equity	7,966,366	6,736,219	7,704,421	11,588,715
Cash dividends declared per common share	0.00	0.00	0.00	0.00

	Mar. 1, 2010 - May 31, 2010	Dec. 1, 2009 - Feb. 28, 2010	Sep. 1, 2009 - Nov. 30, 2009	Jun. 1, 2009 - Aug. 31, 2009
	$	$	$	$
Total revenues	1,035,822	2,684,721	4,457,526	3,182,874
Net income (loss)	(1,702,719)	(2,194,231)	150,925	405,981
Net income (loss) per share-basic[1]	(0.02)	(0.03)	0.00	0.01
Net income (loss) per share-fully-diuted[1]	(0.02)	(0.03)	0.00	0.00
	$	$	$	$
Total assets	21,385,328	20,024,379	20,208,790	19,390,005
Long-term liabilities	6,307,303	4,741,397	2,238,146	2,203,022
Shareholders' equity	12,061,296	13,154,591	13,053,560	12,815,829
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.

Liquidity, working capital and capital resources

The Company's liquidity and solvency are critical information since Anaconda has not generated any material income from its mineral properties and its only source of revenue is from its production of saleable product (gold and silver) from its Pine Cove project. The Company has not yet established whether its mineral properties in Chile contain reserves that are economically recoverable. The recovery of amounts capitalized for mineral properties and related deferred exploration expenditures and property, mill and equipment on the consolidated balance sheets is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its properties and upon future profitable production or, alternatively, the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

As at May 31, 2011, the Company had a working capital deficiency of $5,186,710 (May 31, 2010 - $723,088) and an accumulated deficit of $31,425,321 (May 31, 2010 - $20,008,547). Anaconda has no proven history of performance, earnings or success. All these factors cast considerable doubt as to whether the Company will be able to continue as a going concern over the next 12 months should it not be able to generate positive operating cash flow, restructure existing loans, sell assets or obtain the necessary financing (or any combination thereof) to fund production enhancement and metallurgical recovery strategies to facilitate profitable production. The Company has limited financial resources and has historically experienced negative cash flow from its Pine Cove project. During the fourth quarter of 2011, the Company began to turn around the Pine Cove project and generate positive operating cash flow. The Company will need to continue this trend, otherwise it will have to rely on external sources of funding to meet its financial obligations.

The Company utilized the proceeds raised from equity and debt financings and related-party loans throughout the fiscal year for its working capital requirements and repayment of promissory notes. In order to meet other working capital obligations, the Company utilized cash flow generated from the Pine Cove project's operations and entered into payment plans with various vendors to manage its outstanding aged payables. However, if the Company cannot continue to generate positive operating cash flow as demonstrated during Q4-2011, then there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing and/or structure vendor payment plans on terms satisfactory to the Company.

The capital structure of the Company consists of the loans, convertible loan, convertible debentures, debentures and all the components of shareholders' equity. To adjust or maintain its capital structure, the Company may adjust the amount of any of its debt through repayment, or may enter into new credit facilities or issue new common shares.

There are no other balance sheet conditions that would adversely affect the Company's liquidity.

Over the next 12 months, the Company has payments against outstanding accounts payable and accrued liabilities of $5,360,235. In addition, the following table summarizes the Company's other contractual obligations as at May 31, 2011:

	Payments due by period				
Contractual obligation	**Total**	**< 1 year**	**1 – 3 years**	**4 – 5 years**	**> 5 years**
Demand loans (due to related parties)[1]	**387,000**	387,000	-	-	-
Debt-service (principal and interest)	**2,859,000**	1,557,000	1,302,000	-	-
Long-term debt retirement	**7,743,000**	843,000[2]	6,900,000	-	-
Operating leases	**1,728,000**	292,000	876,000	560,000	-
Option payment [2]	**1,720,000**	1,720,000			
Total contractual obligations	**14,437,000**	4,799,000	9,078,000	560,000	-

[1] Repayments totaling $155,000 were made in June and July, 2011.
[2] Principal repayment of series III debentures deferred until April 20, 2012, with principal repayment of $150,000 in October 2011.
[3] This amount is $US and is a contingent obligation of Anaconda. SBX is responsible for this payment pursuant to the Chilean iron-ore transaction. In June 2011, SBX made this final option payment.

