ANACONDA MINING INC.

Management's Discussion and Analysis

of the

Financial Condition and Results of Operations

Second Quarter and

Six Months Ended

November 30, 2010

January 12, 2011

Anaconda Mining Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis has been prepared based on information available toAnaconda Mining Inc. ("Anaconda" or the "Company") as atJanuary 12, 2010 and compares its fiscal 2011 results with those of the previous period. This management's discussion and analysis ("MD&A") of the operating results and financial condition of the Company for the second quarter and six months ended November 30, 2010, should be read in conjunction with the Company's unaudited consolidated financial statements and the related notes covering the same periods and in conjunction with the MD&A and audited consolidated financial statements for the year ended May 31, 2010, all of which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, designed the Company's disclosure controls and procedures ("DC&P") and its internal control over financial reporting ("ICFR") using the *COSO Internal Control – Integrated Framework* as required by Canadian securities laws. Subject to the existing limitations and weaknesses identified and disclosed below regarding ***segregation of duties***, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of ***November 30, 2010***, the DC&P and ICFR were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109— *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and that the Company's ICFR provides reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for external purposes in accordance with Canadian GAAP.

Internal control over financial reporting

Management is responsible for certifying the design of the Company's ICFR as required by *Multilateral Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings*. The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets.
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP.
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board.
- Reasonable assurance regarding prevention or timely detection of unauthorized collection, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's IFCR using the *COSO Internal Control – Integrated Framework* and concluded, subject to the inherent limitation noted below, that the Company has sufficient controls to meet the requirements as stated above and that one weakness existed as at ***November 30, 2010***, as disclosed below.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

There have been no changes in the Company's internal control over financial reporting during the three months ended ***November 30, 2010***.

Anaconda Mining Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cautionary note regarding forward-looking information

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, mine development costs, unit costs, capital costs, timing of commencement of operations and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

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 principal business activity is that of a mineral exploration and mining company with operations in Canada and Chile. As at May 31, 2009, the Company had completed the construction of its mining project in Baie Verte, Newfoundland (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 up to 700 tonnes of ore per day. Commissioning of the expanded mill occurred during the first quarter of fiscal 2011 (July 2010).

Anaconda also holds interests in two significant iron exploration projects that are located in north central Chile, within the Chile-Peru iron-ore belt:

- A 50% interest in iron exploration concessions located in the immediate area of the Company's 50%-owned San Gabriel iron-ore project. The newly-acquired exploration concessions include the Vetarronmagnetite deposit and the Antonio property concessions, totaling 4,300 hectares. The recently acquired Vetarron and Antonio properties together with the San Gabriel project total 8,100 hectares.
- A 20% interest in InversionesHierro Antofagasta S.A. ("IHA"), a private Chilean company which owns an 82.5% interest in MineraHierro Antofagasta S.A. ("MHA"). MHA is a private Chilean company that holds the rights to four main project areas encompassing over 30,000 hectares of exploration concession, 35 to 60 kilometers east of the port city of Taltal.

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

During the first fiscal quarter of 2011, Anaconda reached the production requirements pursuant to the terms of its Option and Joint venture Agreement with New Island and announced on September 7, 2010 that it had achieved commercial production and, therefore, had earned a 60% interest in the Pine Cove project.

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

On August 30, 2010, Anaconda and New Island issued a joint press release announcing that they reached agreement on a friendly transaction (the "Proposed Transaction") to be structured as a plan of arrangement, pursuant to which 22,602,315 Anaconda common shares will be distributed to the shareholders of New Island in exchange for New Island's 40% interest in the Pine Cove project. In addition, pursuant to the proposed plan of arrangement, all of the 25,098,860 New Island shares acquired by Anacondapursuant to its announced take-over bid would be returned to tendering shareholders. The Proposed Transaction is expected to close on or before January 14, 2011 after New Island shareholder and court approval has been obtained.For more information please see the press releases available on SEDAR at www.sedar.com.

San Gabriel, Vetarronand Antonio properties

On June1, 2010, the Company acquired from InversionesSBX Limitada ("SBX"), a 50% interest in the Vetarron and Antonio properties in exchange for a 50% interest of its San Gabriel project. In addition, SBX has funded the recent option payment of US$500,000 and will fund the remaining US$1.72 million option payment due in June 2012.

