



Management's Discussion and Analysis  
of the  
Financial Condition and Results of Operations  
First Quarter and  
Three Months Ended  
August 31, 2011

**November 14, 2011**

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

*This management discussion and analysis ("MD&A") has been prepared based on information available to Anaconda Mining Inc. ("Anaconda" or the "Company") as at November 14, 2011. The MD&A of the operating results and financial condition of the Company for the three months ended August 31, 2011, should be read in conjunction with the Company's unaudited interim consolidated financial statements (the "Financial Statements") and the related notes for the three months ended August 31, 2011 and the Company's audited consolidated financial statements for the year ended May 31, 2011 and 2010, prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://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 **August 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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***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 ICFR 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 **August 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 relative 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

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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 **August 31, 2011**.

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

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### **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. The Company's registered office is located at The Exchange Tower, 130 King Street West, Suite 2120, Toronto, Ontario, M5X 1C8.

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) and ultimately concluded in April 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<sup>1</sup>. 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.

---

<sup>1</sup> 43-101 Technical Report "San Gabriel Iron Project, Chile," dated August 28, 2008 by M. Easdon, P. Geo.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***Private placement***

On June 6, 2011, the Company announced that it had closed a non-brokered 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 including accrued interest thereon, that were 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.

The Company used the Black-Scholes option pricing model to determine the fair value of the options issued during the quarter. The variables used were as follows: Risk-free rate – 1.15%, expected volatility – 131.6%, dividend yield of 0%; and expected life – 4.9 years.

### ***Technical default of Series I and II Debentures***

During the quarter ended August 31, 2011, the Company sought relief from the series I and series II debentures collateral security requirement to maintain restricted funds equal to 10% of gold revenues. The Company did not receive written approval from the required number of debenture holders (although it did receive verbal confirmation) for the release from this obligation. As such, the Company fell into technical default pursuant to the general security agreement between the Company and the debenture holders. The Company is actively in the process of curing this technical default and obtaining the remaining required written approvals. However, if the Company does not receive the required written approvals, the debenture holders could force a full default that if not cured, could result in the debenture holders realizing on other security and/or collateral, including but not limited to, the Company's assets (mill and equipment) at its Pine Cove project. Such seizure could result in detrimental consequences to Anaconda's operations.

### ***Overall performance***

As at August 31, 2011, Anaconda had assets of \$20,720,129 and a net equity position of \$6,237,698. This compares with assets of \$21,668,565 and a net equity position of \$5,689,879 at May 31, 2011. As at August 31, 2011, the Company had a working capital deficiency of \$4,926,622, an accumulated deficit of \$35,613,832 and negative cash flow from operations of \$596,396.

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 Company continues 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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### **3 months ended August 31, 2011**

Assets decreased by \$948,436 over the first quarter of fiscal 2012. Current assets decreased by \$1,286,905 with an increase in cash of \$139,811 (see below for details of material changes in the unrestricted cash balance of the Company). Written approval for the release of short-term restricted cash was not obtained from the required number of debenture holders however, the Company has received verbal approval and is currently working toward obtaining the remaining written approvals to cure this technical default. These restricted funds were utilized for working capital purposes by the Company. As a result, short-term restricted cash decreased by \$565,086. Trade and other receivables, and prepaids and deposits increased by \$121,668 mainly increases in HST recoverable and additional minor advances and prepaids made to vendors at the Company's Chilean subsidiary. Due from related parties decreased by \$1,006,144 mainly as a result of payment by SBX of the San Gabriel option payment (a requirement of the sale of 50% of the San Gabriel property to SBX at the beginning of fiscal 2011). Inventory balances increased modestly by \$22,845, as a result of slightly increased raw material stockpiles. Property, mill and equipment increases (net of depreciation) of \$338,469 account for the remaining increase to the Company's assets for the quarter.