The following table includes a consolidated cash flow forecast by management and approved by the Company's board of directors during fiscal Q4, 2011 that was included in the Rights Offering Circular dated March 31, 2011 (the "Circular"), compared to the most recent cash flow information prepared by management. The most recent information contains actual cash flow numbers until May 31, 2011 and the most recent forecast information from June 1, 2011 to February 28, 2012. The forecast information contains forward-looking information. The forecast information is based on assumptions that reflect management's best judgment of the most probable set of economic conditions and the Company's planned course of action as of August 29, 2011. Actual results over the forecast period may vary from the forward-looking information provided.

	Notes	Q4-2011			Q1-2012		
		Circular	**Actual**	**Variance**	**Circular**	**Forecast**	**Variance**
Average gold price ($Cdn)		1,400	1,368	(32)	1,400	1,480	80
Processing (tonnes/day)	1	900	775	(125)	1,000	867	(133)
Grade (grams/tonne)	2	2.0	1.8	(0.2)	2.6	1.9	(0.7)
Recovery (%)	3	72%	70%	(2%)	75%	80%	5%
		($000,s)			**($000,s)**		
Operating revenues		5,311	3,415	(1,896)	7,911	6,362	(1,549)
Costs of goods sold		(3,689)	(2,833)	856	(3,979)	(4,256)	(277)
Gross margin		**1,622**	**582**	**(1,040)**	**3,932**	**2,106**	**(1,826)**
Administrative cash expenses		(323)	(282)	41	(371)	(375)	(4)
Debt service (including principal repayments	4	(488)	(531)	(43)	(1,100)	(257)	843
New debt	5	-	126	126	-	1,288	1,288
Capital expenditures	6	(50)	(338)	(288)	(50)	-	50
Past due accounts payable	6	(550)	(100)	450	(1,300)	(1,300)	-
Cash flow		**211**	**(543)**	**(754)**	**1,111**	**1,462**	**351**
Indebtedness owing pursuant to standby commitment		2,218	2,218	-	-	-	-
Estimated transaction costs		(120)	(115)	5	-	-	-
Settlement of indebtedness pursuant to standby commitment	7	(2,218)	(1,447)	771	-	(771)	(771)
Net cash flow		**91**	**113**	**22**	**1,111**	**691**	**(420)**
Unrestricted cash balance, beginning		499	177	(322)	590	290	(300)
Unrestricted cash balance, end		**590**	**290**	**(300)**	**1,701**	**981**	**(720)**

	Notes	Q2-2012			Q3-2012		
		Circular	**Forecast**	**Variance**	**Circular**	**Forecast**	**Variance**
Average gold price ($Cdn)		1,400	1,425	25	1,400	1,333	(67)
Processing (tonnes/day)		1,000	942	(58)	1,000	843	(157)
Grade (grams/tonne)	2	2.6	2.1	(0.5)	2.6	2.3	(0.3)
Recovery (%)	3	81%	80%	(1%)	84%	80%	(4%)
			($000,s)			**($000,s)**	
Operating revenues		8,741	5,746	(2,995)	9,574	7,429	(2,145)
Costs of goods sold		(4,060)	(4,230)	(170)	(4,232)	(4,205)	27
Gross margin		**4,681**	**1,516**	**(3,165)**	**5,342**	**3,224**	**(2,118)**
Administrative cash expenses		(273)	(250)	23	(373)	(300)	73
Debt service (including principal repayments	4	(713)	(863)	(150)	(221)	(221)	-
New debt		-	-	-	-	-	-
Capital expenditures	6	(50)	-	50	(50)	-	50
Past due accounts payable	6	(1,650)	(1,000)	650	(1,429)	(2,203)	(774)
Cash flow		**1,995**	**(597)**	**(2,592)**	**3,269**	**500**	**(2,769)**
Indebtedness owing pursuant to standby commitment		-	-	-	-	-	-
Estimated transaction costs		-	-	-	-	-	-
Settlement of indebtedness pursuant to standby commitment		-	-	-	-	-	-
Net cash flow		**1,995**	**(597)**	**(2,592)**	**3,269**	**500**	**(2,769)**
Unrestricted cash balance, beginning		1,701	981	(720)	3,696	384	(3,312)
Unrestricted cash balance, end		**3,696**	**384**	**(3,312)**	**6,965**	**884**	**(6,081)**