San Gabriel has 'built-in' infrastructure that makes it amenable from a capital cost perspective for further development and direct shipping to Asia. San Gabriel is located 20 kilometres from a rail line, 15 kilometres from power transmission lines, 25 kilometres from a major highway, and 60 km northeast of Chañaral, a Pacific coastal port city which has the required infrastructure for shipping iron ore direct to the Asia-Pacific region. The mineral resource is located within three zones, namely the San Gabriel (Main), Esperanza and Antonia zones.

The Antonio concession encompasses two significant magnetic anomalies, with geophysical signatures similar to that of the main San Gabriel deposit. At a magnetic susceptibility of 0.7 (SI), the first anomaly measures approximately 800 by 280 meters extending to a depth of 300 meters and is located three kilometers south of the San Gabriel deposit. At similar magnetic susceptibilities, the second anomaly measures approximately 600 by 100 meters extending to a depth of 150 meters and is located approximately six kilometers SSE of the San Gabriel deposit.

The Vetarron deposit, located five kilometers south of the San Gabriel deposit, is a near surface magnetite deposit representing approximately 16 Mt and grading 22% Fe (as estimated in an SBX 2008 internal report). **This is not a NI-43-101 compliant resource and should not be relied on as such**. However, Anaconda believes the estimate to be relevant.Vetarron North, a 500 meter long strong magnetic anomaly with outcropping magnetite-rich structures may represent the undrilled northern extension of the Vetarron deposit. Metallurgical testwork on Vetarron magnetite mineralization suggests that simple dry magnetic separation can be used to produce an iron concentrate (as estimated in an SBX 2008 internal report).

The properties are held 50/50 with SBX in MineraHierro San Gabriel S.A. ("MHSG").

IHA and Octavia, San Meteo, Atenas and Germania properties

On June 1, 2010, Anaconda also acquired an indirect 16.5% interest in the Octavia, San Meteo, Atenas and Germania properties. Over 4,000 meters of detailed ground magnetic surveys have defined significant anomalies on each of the project areas. SBX is the operator of the project. Gravity surveys confirming the location and approximate dimension of the magnetic anomalies were completed and in June 2010, a US$2.2million drilling program commenced on these iron properties.

Chilean iron-ore strategic plan announcement

On November 30, 2010, the Company announced a strategic plan to realize the value contained within its portfolio of Chilean iron-ore assets together with its joint venture partner, SBX. Anaconda and SBX have agreed in principle to roll their respective Chilean iron ore assets held in MHSG and IHA into a single dedicated company, creating a large, stand-alone, world-class Chilean iron-ore company, separate and apart from Anaconda's gold-producing assets. Detailed terms of the combination are currently be negotiated with the assistance of the Company's financial advisors and could include a SpinCo IPO of the combined entity; project financing and off-take opportunities related to advancing the near-term development of the Esperanza deposit controlled by MHSG; joint venture agreements with strategic partners; further acquisitions; or any combination thereof.

Rights offering

On December 23, 2010, Anaconda announced that it was planning to complete a rights offering (the "Rights Offering") to raise funds for working capital purposes following the completion of the Proposed Transaction with New Island. The Company intends on issuing rights to purchase shares in an amount up to 25% of its capitalization at the time, at a price not to exceed $0.10 per share. The Rights Offering is estimated to be completed by mid to end of February, 2011.

A portion of the Rights Offering will be guaranteed pursuant to a standby guarantee agreement (the "Guranatee"). The Guarantee provides that a syndicate of shareholders (the "Standby Guarantors") will purchase up to maximum of 16,647,000 common shares that remain unsubscribed under the Rights Offering. In consideration for the Guarantee, the Standby Guarantors will be issued a total of 4,116,750 warrants (the "Standby Warrants") entitling the Standby Guarantors to purchase 4,116,750 common shares of Anaconda at $0.10 per share for a period of twenty-four months from the closing date; provided however that if the Standby Guarantor fails or otherwise refuses to purchase any Common Shares which remain unsubscribed for pursuant to the Guarantee, the Guarantor Warrants will be void and of no further force or effect.

A portion of the expected capital-raise has been backstopped by the Standby Guarantors. The amount of the backstop is not yet finalized but is expected to be approximately $1,500,000. Any amounts backstopped and advanced to the Company will be satisfied by the issuance of short-term promissory notes by the Company. The promissory notes will be interest free and issued at a 9.1% discount toface value.