Anaconda's non-restricted cash position increased by \$139,811 from the fourth quarter of fiscal 2011, as a result of the following activities: Cash used in operations of \$596,396 with net loss after adjusting for non-cash operating items such as depletion, amortization, stock-based compensation, interest accretion, unrealized foreign exchange losses and future income tax recoveries, accounting for \$231,327 of the cash used. Decreases to working capital items of \$365,730 accounted for the remaining cash used in operating activities. In addition to common shares issued pursuant to the private placement for net cash proceeds of \$283,032, related-party advances of \$773,841 less repayment of \$88,285 of principal against the Company's loans resulted in cash provided from financing activities of \$967,588. Capital expenditures primarily related to tailings dam construction and mill equipment totaling \$817,749 less restricted cash balances released for general corporate purposes resulted in cash used in investing activities of \$252,663. Interest rate fluctuations on foreign currencies held by the Company increased the Company's cash position by \$21,282 for the quarter.

### **Review of operations**

#### **Overview:**

The Pine Cove mine continued to demonstrate improved operating and financial results during the first quarter ended August 31, 2011. Pine Cove sold 2,858 ounces of gold, generating approximately \$4.5 million in revenue and over \$1.05 million in earnings before interest, taxes, depreciation and non-cash share-based compensation ("EBITDA") at an average gold sales price of \$1,581 per ounce and total cash costs (before exploration expenses) of \$1,012 per ounce. Sales volume and revenue exceeded the previous quarter (fourth quarter ended May 31, 2011) by 21% and 32%, respectively, while mine level EBITDA was nearly four times greater than the quarter ended May 31, 2011.

#### **Mill Operations:**

During the first quarter ended August 31, 2011, mill recovery improved from 74% to 80% over the three-month period. Earlier in the quarter, overall mill recovery was in the mid 70% range primarily due to mechanical difficulties with the mill's drum filters, which provide the first filtration step associated with the solids/solution separation that is required for the Merrill Crowe type gold processing.



# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The original drums that ran during the first quarter were wood over steel construction and have been used since Pine Cove began operating. During the period, the drum filters were hampered by mechanical or operational availability. As a result, they were not able to operate consistently in series to provide a re-wash for the slurry. When operating in series, drum filtration can achieve recovery rates as high as 98% to 99%. Because the drum filter units had to be operated in single stage for periods of time during June and July, the average drum filter recovery was approximately 91%.

During the early part of the first fiscal quarter, Merrill Crowe circuit recoveries were slightly lower than anticipated due to a number of deficiencies that were identified and, subsequently, rectified. The primary issue that was resolved was the relocation of one reagent addition point. Since that time, the Merrill Crowe system has been operating in the 99% recovery range, up from 97% in the month of June.

Mill availability slipped in the final month of the quarter to 84%, related in large part to availability of the filtration circuit. Operations intentionally suspended throughput when mechanical repairs required one drum filter unit to be shutdown. This action had a significant positive impact on improved recovery but a negative impact on ore throughput.

The balance of the downtime was mostly related to long-term improvements such as relocating a reclaim water pump to the polishing pond. This new feed source is expected to provide cleaner process water that will aid all requirements in the plant and limit wear on pumps and related equipment.

The following table summarizes by month the operating performance of the Pine Cove mill during the first quarter ended August 31, 2011:

	<u>June '11</u>	<u>July '11</u>	<u>Aug '11</u>	<u>Total/Avg</u>
<b>OPERATING STATISTICS:</b>				
Calendar days	30	31	31	92
Operating days	28	29	26	83
Availability	<b>94%</b>	<b>98%</b>	<b>84%</b>	<b>92%</b>
Dry tonnes processed	27,650	29,805	22,480	79,935
Tonnes per 24-hour day	<b>980</b>	<b>1,046</b>	<b>864</b>	<b>963</b>
Grade (grams per tonne)	1.30	1.52	1.74	1.51
Overall mill recovery	<b>74%</b>	<b>75%</b>	<b>80%</b>	<b>76%</b>
Gold sales volume (troy oz.)	<b>802</b>	<b>1,075</b>	<b>981</b>	<b>2,858</b>

Subsequent to the quarter-end, Anaconda received and installed the two, new drum filters it had ordered in May. In addition to the drum replacements, the operations and maintenance staff together with outside contractors made other operational changes and maintenance repairs, which were not capital intensive, including;

- Modifications to the leach tanks, which included larger baffles and up-comer piping.
- Incorporation of a fourth, existing leach tank into the leach circuit to allow for greater retention.
- Fabrication and installation of a new pregnant solution tank with internal baffles to help fines settling.
- Replacement of liners and lifters in the primary grinding mill.



# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ***Mining Operations:***

During the first quarter ended August 31, 2011, contract mining activities operated for a total of 65 days and excavated 615,232 tonnes of waste and ore using two crews on a day shift schedule. Ore production totalled over 63,000 tonnes while waste was approximately 552,000 tonnes. Average feed grade steadily improved over the quarter reaching 1.83 grams per tonne in August. The Company has seen grade continue to improve in the second quarter, rising to just slightly over 2 grams per tonne for September and October. The following table summarizes the mining production for the first fiscal quarter 2012:

	<u>June '11</u>	<u>July '11</u>	<u>Aug '11</u>	<u>Total/Avg</u>
<b>OPERATING STATISTICS:</b>				
Calendar days	30	31	31	92
Operating days	22	20	23	65
Ore production (tonnes)	31,983	8,404	22,751	63,138
Waste production (tonnes)	182,206	200,627	169,261	552,094
<b>Total production (tonnes)</b>	<b>214,189</b>	<b>209,031</b>	<b>192,012</b>	<b>615,232</b>
<b>Ore Grade (grams per tonne)</b>	<b>1.30</b>	<b>1.64</b>	<b>1.83</b>	<b>1.54</b>

As part of the development plan for its tailings pond, during the first quarter, the Company began construction of an addition to its tailings dam to raise the height to 98 meters above sea level. To minimize cost, the Company used waste rock from the pit as the construction material to build the tailings dam. Consequently, the Company produced a substantial amount of waste rock to satisfy the construction requirements, particularly in July.

Construction began during the summer and is expected to be done in three phases over the next several months. By the end of August, the dam elevation reached 86 meters. Subsequent to quarter-end, the second phase of the dam construction was completed, bring the elevation to 92 meters. The final six-meter stage will be done at a slower pace to coincide with normal course waste removal per the mine plan.

Throughout the quarter, mining operations were conducted with two crews on day shift, primarily to produce enough waste rock for the tailings dam construction. As a result, the Company excavated approximately 150,000 additional tonnes of waste compared to the amount that would have been excavated based on its normal waste:ore ratio of approximately 5:1. With the additional waste already removed, the Company expects it can reduce its mining operations to one crew on day shift for a period of time until the waste:ore ratio normalizes again.

### ***Pine Cove Exploration:***

During the first quarter ended August 31, 2011, the Company completed a three-hole diamond drill program designed to test a target gold mineralized area less than 100 meters to the north of the ultimate open pit design outline of the Pine Cove mine (the "Down Dip Extension"). The best results from this program were obtained in hole PC-11-181 which intersected 2.50 grams per tonne gold over 40.8 meters, including 7.18 grams per tonne over 3.2 meters and 11.44 grams per tonne over 4.3 meters. These grades are substantially higher than Pine Cove's probable reserves of 2.6 million tonnes, grading 2.07 grams per tonne. Additional results from this diamond drill program are illustrated in the following table.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>Sample Number</u>	<u>From</u> (metres)	<u>To</u> (metres)	<u>Length of Intersection</u> (metres)	<u>Gold Grade</u> (grams/tonne)
<b>PC-11-180</b>	85.0	86.0	1.0	3.50
	122.3	129.7	7.4	1.58
(including)	125.3	128.7	3.4	2.86
	222.0	226.0	4.0	1.11
	278.8	284.8	7.0	1.12
(including)	284.3	284.8	0.5	12.59
<b>PC-11-181</b>	2.0	7.0	5.0	1.52
	175.7	180.7	5.0	2.87
	203.0	262.2	59.2	1.96
(including)	203.0	208.2	5.2	2.10
(including)	<b>221.4</b>	<b>262.2</b>	<b>40.8</b>	<b>2.50</b>
(which included)	221.4	224.6	3.2	7.18
(which included)	241.2	245.5	4.3	11.44
<b>PC-11-182</b>	83.8	84.6	0.8	2.49