[1] The mill was operational for only 78 days of Q4-2011 (total 92 days) or 85% of the time as a result of adjustments to its crusher and primary ball mill.

[2] Grade estimates for the Forecast periods reflect the Company's current estimate based on budget.

[3] For the quarter ended May 31, 2011, recoveries were slightly reduced from budget (by 2%) however it reflected a marked increase over the first 9 months of the year where recoveries averaged 50%. Estimates for the Forecast periods reflect the Company's current estimate based on budget.

[4] During Q2-2012 and Q3-2012, the Company's series III debenture principal repayment was extended to extended to April 2012 with the principal repayment of $150,000 to be made in October 2011.

[5] On June 3, 2011, the Company closed on a private placement of flow-through and non-flow through units raising gross proceeds of $1,287,561.

[6] Capital expenditures and payment of accounts payable will be minimized to required and/or contracted amount in order to preserve cash.

[7] Outstanding promissory notes were paid down utilizing funds generated from the private placement noted in 5 above.

Transactions with related parties

Three months ended May 31, 2011

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of $38,400 in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA.

The Company incurred interest expense of $57,403 of which $8,138 related to non-cash interest accretion on the valuation of the conversion feature of the convertible loan payable to Thorsen-Fordyce Merchant Capital Inc. ("Thorsen"). Thorsen is controlled by Lewis Lawrick, a director of the Company. Cash interest incurred during the quarter of $49,265, was accrued but not paid with the consent of the lender.

Woodgrove Technologies Inc. ("Woodgrove") charged Anaconda a total of $89,126 in respect of consulting services provided by Glenn Dobby and Glenn Kosick, both directors of the Company, to the Pine Cove project. Glenn Dobby and Glenn Kosick beneficially own Woodgrove.

Raven Hill charged Anaconda a total of $30,000 in respect of consulting and accounting services provided by employees of Raven Hill unrelated to the Company. Raven Hill is beneficially owned by John McBride, Lewis Lawrick, David Wiley and Dustin Angelo, all directors of the Company. Charges incurred by Anaconda were accrued but not paid with the consent of Raven Hill.

Thorsen advanced $13,750 in the form of a demand loan. The demand loan is interest free and has no fixed terms of repayment.

During the 3 months ended February 28, 2011, the Company issued promissory notes in consideration for loans provided in the amounts of $27,500 by Dustin Angelo; $110,000 by John McBride and $55,000 by Lewis Lawrick, all officers and/or directors of the Company.

These transactions are measured at their exchange amounts, being the amounts agreed upon between the Company and the related parties.

Year ended May 31, 2011

KCA charged the Company a total of $156,000 in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA.

The Company incurred interest expense of $289,141 of which $39,341 related to non-cash interest accretion on the valuation of the conversion feature of the convertible loan payable to Thorsen. Thorsen is controlled by Lewis Lawrick, a director and Chairman of the Company.

Thorsen also advanced the Company $490,250 and was repaid $250,250 against a demand loan that is non-interest bearing and with no fixed term of repayment. The net loan balance of $240,000 is included in the due to related parties amount shown on the consolidated balance sheet. The Company also issued promissory notes totalling $110,000 in consideration of loans provided by Thorsen. Partial repayment in the amount of $66,426 was made with the issuance of shares pursuant to the Rights Offering. The balance of the promissory note due of $43,574 is included in the promissory note balance shown on the consolidated balance sheet.