New financings

1. On November 3, 2010, Anaconda drew down and received $500,000 pursuant to a loan agreement with the government of Newfoundland. Theloan bears interest at 5.5%per annum and is repayable in thirty monthly payments of blended interest and principal commencing on January 16, 2011 and ending on June 16, 2013.

2. Throughout the second fiscal quarter of 2011 and through to the date of this MD&A, Anaconda was advanced a further $25,000 (and repaid $60,000) in demand loans from directors and/or officers of the Company. The loans are non-interest bearing and have no fixed terms of repayment.

3. During December 2010 and January 2011, Anaconda issued promissory notes with a face value of $1,497,000 and a maturity date of March31, 2011. The promissory notes were issued to the Standby Guarantors pursuant to the backstop noted above.

Overall performance

As at November 30, 2010, Anaconda had assets of $21,599,129 and a net equity position of $7,704,421. This compares with assets of $20,208,790 and a net equity position of $13,053,560 atNovember 30, 2009 and with assets of $21,385,328 and a net equity position of $12,061,296 at May 31, 2010.

3 months ended November 30, 2010

Assets increasedby $113,172over the second fiscal quarter of 2011. Current assets decreased by $203,077due mainly to adecrease in the Company's inventory balance of $283,011. Other decreases in accounts receivable, prepaids and deposits of $135,351 and HST recoverable of $53,230 were offset with increases in cash of $106,916, short-term restricted cashof $161,600.The remainder of the decrease in asset balance of $562,701 is comprised of a decrease to the value of the shares (that were marked-to-market at November 30) in New Island that the Company will distribute back to those shareholders that tendered them under the Proposed Transaction of$752,966, a decrease in the remaining investments held-for-sale that were sold during the second quarter of $214,200 and a decrease in long-term restricted cash of $102,795 offset by increases to mineral properties and deferred exploration expenditures of $19,807, property, machinery and equipment of $112,847 and costs incurred regarding the Proposed Transaction increased by $375,452.

Anaconda's increased cash positionover the first quarter of 2011 of $106,916(2010 – $3,743) was the result of the following activities: Cash provided fromoperating activities of $416,420 (2010– $750,905); cash provided fromfinancing activities of $186,533 (2010 – $750,905) lesscash used in investing activities of $479,186 (2010–$751,336). Interest rate fluctuations on foreign currencies held by the Company decreased the Company's cash position by $16,852 (2010– $10,826) for the quarter.

6 months ended November 30, 2010

Assets increased by $213,802 over the period. Current assets decreased by $359,881 due mainly to a decrease in the Company's inventory balance of $350,287. Other decreases in HST recoverable of $449,053 and cash of $356,611 were offset with increases in short-term restricted cash of $65,582 and account receivable, prepaids and deposits of $730,487, that were increased mainly due to amounts due from SBX under the terms of the purchase agreements regarding the Company's newly-acquired (last quarter) Chilean projects. The remainder of the increase to the Company's assets of $573,683 is comprised of increases to property, machinery and equipment of $1,342,835, the acquisition and subsequent mark-to-market decrease of the shares of New Island Resources Inc., for a net increase of $2,258,897 and an increase to deferred transaction costs of the Proposed Transaction of $529,029. These increases were offset by decreases to long-term restricted cash of $102,728, investments held-for-sale of $336,600 andmineral properties and deferred exploration expenditures of $3,116,107 mainly as a result of the 50% disposal of the Company's San Gabriel asset (reported last quarter) together with the write-off of approximately $500,000 of IVA balances previously capitalized to the project but no longer available to the new legal entity that holds the property.

Anaconda's decreased cash positionover the period of $356,611 (2010 – $84,236) was the result of the following activities: Cash provided from operating activities of $1,366,559 (2010 – $433,175); cash providedfrom financing activities of $1,036,632 (2010 – $535,019) less cash used in investing activities of $2,757,700 (2010 – $1,063,256). Interest rate fluctuations on foreign currencies held by the Company decreased the Company's cash position by $2,102 (2010 – increased by $10,826) for the quarter.

Review of operations

Pine Cove project

During the second fiscal quarter ended November 30, 2010, Anaconda produced approximately 980 ounces of gold versus 380 ounces in the first fiscal quarter. The quarter over quarter increase was approximately 157% or 600 ounces.