The drill program was targeted to follow up on some near-pit exploration results achieved in diamond drilling campaigns conducted in 2003 and 2007. A total of 847.5 meters in three diamond drill holes were collared less than 100 meters north of the ultimate pit wall. The program was limited to three holes because there was a brief period of availability of a diamond drill rig and crew in the area of the mine.

Because delineation of the Down Dip Extension requires a better understanding of the orientation of the zone (both its dip and strike) to plan additional drilling, geophysical and structural geologists were engaged. The geophysical evaluation included a review of archival data for the area encompassing the Pine Cove mining lease followed by a plan to perform an IP survey. The IP survey is expected to be conducted during the second quarter of fiscal year 2012. The structural geological evaluation, on the other hand, focused on the existing deposit areas to identify features that may help explain the physical location of this new zone and its likely orientation.

In addition to the Down Dip Extension, the Company was developing plans to extract a sample from the other targeted gold zone in the area - Romeo & Juliet. The gold within this area is associated with quartz veining and has limited sulfide content so it is unlikely to need or benefit from flotation during processing. Consequently, it requires metallurgical testing to determine the optimal processing methodology. As of the end of August, the Company had initiated discussions with metallurgical consultants on a scope of sampling and testing required. Exploration permits were applied for (and received after the end of the first quarter) and preliminary planning on the program was developed. The Company expects to produce the sample and send it for metallurgical testing in either the second or third quarter of fiscal 2012.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### **Results of operations**

#### **3 months ended August 31, 2011 compared to 3 months ended August 31, 2010**

Net loss for the 3-month period ended August 31, 2011 was \$811,659 or \$0.005 per basic and fully-diluted share. This compares with a net loss of \$2,063,953 or \$0.020 per basic and fully-diluted share for the corresponding 3-month period in 2010. The net loss decrease of \$1,252,294 is the result of the following significant items:

#### **Gross operating margin**

Gold sales increased significantly from fiscal Q1-2011, up by \$4,022,493, with both the number of ounces sold increasing (2,858 ounces in Q1-2012 versus 391 ounces in Q1-2011) coupled with the increase in the average price of gold for the quarter (\$1,581/oz for Q1-2012 versus \$1,270/oz for Q1-2011). As a result, the Company's revenues were increased by \$121,754 as a result of price gold price increases and \$3,900,327 as a result of gold production increases.

Cost of goods sold increased by \$1,880,815. Details regarding the increase are as follows: Mill operating costs increased by \$194,916 and mining costs increased by \$806,282 both as a result of the increased mining and processing levels of production. Payroll costs increased by \$482,829 as a result of personnel increases as the Company normalized personnel levels to function with the newly expanded mill. Net smelter returns increased by \$129,234 due to increased sales of gold and silver.

#### **Administrative expenses**

Office and general costs decreased by \$195,353, with office administration and rental costs down by \$167,716. Consulting costs were reduced by \$205,969 again mainly due to the reduction in legal fees as the Company used counsel heavily during the New Island transaction (Q1-2011). Representation and travel, shareholder and regulatory reporting account for a reduction of \$23,162 as the Company's public reporting requirements during the first quarter of 2011 were higher due to the New Island transaction. Share-based compensation decreased by \$21,151 due to the option issuance made in Q3-2010, such options fully vested by Q1-2012.