Cartsei Inc. ("Cartsei") charged Anaconda a total of $42,746 in respect of consulting services provided by Glenn Dobby, a director of the Company, to the Pine Cove project. Glenn Dobby beneficially owns Cartsei.

GA Kosick Enterprises Ltd. ("Kosick") charged Anaconda a total of $90,300 in respect of consulting services provided by Glenn Kosick, a director of the Company, to the Pine Cove project. Glenn Kosick beneficially owns Kosick.

Woodgrove Technologies Inc. ("Woodgrove") charged Anaconda a total of $308,035 in respect of consulting services provided by Glenn Dobby and Glenn Kosick, both directors of the Company, to the Pine Cove project. Glenn Dobby and Glenn Kosick beneficially own Woodgrove. The accounts payable and accrued liabilities balance at May 31, 2011, includes $107,610 in unpaid consulting costs due to Woodgrove.

Ravenhill charged Anaconda a total of $49,820 in respect of consulting and accounting services provided by employees of Raven Hill unrelated to the Company. Raven Hill is beneficially owned by John McBride, Lewis Lawrick, David Wiley and Dustin Angelo, all directors of the Company. The accounts payable and accrued liabilities balance at May 31, 2011, includes $35,700 of unpaid consulting and accounting charges due to Ravenhill.

David Wiley, a director of the Company, advanced $125,000 in the form of a non-interest bearing demand loan with no fixed terms of repayment. $31,220 was repaid during the year. The balance of $93,780 is included in the due to related parties amount shown on the consolidated balance sheet.

John McBride, a director of the Company, advanced $122,099 in the form of a non-interest bearing demand loan with no fixed terms of repayment. $68,558 was repaid during the year. The balance of $53,540 is included in the due to related parties amount shown on the consolidated balance sheet.

Dustin Angelo, a director and CEO of the Company, purchased $13,250 of the total of $153,000 of the investments that were sold by Anaconda during the period.

Lewis Lawrick, a director of the Company, purchased $13,250 of the total of $153,000 of the investments that were sold by Anaconda during the period.

During the year ended May 31, 2011, the Company issued promissory notes in consideration of loans provided in the amounts of $27,500 by Dustin Angelo; $220,000 by John McBride and $55,000 by Lewis Lawrick, all officers and/or directors of the Company. Partial repayments in the amounts of $16,607, $220,000 and $33,213, respectively, were made with the issuance of shares pursuant to the Rights Offering. The balances of the promissory notes due of $10,893, $Nil and $21,787, respectively, are included in the promissory note balance shown on the consolidated balance sheet.

The due from related parties balance at May 31, 2011, includes $1,109,856 due from SBX (or companies controlled by it) regarding the Chilean iron-ore transaction and $71,736 from Ravenhill regarding reimbursement for office costs.

These transactions are measured at their exchange amounts, being the amounts agreed upon between the Company and the related parties.

Capital management and off-balance-sheet transactions

The Company's capital structure is adjusted based on management's and the Board of Directors' decision to fund expenditures with the issuance of debt or equity such that it may complete the acquisition, exploration and development of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company is experiencing negative cash flow from operations at its Pine Cove project. Anaconda's other mineral properties are in the exploration and development stage and do not produce any cash flow. As a result, the Company currently has negative cash flow. Anaconda's strategy is to ameliorate the operations of its Pine Cove project to improve processing, grade control and precious metal recovery to increase cash flow from operations. It also intends on supplementing this operating cash flow by raising additional funds as and when required to support its other activities or for general working capital purposes. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to Anaconda are through the exercise of outstanding stock options and/or warrants (not within the Company's control), the sale of equity capital of the Company, the issuance of further loans and/or debentures or the sale by Anaconda of an interest in any of its properties, in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the quarter ended May 31, 2011. The Company is not subject to externally imposed capital restrictions nor has it any off-balance-sheet arrangements.

Contingencies and commitments

Minimum payments for the Company's office lease commitments over the lease period are as follows: Fiscal 2012 - $222,375; fiscal 2013 - $222,375; fiscal 2014 - $222,375; fiscal 2015 - $222,375; fiscal 2016 – $185,313

Critical accounting policies and estimates

Going concern

The interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes 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 Anaconda 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 would differ from those shown in these consolidated financial statements.