During this time period, however, consistent recoveries in the processing circuit were still hampered by a combination of operator inexperience with the higher tonnage operation and mill down time associated with the replacement of the primary ball mill starter. Operations staff overcame many issues during the quarter, but continued to focus on circuit improvements throughout November and December, particularly related to leaching and filtration. Despite the above-referenced impediments, the changes implemented during the second quarter manifested themselves in greater consistency in the mill operation and thus higher gold production as evidenced by the improvement over the prior quarter.

The steady positive progress was evident in that, approximately 59%, or 566 ounces, of the 978 ounces produced in the second quarter came during November. As a result, unit costs of production, before inventory adjustments, were far better for November as compared to the blended average for the second quarter. The cost per ounce produced at the Pine Cove project during November before inventory adjustments, including site-level general and administrative costs, was $1,091 versus an average of $1,725 for the second quarter.

The Company also made some significant human resource additions to bolster its operating staff and provide dedicated support to the milling and mining operations at Pine Cove. On November 9, 2010, the Company engaged a new, full-time Mill Operations Superintendent who has 30 years of experience, particularly with operating a Merrill Crowe circuit similar to what is currently run at Pine Cove. In addition, the Company filled a new position called Environmental and Analytical Superintendent, established primarily to manage the on-site assay lab, which will ensure timely, reliable assay results of mill circuit and blast-hole samples as well as quality control of optimization test work. The Company also contracted a mining engineering firm to provide support to its in-house mining staff for general mining operations and grade control.

Results of operations

3 months ended November 30, 2010 compared to 3 months endedNovember 30, 2009

Net loss for the 3-month period ended November 30, 2010 was $4,126,972 or $0.04 per basic and fully-diluted share. This compares with a net income of $150,925 or $0.00per share basic and $0.00 per share on a fully-diluted basis. The net decrease of $4,277,897 is the result of the following items: Gross operating margin decrease of $1,895,796 together with increases if the following expenditures: Consulting and professional fees of $518,613, representation and travel costs of $6,645, shareholder and regulatory approval costs of $25,348, salaries and benefits expenditures of $433,473 and interest costs of $381,609. Cost incurred in the second quarter of 2011 not incurred in last year's second quarter costs include the loss on the sale of held-for-sales investments of $1,464,000. These increased expenditures were offset by decreases in stock-based compensation of $165,557, depreciation and depletion of $23,093, office and general costs of $68,961 and foreign exchange losses of $80,802. Reductions to future income taxes of $101,900 made up the remaining difference.

Significant increases in consulting costs were the result of the Company contracting of various engineering expertise as it worked through its mill expansion and commissioning. Salaries and benefits were significantly higher due to increase in staff size as the mining operation ramped up to it full-time complement and one-time executive severance costs of approximately $180,000. Interest costs were significantly higher due to the Company's larger debt load over the previous year (approximately $6.2 million higher).

6 months ended November 30, 2010 compared to 6 months endedNovember 30, 2009

Net loss for the 6-month period ended November 30, 2010 was $8,461,022 or $0.08 per basic and fully-diluted share. This compares with a net income of $556,906 or $0.01per share basic and $0.01 per share on a fully-diluted basis. The decrease in net income/loss of $9,017,928 is the result of the following items: Gross operating margin decrease of $3,304,929 together with increases in the following expenditures: Consulting and professional fees of $822,906, stock-based compensation of $26,475, shareholder and regulatory approval costs of $60,970, salaries and benefits expenditures of $726,347, interest costs of $561,437, depreciation and depletion of $119,389 and foreign exchange losses of $128,657. Cost incurred during the period not incurred over the same period last year include the loss on the sale of held-for-sales investments of $1,464,000 and the loss on the sale of the Company's 50% interest in the San Gabriel project of $1,957,821. These increased expenditures were offset by decreases in office and general costs of $79,931 and representation and travel expenditures of 10,261. Reductions to future income taxes of $59,748 made up the remaining difference.

Significant increases in consulting costs were the result of the Company contracting of various engineering expertise as it worked through its mill expansion and commissioning. Salaries and benefits were significantly higher due to increase in staff size as the mining operation ramped up to it full-time complement and one-time executive severance costs of approximately $150,000. Shareholder and regulatory costs were significantly higher as the Company incurred additional costs regarding the takeover bid of New Island and the subsequent transaction regarding the acquisition of the remaining 40% interest in the Pine Cove project that it does not already own. Interest costs were significantly higher due to the Company's larger debt load over the previous year (approximately $6.2 million higher).