#### **Interest expense**

Interest expense (net of interest income) is higher by \$85,857, a reflection of the increased debt the Company had outstanding during the current fiscal quarter.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Summary of quarterly results

	Jun. 1, 2011 - Aug. 31, 2011 (IFRS)	Mar. 1, 2011 - May 31, 2011 (IFRS)	Dec. 1, 2010 - Feb. 28, 2011 (IFRS)	Sept. 1, 2010 - Nov. 30, 2010 (IFRS)
	\$	\$	\$	\$
Total revenues	4,519,454	3,465,052	2,276,989	1,136,082
Net loss	(811,659)	(1,083,152)	(2,206,880)	(4,245,760)
Net loss per share – basic <sup>1</sup>	(0.005)	(0.000)	(0.018)	(0.037)
Net loss per share – fully-diluted <sup>1</sup>	(0.008)	(0.000)	(0.018)	(0.037)
	\$	\$	\$	\$
Total assets	20,720,129	21,668,565	21,227,335	20,014,596
Long-term liabilities	14,482,432	15,978,686	7,452,444	7,535,679
Shareholders' equity	6,237,698	5,689,879	4,621,514	5,609,596
Cash dividends declared per common share	0.00	0.00	0.00	0.00

	Jun. 1, 2010 - Aug. 31, 2010 (IFRS)	Mar. 1, 2010 - May 31, 2010 (CGAAP)	Dec. 1, 2009 - Feb. 28, 2010 (CGAAP)	Sept. 1, 2009 - Nov. 30, 2009 (CGAAP)
	\$	\$	\$	\$
Total revenues	496,961	1,035,822	2,684,721	4,457,526
Net income (loss)	(2,063,953)	(1,702,719)	(2,194,231)	150,925
Net income (loss) per share- basic <sup>1</sup>	(0.02)	(0.02)	(0.03)	0.00
Net income (loss) per share- fully-diuted <sup>1</sup>	(0.02)	(0.02)	(0.03)	0.00
	\$	\$	\$	\$
Total assets	19,921,230	21,385,328	20,024,379	20,208,790
Long-term liabilities	7,354,203	6,307,303	4,741,397	2,238,146
Shareholders' equity	8,773,029	12,061,296	13,154,591	13,053,560
Cash dividends declared per common share	0.00	0.00	0.00	0.00

<sup>1</sup> 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

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

(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 August 31, 2011, the Company had a working capital deficiency of \$4,926,622 (May 31, 2011 - \$5,186,710), an accumulated deficit of \$35,613,832 (May 31, 2011 - \$34,802,174) and negative cash flow from operations of \$596,396 (3 months ended August 31, 2010 - \$318,989). 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 first quarter of fiscal 2012, the Company continued to turn around the Pine Cove project and generate positive project operating cash flow. The Company will need to continue this trend and begin to cover all of its general and administrative costs as well, 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 2011 year and fiscal 2012 quarter for its working capital requirements and repayment of promissory notes and debt service requirements. 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 the previous 2 quarters, 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 statement of financial position 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 \$4,503,367. In addition, the following table summarizes the Company's other contractual obligations as at August 31, 2011:

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Contractual obligation	Payments due by period				
	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Demand loans (due to related parties) <sup>1</sup>	232,320	232,320	-	-	-
Debt-service (principal and interest)	2,857,000	1,555,000	1,302,000	-	-
Long-term debt retirement	7,593,000	693,000 <sup>2</sup>	6,900,000	-	-
Operating leases	1,655,000	292,000	876,000	487,000	-
Total contractual obligations	12,337,000	2,772,000	9,078,000	487,000	-

<sup>1</sup> Repayments totaling \$155,000 were made in June and July, 2011.

<sup>2</sup> Outstanding principal repayment of series III debentures deferred until April 20, 2012. A principal repayment of \$150,000 was made in October 2011.

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 August 31, 2011 and the most recent forecast information from September 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 November 14, 2011. Actual results over the forecast period may vary from the forward-looking information provided.