The Company is experiencing ongoing losses and negative cash flow from operations both of which raise concerns regarding its ability to continue as a going concern. At this time cash generated from the operations of the Pine Cove project is insufficient to fund the Anaconda's ongoing working capital requirements, corporate and administrative expenses, debt service, capital-expenditure requirements and other contractual obligations, including those for its mineral properties in Chile. The strategy of the Company is to ameliorate the operations of its Pine Cove project to improve processing, grade control and precious metal recovery. If these efforts are successful, the Pine Cove project will generate sufficient cash from operations to fund such corporate obligations for at least the next 12 months. If these efforts are not successful, Anaconda will need to raise additional capital in order to fund any shortfall in working capital and its other contractual obligations over the next twelve months.

The Company has not yet established whether its mineral properties in Chile contain reserves that are economically recoverable. The recovery of amounts capitalized for mineral properties and related deferred exploration expenditures on the consolidated balance sheets is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its properties and upon future profitable production or, alternatively, the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company has raised funds throughout the current and prior fiscal years and it has utilized these funds for working capital and capital expenditure requirements. The ability of Anaconda to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Anaconda may change and existing shareholders may suffer dilution. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP 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.

Carrying value of 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.

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.

Impairment of long-lived assets

Management periodically reviews the carrying value of mineral properties and deferred exploration costs to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated fair value which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered and provided for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

Depletion and amortization

During the first quarter of 2010, the Company commenced charging depletion on its property and amortization on the mill and equipment and in the first quarter of 2011 also commenced depreciation on its expanded mill. The "units-of-production" basis has been utilized and the calculated amounts will be charged to the income statement over the useful life of the mine.

Office furniture, fixtures and equipment and leasehold improvements are recorded at cost and are amortized on a straight line basis over their useful estimated life estimated at between 2 and 5 years.

Financial instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Effective June 1, 2009, Anaconda adopted the amendment to CICA Handbook Section 3862, financial instruments, which require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

Accounting policies to be implemented effective June 1, 2011

In October 2008, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests.*

Section 1582 replaces Section 1581 and establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3 – *Business Combinations.* The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace section 1600, *Consolidated Financial Statements.* Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - C*onsolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Early adoption of these sections is permitted, but requires that all three sections be adopted at the same time. The Company does not anticipate that the adoption of these new sections will impact have a material impact to its financial results.

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (IFRS) will replace current GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ending August 31, 2011.

International Financial Reporting Standards

The Company has completed its IFRS implementation plan and detailed analysis to prepare for this transition. All relevant IFRS requirements and the identification of areas requiring accounting policy changes or those with accounting policy alternatives have been documented and reviewed with the Company's audit committee and/or board of directors. Key areas of analysis and assessment for the Company included:

- Exploration and development expenditures;
- Equipment (measurement and valuation);
- Stock-based compensation;
- Accounting for joint ventures;
- Accounting for income taxes;
- Accounting for convertible debt;
- Asset retirement obligations;
- Financial statement note disclosure on information technology, internal controls, contractual arrangements and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

Other elements of the Company's IFRS implementation plan have also been addressed and include the following: Implications of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; and contractual arrangements. The table below summarizes the timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Completed
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Completed
Management, employee and board of directors' education and training	Completed
Quantification of the Financial Statement	Completed

impact of changes in accounting policies	

There are three quantifiable changes to Anaconda's opening balance sheet and 2010 operating statement:

IFRS 6: Exploration for and Evaluation of Mineral Assets

Pursuant to IFRS 6, the Company has elected to begin to expense all costs associated with the exploration and acquisition of unproven resources as it believes that this policy results in more relevant information required in the decision making of the Company's shareholders and financial statement users.