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Summary of quarterly results

	Sept. 1, 2010 - Nov. 30, 2010	Jun. 1, 2010 - Aug. 31, 2010	Mar. 1, 2010 - May 31, 2010	Dec. 1, 2009 - Feb. 28, 2010
	$	$	$	$
Total revenues	1,136,082	496,961	1,035,822	2,684,721
Net loss	(4,126,972)	(4,334,049)	(1,702,719)	(2,194,231)
Net loss per share – basic[1]	(0.04)	(0.04)	(0.02)	(0.03)
Net loss per share – fully-diluted[1]	(0.04)	(0.04)	(0.02)	(0.03)
	$	$	$	$
Total assets	21,599,129	22,364,908	21,385,328	20,024,379
Long-term liabilities	13,894,708	6,829,818	6,307,303	4,741,397
Shareholders' equity	7,704,421	11,588,715	12,061,296	13,154,591
Cash dividends declared per common share	0.00	0.00	0.00	0.00

	Sep. 1, 2009 - Nov. 30, 2009	Jun. 1, 2009 - Aug. 31, 2009	Mar. 1, 2009 - May 31, 2009	Dec. 1, 2008 - Feb. 28, 2009 (restated)
	$	$	$	$
Total revenues	4,457,526	3,182,874	445,031	403,612
Net income(loss)	150,925	405,981	(2,390,084)	(464,173)
Net income(loss) per share-basic[1]	0.00	0.01	(0.03)	(0.01)
Net income(loss) per share-fully-diuted[1]	0.00	0.00	(0.03)	(0.01)
	$	$	$	$
Total assets	20,208,790	19,390,005	17,896,299	18,539,938
Long-term liabilities	2,238,146	2,203,022	2,167,974	4,256,549
Shareholders' equity	13,053,560	12,815,829	11,730,270	11,237,629
Cash dividends declared per common share	0.00	0.00	0.00	0.00

[1]In periods of loss, net loss per share basic and fully-diluted are the same, as inclusion of options and/or warrants would be anti-dilutive.

Liquidity and working capital

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

As at November 30, 2010, the Company had a working capital deficiency of $4,935,561 and an accumulated deficit of $28,469,569. The Company has utilized the proceeds from the new financings together with funds generated from its Pine Cove operations to discharge some of its current obligations and toward the general working capital requirements of the Company. The Company has also worked closely with its vendors to arrange payment plans for past due payables. Many vendors have been highly receptive to working with the Company to stage payments in a manner that mirrors the timing of expected revenue, as the Pine Cove project increases its gold output. In addition, the Company has undertaken to complete a rights offering, as described in the ***Rights offering*** section of this MD&A. The Company expects to use some of the proceeds from the rights offering to repay aged payables and fund other working capital requirements.

Over the next 12 months, the Company has payments against outstanding accounts payable and accrued liabilities of $6,869,000 and also must make $2,074,000 in debt service and principal repayments.
The capital structure of the Company consists of the loans, convertible loan, convertible debentures, debentures and all the components of shareholders' equity. To adjust or maintain its capital structure, the Company may adjust the amount of any of its debt through repayment, or may enter into new credit facilities or issue new common shares.

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

Transactions with related parties

Three months ended November 30, 2010:

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of $44,800 (2010 - $38,400) in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA. The term of this agreement is ongoing with either party able to terminate upon 30 days written notice to the other.

The Company incurred interest expense of $68,770 (2010 - $84,620) of which $10,729 (2010 - $24,785) 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"). $38,906 (2010 - $Nil) of interest payable for the 3 months ended November 30, 2010, has been accrued but not paid upon approval of the lender. The Company also repaid $60,000 (2010 - $Nil) against a demand loan provided by Thorsen that is interest free and without fixed repayment terms.

Cartsei Inc. ("Cartsei") charged Anaconda a total of $44,861 (2010 - $Nil) in respect of consulting services provided by Glenn Dobby, a director of the Company. Glenn Dobby beneficially owns Cartsei.