**Remainder of page left blank intentionally.**

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Notes	Q4-2011			Q1-2012		
		Circular	Actual	Variance	Circular	Actual	Variance
Average gold price (\$Cdn)		1,400	1,368	(32)	1,400	1,581	181
Processing (tonnes/day)	1	900	775	(125)	1,000	963	(37)
Grade (grams/tonne)	2	2.0	1.8	(0.2)	2.6	1.5	(1.1)
Recovery (%)	3	72%	70%	(2%)	75%	80%	5%
		<b>(\$000,s)</b>			<b>(\$000,s)</b>		
Operating revenues		5,311	3,415	(1,896)	7,911	4,519	(3,392)
Costs of goods sold		(3,689)	(2,833)	856	(3,979)	(2,828)	(1,151)
<b>Gross margin</b>		<b>1,622</b>	<b>582</b>	<b>(1,040)</b>	<b>3,932</b>	<b>1,691</b>	<b>(2,241)</b>
Administrative cash expenses		(323)	(282)	41	(371)	(1,052)	(681)
Debt service (including principal repayments)	4	(488)	(531)	(43)	(1,100)	(366)	734
New funding	5	-	126	126	-	1,811	1,811
Capital expenditures	6	(50)	(338)	(288)	(50)	(818)	(768)
Past due accounts payable	6	(550)	(100)	450	(1,300)	(77)	1,223
<b>Cash flow</b>		<b>211</b>	<b>(543)</b>	<b>(754)</b>	<b>1,111</b>	<b>1,190</b>	<b>79</b>
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	-	(1,050)	(1,050)
<b>Net cash flow</b>		<b>91</b>	<b>113</b>	<b>22</b>	<b>1,111</b>	<b>140</b>	<b>(971)</b>
Unrestricted cash balance, beginning		499	177	(322)	590	290	(300)
<b>Unrestricted cash balance, end</b>		<b>590</b>	<b>290</b>	<b>(300)</b>	<b>1,701</b>	<b>430</b>	<b>(1,271)</b>

Remainder of page left blank intentionally.



# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	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%)
		<b>(\$000,s)</b>			<b>(\$000,s)</b>		
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
<b>Gross margin</b>		<b>4,681</b>	<b>1,516</b>	<b>(3,165)</b>	<b>5,342</b>	<b>3,224</b>	<b>(2,118)</b>
Administrative cash expenses		(273)	(250)	23	(373)	(300)	73
Debt service (including principal repayments)	4	(713)	(340)	373	(221)	(237)	(16)
New debt		-	-	-	-	-	-
Capital expenditures	6	(50)	-	50	(50)	-	50
Past due accounts payable	6	(1,650)	(750)	900	(1,429)	(2,000)	(571)
<b>Cash flow</b>		<b>1,995</b>	<b>176</b>	<b>(1,819)</b>	<b>3,269</b>	<b>687</b>	<b>(2,582)</b>
Indebtedness owing pursuant to standby commitment		-	-	-	-	-	-
Estimated transaction costs		-	-	-	-	-	-
Settlement of indebtedness pursuant to standby commitment		-	-	-	-	-	-
<b>Net cash flow</b>		<b>1,995</b>	<b>176</b>	<b>(1,819)</b>	<b>3,269</b>	<b>687</b>	<b>(2,582)</b>
Unrestricted cash balance, beginning		1,701	430	(1,271)	3,696	606	(3,090)
<b>Unrestricted cash balance, end</b>		<b>3,696</b>	<b>606</b>	<b>(3,090)</b>	<b>6,965</b>	<b>1,293</b>	<b>(5,672)</b>

<sup>1</sup> The mill was operational for only 83 days of Q1-2012 (total 92 days) or 85% of the time as a result of adjustments to its crusher and primary ball mill.

<sup>2</sup> Grade estimates for the Forecast periods reflect the Company's current estimate based on budget.

<sup>3</sup> For the quarter ended August 31, 2011, recoveries were slightly higher than budget (by 7%) a reflection of ongoing improvements to the circuit. As well, it reflected a marked increase over last quarter's recovery rate of 70% (a 14% increase). Estimates for the Forecast periods reflect the Company's current estimate based on budget.

<sup>4</sup> During Q1-2012, 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.

<sup>5</sup> 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.

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

<sup>7</sup> Outstanding promissory notes were paid down utilizing funds generated from the private placement noted in 5 above.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***Transactions with related parties***

#### ***Three months ended August 31, 2011***

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of \$24,000 in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA.

The Company incurred interest expense of \$79,035 of which \$20,357 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.