The result of adoption of IFRS 6.9 will reduce the Company's opening balance of its mineral properties and deferred exploration expenditures at June 1, 2010 by $4,700,641 and result in an increase to its deficit of $4,700,641. Further, as at May 31, 2011, the Company's audited financial statements (under Canadian GAAP) include a balance in mineral properties and deferred exploration expenditures of $1,795,317 that will be decreased to zero (under IFRS) when comparative reporting for next year-end is completed. An offsetting amount will increase the Company's deficit to $32,949,474 as at May 31, 2011.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets

Pursuant to IAS 37, the Company must calculate the present value of a future liability using and interest rate that is risk-free and takes into consideration the rate of inflation.

The result of adoption of IAS 37 will increase the Company's opening balance of its asset retirement obligation at June 1, 2010 by $442,434 and result in a decrease to its deficit of $442,434. Further, as at May 31, 2011, the Company's audited financial statements (under Canadian GAAP) include a balance in asset retirement obligation of $678,579 that will be increased to $1,096,322 (under IFRS) when comparative reporting for next year-end is completed. An offsetting amount will decrease the Company's deficit to $32,531,731 (including the adjustment made for IFRS 6 adoption and this IAS 37 adoption) as at May 31, 2011.

IFRS 2: Share-based Payments

Pursuant to IFRS 2, the Company is required to estimate the fair value of all share-based payments and recognize such as an expense.

Anaconda has concluded that all warrants issued prior to June 1, 2010, are exempted from retroactive application under IFRS 1, as they are fully vested. All stock options that have been vested prior to June 1, 2010 are exempted from retroactive application under IFRS 1, as they are fully vested. IFRS 2 has been applied to all stock options that are outstanding and not vested on June 1, 2010.

The result of adoption of IFRS 2 will decrease the Company's opening balance of its contributed surplus at June 1, 2010 by $99,640 and result in an increase to its deficit of $99,640. Further, as at May 31, 2011, the Company's audited financial statements (under Canadian GAAP) include a balance in contributed surplus of $6,005,924 that will be increased by $3,105 (under IFRS) when comparative reporting for the next year-end is completed. An offsetting amount will increase the Company's deficit to $32,534,836 (including the adjustment for IFRS 6, IAS 2 and this IFRS 2 adjustment) as at May 31, 2011.

Dividends

The Company has neither declared nor paid any dividends on its common shares. The Company 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

Readers should consider carefully the following risks and other information included in the Company's historical consolidated financial statements and related notes. The risks below are not the only ones facing the Company. Additional risk factors may be found in the Company's other public filings at *SEDAR at* www.sedar.com*.* As well, risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected. As a result, the trading price of the Shares could decline and investors could lose part or all of their investment.

Financial risks

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is primarily attributable to cash, HST recoverable and accounts receivable, prepaids and deposits. Cash is held with a tier A Canadian chartered bank and one of Chile's largest banks. As such, management believes the risk of loss to be minimal.

Financial instruments included in HST recoverable consist of goods and services taxes recoverable from the Canadian government and such amounts are in good standing as at February 28, 2011. Management believes that the credit risk associated with the financial instruments included in HST/GST recoverable is minimal.

Accounts receivable, prepaids and deposits consists deposits paid for the Company's office space and is due from it landlord, a large national real estate company. Management believes the credit risk associated with the financial instruments contained in accounts receivable, prepaids and deposits is minimal.

Liquidity risk

As at May 31, 2011, the Company had a working capital deficiency of $5,186,710 (May 31, 2010 - $723,088) and an accumulated deficit of $31,425,321 (May 31, 2010 - $20,008,547). Anaconda has no proven history of performance, earnings or success. All these factors cast considerable doubt as to whether the Company will be able to continue as a going concern over the next 12 months should it not be able to obtain the necessary financing to fund production enhancement and metallurgical recovery strategies in order to facilitate profitable production.

The Company raised funds throughout the current and prior fiscal years and it has utilized these funds for its working capital requirements. However, in order to meet other short to medium-term working capital obligations, the Company intends to utilize any cash flow generated from the Pine Cove project's operations and seek further debt and equity financing for general working capital purposes and capital projects. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

At May 31, 2011, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

(i) Interest rate risk

The Company has limited interest-bearing assets but mostly fixed-interest debts. Anaconda invests excess cash, when available, in short term securities with maturities of less than one month. Anaconda periodically monitors the investments it makes and is satisfied with the creditworthiness of its cash investments.