Woodgrove Technologies Inc. ("Woodgrove") charged Anaconda a total of $87,359 (2010 $Nil) in respect of consulting services provided by Glenn Dobby and Glenn Kosick, both directors of the Company. Glenn Dobby and Glenn Kosick beneficially own Woodgrove.

Ravenhill Partners ("Ravenhill") charged Anaconda a total of $28,250 in respect of consulting services. Ravenhill is beneficially owned by John McBride, Lewis Lawrick, David Wiley and Dustin Angelo, all directors of the Company.

John McBride advanced $25,000 (2010 - $Nil) in the form of a non-interest bearing demand loan with no fixed terms of repayment.

Dustin Angelo, a director and President and Chief Executive Officer of the Company, purchased $13,250 (2010 - $Nil) of the total of $153,000 (2010 - $Nil) of the investments that were sold by Anaconda during the quarter.

Lewis Lawrick, a director and Chairman of the Company, purchased $13,250 (2010 - $Nil) of the total of $153,000 (2010 - $Nil) of the investments that were sold by Anaconda during the quarter.

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

Six months ended November 30, 2010:

KCA charged the Company a total of $83,200 (2010 - $83,200) in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA. The term of this agreement is ongoing with either party able to terminate upon 30 days written notice to the other.

The Company incurred interest expense of $136,373 (2010 - $168,989) of which $19,654 (2010 - $48,660) related to non-cash interest accretion on the valuation of the conversion feature of the convertible loan payable to Thorsen. The Company was also advanced $477,000 (2010 - $Nil) and repaid $237,000 (2010 - $Nil) against a demand loan provided by Thorsen that is non-interest bearing and with no fixed term of repayment. The accounts payable and accrued liabilities balance at November 30, 2010 includes $38,906 (2010 - $Nil) of unpaid interest due to Thorsen.

Cartsei charged Anaconda a total of $44,861 (2010 - $Nil) in respect of consulting services provided by Glenn Dobby, a director of the Company. Glenn Dobby beneficially owns Cartsei. The accounts payable and accrued liabilities balance at November 30, 2010 includes $67,473 (2010 - $Nil) in unpaid consulting costs due to Cartsei.

Woodgrove Technologies Inc. ("Woodgrove") charged Anaconda a total of $87,359 (2010 $Nil) in respect of consulting services provided by Glenn Dobby and Glenn Kosick, both directors of the Company. Glenn Dobby and Glenn Kosick beneficially own Woodgrove. The accounts payable and accrued liabilities balance at November 30, 2010 includes $87,359 (2010 - $Nil) in unpaid consulting costs due to Woodgrove.

Ravenhill charged Anaconda a total of $28,250 in respect of consulting services provided to the Company. Ravenhill is beneficially owned by John McBride, Lewis Lawrick, David Wiley and Dustin Angelo, all directors of the Company. The accounts payable and accrued liabilities balance at November 30, 2010, has been decreased by $38,492, such amounts owed by Ravenhill to Anaconda regarding reimbursable office occupancy costs and rental deposits on the Company's office premises.

David Wiley, a director of the Company, advanced $125,000 (fiscal 2010 - $Nil) in the form of a non-interest bearing demand loan with no fixed terms of repayment.

John McBride, a director and former Chairman of the Company, advanced $122,099 (fiscal 2010 - $Nil) in the form of a non-interest bearing demand loan with not fixed terms of repayment.

Dustin Angelo, a director and President and Chief Executive Officer of the Company, purchased $13,250 (2010 - $Nil) of the total of $153,000 (2010 - $Nil) of the investments that were sold by Anaconda during the period.

Lewis Lawrick, a director and Chairman of the Company, purchased $13,250 (2010 - $Nil) of the total of $153,000 (2010 - $Nil) of the investments that were sold by Anaconda during the period.

The accounts receivable balance at November 30, 2010, includes amounts due from the Company's Chilean general manager, SBX(or companies controlled by it), of $821,868 (2010 - $Nil).

Due to related parties include $Nil (2010 - $676,436) due to the Company's Chilean general manager, SBX (or companies controlled by it).