Woodgrove Technologies Inc. ("Woodgrove") charged Anaconda a total of \$31,200 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.

Ravenhill charged Anaconda a total of \$89,000 in respect of corporate administration and accounting services provided by employees of Ravenhill. Ravenhill 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 Ravenhill.

As at August 31, 2011, the Financial Statements include amounts due (not paid) as follows: Demand loans of \$232,320, directors' fees of \$149,250, unpaid salary and salary continuance payments of \$175,500, consulting fees of \$226,793 to officers and/or directors of the Company or corporations controlled by them. An amount of \$246,329 is due to SBX, or companies controlled by it. The demand loans are interest free and have no fixed terms of repayment. The balance of these amounts is included as due to related parties on the interim consolidated statement of financial position.

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

### ***Capital management and off-statement-of-financial-position 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.

Aside from its Pine Cove project which is now in production, the mineral properties of Anaconda are in the exploration and development stage and, as a result, the Company currently has limited operating cash flow. The Company intends to supplement its Pine Cove project cash flow and raise such funds as and when required to complete its projects. 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, 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

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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 3 months ended August 31, 2011. The Company is not subject to externally imposed capital restrictions.

### ***Contingencies and commitments***

Minimum payments for the Company's office lease commitments over the lease period are as follows: Fiscal 2012 - \$166,781; fiscal 2013 - \$222,375; fiscal 2014 - \$222,375; fiscal 2015 - \$222,375; fiscal 2016 - \$185,313

### ***Critical accounting policies and estimates***

#### ***Going concern***

The 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

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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.

### ***Significant accounting judgments and estimates***

The preparation of these Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, mill and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

### ***Share-based payment transactions***

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

### ***Equity-settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

### ***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.

Financial instruments 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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***Fair value***

The Company has, designated its cash and cash equivalents as FVTPL, which are measured at fair value. The Company's other financial assets have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade and other receivables, due from related parties and prepaid expenses and deposits are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, prepaid expenses and deposits, due to and from related parties and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at August 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### ***Status of Anaconda Mining Inc. transition to IFRS***

#### ***IFRS Conversion***

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired an IFRS conversion project manager. The accounting staff attended several communication sessions on the adoption and implementation of IFRS. Through in-depth sessions and training along with the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

In conjunction with the adoption of IFRS the Company has determined that its existing accounting system, will satisfy all the information needs of the Company under IFRS. The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of its conversion to IFRS.

#### ***Impact of IFRS***

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity and net earnings in Note 3 to the Financial Statements. The

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

adoption of IFRS has had no significant impact on the net cash flows of the Company. The changes made to the statements of financial position and comprehensive loss have resulted in reclassifications of various amounts on the statements of cash flows, however there has been no change to the Company's net cash flows.

In preparing the reconciliations, the Company applied the principles and elections of **IFRS 1**, with a transition date of June 1, 2010 (the "Transition Date"). As the Company has adopted IFRS effective June 1, 2010, it will apply the provisions of IFRS 1 as described under the section entitled "Initial Adoption – IFRS 1", with a June 1, 2010 transition date. The Company will also apply IFRS standards in effect at August 31, 2011 as required by **IFRS 1**.

### **Initial adoption**

Under **IFRS 1 'First time Adoption of International Financial Reporting Standards'**, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions or mandatory exceptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of **IFRS 2, Share-based payments**, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;
- to apply the requirements of **IFRS 3, Business Combinations**, prospectively from the Transition Date;
- to apply the requirements of IAS 23 (paragraphs 27 and 28) only to borrowing costs prospectively from the Transition Date;
- retrospective application of IFRS would require the Company to determine cumulative currency translation difference in accordance with *IAS 21 – The effects of Changes in Foreign Exchange Rates* from the date a subsidiary was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at the Transition Date; and
- International Financial Reporting Interpretation Committee's *IFRIC 1 - Changes in Existing Decommission, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration of similar liability to be added to or deducted from the cost of the asset to which it relates. IFRS 1 exemption allows a first-time adopter to not comply with these requirements for changes in such liabilities that occurred before the date of transition to IFRS. The Company has elected to take this exemption.