(ii) Foreign currency risk

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 into Canadian dollars. Some 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 are recorded in Canadian dollars. As a result, fluctuations in the US dollar or Chilean Peso against the Canadian dollar could result in unanticipated and material fluctuations in the financial results of the Company. The Company has no plans for hedging its foreign currency transactions.

(iii) Price risk

The Company is exposed to price risk with respect to commodity prices and stock prices.

(a) Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to minerals (and specifically, gold) to determine the appropriate course of action to be taken by the Company.

(b) Previously, the Company's investments were comprised of common shares of public-traded companies. The value of the investment would fluctuate on a daily basis due to the external market factors that are not within the control of the Company. As at February 28, 2011, the Company had no investments.

(iv) Derivatives – mineral properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

Capital requirements

The Company may not have a source of funds to continue current operations or to engage in additional exploration and development which may be necessary to develop its properties, other than the exercise of stock options, the exercise of warrants, and further financings. No assurance can be given that the Company will be successful in obtaining the required financing on acceptable terms, if at all.

Requirement of additional financing

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities, the commencement of new mining operations and the continuation of ongoing mining operations may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Sources of funds now available to the Company are limited.

Additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders or sale or other dispositions of an interest in any of the Company's assets or properties. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Factors of the Business

The Company's operations will be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. Some of these risks include:

- environmental hazards;
- industrial accidents;
- labour disputes;
- unusual or unexpected geologic formations or other geological or grade problems;
- unanticipated changes in metallurgical characteristics and recovery;
- unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts;
- periodic interruptions due to bad or hazardous weather conditions and other acts of God; and
- unfavourable operating conditions.

Any of these risks and hazards could adversely affect the Company's exploration activities or mining activities resulting in:

- an increase in the cost of exploration, development or production to a point where it is no longer economically feasible to continue;

- feasible to continue;
- the Company writing down the carrying value of one or more properties or mines;
- delays or a stoppage in the exploration, development or production of the projects;
- damage to or destruction of mineral properties or processing facilities; and/or
- personal injury, death and/or legal liability.

Any of these results may have a material adverse effect on the Company's financial condition, results of operations and future cash flows.

Mining industry risks

The exploration for and development of mineral deposits involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company or its joint venture partners will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. As a result, it is possible that actual costs and economic returns will differ significantly from those currently estimated for these projects.

In addition, it is also not unusual in mining operations to experience unexpected problems both during the start-up and during ongoing operations. To the extent that unexpected problems occur affecting the production in the future, the Company's revenues may be reduced, costs may increase and the Company's profitability and ability to continue its mining operation may be adversely affected.

Environmental risks and hazards

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration, development or production of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Governmental regulation of the mining industry

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards, employment and occupational health, mine safety, use of water, toxic substances and waste disposal, environmental and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Company believes that its exploration and production activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Company.

Title matters

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests.

Licenses and permits

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex, time consuming process and the Company cannot be certain that it will be able to obtain necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict the Company from proceeding with the development of an exploration project or the development and operation of a mine. Any failure to comply with applicable laws and regulations or permits could result in interruption or closure of exploration, development or mining operations, or fines, penalties or other liabilities. The Company could also lose its mining concessions under the terms of its existing agreements.

Fluctuations in the market price of mineral commodities

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Infrastructure

Exploration, development and operating activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Company's inability to secure adequate water and power resources, as well as other events outside of control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Company's operations and financial condition.

Increase in production costs

Changes in the Company's production costs could have a major impact on its profitability. Its main production expenses are contractor costs, materials, personnel costs and energy. Changes in costs of the Company's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, a change in commodity prices, increased costs (including oil, steel and diesel) and scarcity of labour, and could result in changes in profitability or reserve estimates. Many of these factors may be beyond the Company's control.