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

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Contingencies and commitments

During the quarter, Anaconda entered into a lease agreement for its new office premises. The lease commences on April 1, 2011 and runs through March 31, 2017, inclusive. Under the terms of the lease, Anaconda is also responsible for realty taxes, insurance, maintenance and its proportionate share of common area costs. Minimum payments over the lease period are as follows: Fiscal 2011 - $171,000; fiscal 2012 - $292,000; fiscal 2013 - $292,000; fiscal 2014 - $292,000; fiscal 2015 - $292,000; fiscal 2016 – $122,000

Critical accounting policies and estimates

Going concern

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

Unanticipated delaysat the Pine Cove project has caused the Company to utilize available working capital on operations and capital requirements at the mine site, thereby impeding its ability to deploy the funds in other areas of its business.

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

Use of estimates

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

Carrying value of mineral properties and related deferred costs

The Company records its interest in mineral properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs will be amortized and depleted using the unit-of-production method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold or abandoned. If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year.

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

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

Stock-based compensation

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

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

Impairment of long-lived assets

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

Depletion and amortization

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

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

Financial instruments

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

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

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

Future accounting changes

International financial reporting standards

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Property, mill and equipment (measurement and valuation);
- Provisions, including asset retirement obligations;
- Stock-based compensation;
- Accounting for joint ventures;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including the following: Implications of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	In progress, expected to be completed by end of February, 2011 (Q3-2011)
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	In progress, expected to be completed by end of February, 2011 (Q3-2011)

Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress, expected to be completed by end of February, 2011 (Q3-2011)
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, expected to be completed by end of February, 2011 (Q3-2011)
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2011

Dividends

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its common shares in the foreseeable future.

Capital management

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 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 November 30, 2010. The Company is not subject to externally imposed capital restrictions.

Risks and uncertainties

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

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.

Potential volatility of market price of common shares

The TSX has, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the common shares. In addition, the market price of the common shares is likely to be highly volatile. Factors such as the price of gold and other minerals, the average volume of shares traded, announcements by competitors, changes in stock market analyst recommendations regarding the Company, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Company's common shares. Moreover, it is likely that during future quarterly periods, the Company's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the common shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Company, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Factors of the Business

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

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

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

- an increase in the cost of exploration, development or production to a point where it is no longer economically feasible to continue;
- feasible to continue;
- the Company writing down the carrying value of one or more properties or mines;
- delays or a stoppage in the exploration, development or production of the projects;
- damage to or destruction of mineral properties or processing facilities; and/or
- personal injury, death and/or legal liability.

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

Mining industry risks

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

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

Environmental risks and hazards

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

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

Governmental regulation of the mining industry

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

Title matters

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

Licenses and permits

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

Fluctuations in the market price of mineral commodities

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

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

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

Infrastructure

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

Currency

The Company's operations will incur most expenditures in Canadian and US dollars but also in local currency of Chile. As a result of the use of these different currencies, the Company will be subject to foreign currency fluctuations, which may materially affect the financial position and results of the Company. The Company will not engage in currency hedging to offset any risk of currency fluctuations.

Increase in production costs

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

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

Uncertainty in the estimation of mineral reserves and mineral resources

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

The figures for mineral reserves and mineral resources contained in NI 43-101 technical reports and other filings of the Company made on SEDAR atwww.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 atwww.sedar.com may not be correct. The Company's ability to maintain or increase its annual production of gold will be dependent in significant part on its ability to bring new mines into production and to expand reserves at existing mines.

No history of profitability

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

Uninsured risks

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

Competition

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

Instability of political and economic environments

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

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

Repatriation of earnings

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

Dependence upon key management personnel and executives

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

Possible conflicts of interest of directors and officers of the Company

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

Absence of dividends

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

Risk of dilution

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

Payment obligations relating to properties

SBX, the Company's joint venture partner on the Company's Chile mineral exploration projects, is required to make aggregate payments of approximately US$1.7 million in fiscal year 2012 to keep a portion of these projects in good standing. Although the Company has no direct responsibility for these payments, the Company's risk is that SBX fails to make the payments thereby requiring the Company to do so, if it chooses to maintain the properties in good standing. Failure to make the payments could require the joint venture to forfeit interest in certain of its properties. There is no assurance that funds will be available in the future to permit the Company to satisfy these obligations.

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at January 12,2011:

Common shares of no par value	Number
Shares	114,684,976
Warrants	18,266,353
Options	7,225,000

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 GAAP there under.

Additional information and continuous disclosure

This MD&A has been prepared as at January 12, 2011. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's web site (www.anacondamining.com).