The Company has complied with the following mandatory exceptions:

- IFRS 1.B3 allows the Company to apply the de-recognition requirements of IAS 39 retrospectively from a date of entity's choosing. The Company has chosen the Transition Date.
- Estimates - Hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS.



# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

- to apply the requirements of **IFRS 2, *Share-based payments***, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;
- to apply the requirements of **IFRS 3, *Business Combinations***, prospectively from the Transition Date;
- to apply the requirements of IAS 23 (paragraphs 27 and 28) only to borrowing costs prospectively from the Transition Date;
- retrospective application of IFRS would require the Company to determine cumulative currency translation difference in accordance with *IAS 21 – The effects of Changes in Foreign Exchange Rates* from the date a subsidiary was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at the Transition Date; and
- International Financial Reporting Interpretation Committee's *IFRIC 1 - Changes in Existing Decommission, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration of similar liability to be added to or deducted from the cost of the asset to which it relates. IFRS 1 exemption allows a first-time adopter to not comply with these requirements for changes in such liabilities that occurred before the date of transition to IFRS. The Company has elected to take this exemption.

The Company has complied with the following mandatory exceptions:

- IFRS 1.B3 allows the Company to apply the de-recognition requirements of IAS 39 retrospectively from a date of entity's choosing. The Company has chosen the Transition Date.
- Estimates - Hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS.

### ***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](http://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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***Financial risks***

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, trade and other receivables, prepaid expenses and deposits and due from related parties. 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 trade and other receivables consist of, in part, goods and services taxes receivable from the Canadian government and such amounts are in good standing as at August 31, 2011. Management believes that the credit risk associated with the financial instruments included relating to HST recoverable, is minimal.

Accounts receivable also consists of amounts due from the Company's metals broker regarding processed gold and silver enroute to the broker. Management believes the credit risk associated with the financial instruments contained in accounts receivable is minimal.

Financial instruments included in due from related parties include reimbursement of office costs and rent (and in fiscal 2011, property payments due from SBX). The credit risk associated with these financial instruments is limited to the carrying value, being \$175,442 at August 31, 2011 (2010 - \$1,181,586).

### ***Liquidity risk***

As at August 31, 2011, the Company had a working capital deficiency of \$4,856,622 (May 31, 2011 - \$5,186,710). The Company utilized the proceeds from the financings through-out the first quarter of fiscal 2012 for its working capital requirements. However, in order to meet its other short to medium-term working capital obligations, the Company intends to utilize the cash flow generated from the Pine Cove project's operations. If necessary, the Company may seek further financing for capital projects or general working capital purposes. 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 August 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 no interest-bearing assets and only 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

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Canadian dollar, the US dollar and the Chilean peso.

The Company may sell its future reserve production pursuant to marketing agreements that are denominated in the Chilean Peso that first must be denominated into US dollars or in Canadian dollars when producing in Canada. 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. 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.

### **(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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ***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



# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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](http://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](http://www.sedar.com) may not be correct.



# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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 \$35,613,832 as at August 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.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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 November 14, 2011:

<b>Common shares of no par value</b>	<b>Number</b>
Shares	176,825,944
Warrants	19,654,630
Options	11,965,000

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 November 14, 2011. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's web site ([www.anacondamining.com](http://www.anacondamining.com)).

### ***Management's Responsibility***

Management is responsible for all information contained in this MD&A. The Financial Statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the Financial Statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed and approved the unaudited interim consolidated financial statements with management.

External auditors, appointed by the shareholders, have not audited or reviewed the unaudited interim consolidated financial statements as at and for the three months ended August 31, 2011 and did not perform the tests deemed necessary to enable them to express an opinion on the unaudited interim consolidated financial statements.

# Anaconda Mining Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

November 14, 2011

*"Dustin Angelo"*

Dustin Angelo  
President and Chief Executive Officer

*"Stephen Gledhill"*

Stephen Gledhill  
Chief Financial Officer