The Company relies on third party suppliers for a number of raw materials. Any material increase in the cost of raw materials, or the inability by the Company to source third party suppliers for the supply of its raw materials, could have a material adverse effect on the Company's results of operations or financial condition.

Uncertainty in the estimation of mineral reserves and mineral resources

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Company continues to realize its existing identified reserves, convert resources into reserves, develop its resource base through the realization of identified mineralized potential, and/or undertake successful exploration or acquire new resources.

The figures for mineral reserves and mineral resources contained in NI 43-101 technical reports and other filings of the Company made on SEDAR at www.sedar.com are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves could be mined or processed profitably. Actual reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its reserve estimates from time to time or may render the Company's reserves uneconomic to exploit. Reserve data are not indicative of future results of operations. If the Company's actual mineral reserves and resources are less than current estimates or if the Company fails to develop its resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of reserves and resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of inferred resource is often the least reliable resource category and is subject to the most variability. The Company regularly evaluates its resources and it often determines the merits of increasing the reliability of its overall resources.

Uncertainty relating to inferred mineral resources

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration.

Need for additional reserves

Given that mines have limited lives based on proven and probable reserves, The Company must continually replace and expand its reserves at its gold mines. The life-of-mine estimates included contained in NI 43-101 technical reports and other filings of the Company made on SEDAR at www.sedar.com may not be correct. The Company's ability to maintain or increase its annual production of gold will be dependent in significant part on its ability to bring new mines into production and to expand reserves at existing mines.

No history of profitability

The Company has no history of profitability and a shareholder deficit of $31,154,157 as at May 31, 2011. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, operate, acquire and retain its property interests and if financing is not available for any reason, The Company may become unable to acquire and retain its mineral concessions and carry out its business.

Uninsured risks

The Company will not carry insurance to protect against certain risks. Risks not insured against include environmental pollution, earthquake damage, mine floodings or other hazards against which the Company, and in general, mining exploration companies, cannot insure or against which the Company may elect not to insure because of high premium costs or other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Company will compete with many companies possessing greater financial and technical resources than itself. Competition in the base and precious metals mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and, the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to obtain the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future. An inability to obtain the capital necessary to fund its operations and develop its properties may cause the Company to not satisfy the requirements under the option agreements pursuant to which it holds its interest in the properties. Further, increased competition can result in increased costs and lower prices for metal and minerals produced and reduced profitability. Consequently, the revenues of the Company, its operations and financial condition could be materially adversely affected.

Instability of political and economic environments

The mining interests of the Company may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Company and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people, and mine safety. The effect of these factors cannot be accurately predicted.

The Company has material properties located in Chile and, as such, a substantial portion of the Company's business is exposed to various degrees of political, economic and other risks and uncertainties. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Company's operations.

Repatriation of earnings

There is no assurance that Chile or any other foreign country in which the Company or its subsidiaries may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Dependence upon key management personnel and executives

The Company will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration, development and operating activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

Possible conflicts of interest of directors and officers of the Company

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Business Company's Act* (Ontario) and any other applicable law.

Absence of dividends

The Company has never paid a dividend on its shares, and does not expect to do so in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors of the Company and will depend upon the capital requirements of the Company, results of operations and such other factors as the board of directors considers relevant. Accordingly, it is likely that investors will not receive any return on their investment in the shares other than possible capital gains.

Risk of dilution

Under applicable Canadian law, shareholder approval is not required for the Company to issue shares in a number of circumstances. Moreover, the Company has commitments that could require the issuance of a substantial number of additional shares, in particular warrants exercisable into shares and options to acquire shares under the stock option plan of the Company. The future business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Company is not able at this time to predict the future amount of such issuances or dilution.

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at August 29, 2011:

Common shares of no par value	**Number**
Shares	176,825,944
Warrants	19,654,630
Options	13,165,000

The table above reflects the legal number of outstanding shares of Anaconda. As noted in the interim 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 Canadian GAAP.

Additional information and continuous disclosure

This MD&A has been prepared as at August 29, 2011. 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).