



**Management's Discussion and Analysis
of the
Financial Condition and Results of Operations**

**For the three and six months ended
November 30, 2012 and 2011**

January 10, 2013

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 January 10, 2013. The MD&A of the operating results and financial condition of the Company for the three and six months ended November 30, 2012, should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended November 30, 2012 and the audited financial statements (the "Financial Statements") and the related notes for the year ended May 31, 2012. 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 the Company's website at www.anacondamining.com or on SEDAR at www.sedar.com.

Executive summary

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 Minerals 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 and head office is located at The Exchange Tower, 130 King Street West, Suite 2120, Toronto, Ontario, M5X 1C8.

Anaconda operates a gold mine near Baie Verte, Newfoundland (the "Pine Cove Project") on the north central part of the island. The Company owns 100% of the Pine Cove Project, which comprises two contiguous mining leases and 21 mining licenses totaling approximately 4,785 hectares. The current gold mining operation is open pit with a strip ratio of 4.3:1 over the life of the mine and there is a mill on site with a permitted tailings storage facility. The operation currently has approximately 40 employees at the mill and in administration, plus a contract miner.

Highlights

- As at November 30, 2012, the Company had cash and cash equivalents of \$98,945 and a net working capital deficit of \$2,127,821. The Company had \$581,800 in outstanding accounts receivables related to gold sales, which were collected just after quarter end. The working capital deficit is primarily due to the loans and debentures becoming current.
- During the six months ended November 30, 2012, the Company made principal payments of \$1,476,628 and reduced its overall debt to \$2,840,436. Of the total principal paid, \$1,298,000 went against its Series I, Series II and the Thorsen loans on a pro-rata basis.
- For the three and six months ended November 30, 2012, the Company sold 3,194 and 7,411 ounces of gold and generated \$5,395,563 and \$12,255,862 in revenue at an average sales price of \$1,686 and \$1,654 per ounce, respectively.
- Cash operating cost per ounce sold at the Pine Cove Project for the three and six months ended November 30, 2012 was \$1,256 and \$1,081 per ounce, respectively.
- At the Pine Cove project, EBITDA for the three and six months ended November 30, 2012 was \$1,384,528 and 4,247,328, respectively.

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

- On a consolidated basis, EBITDA for the three and six months ended November 30, 2012 was \$849,173 and \$3,256,657.
- Net income for the three and six months ended November 30, 2012 was \$126,032 and \$1,638,880 or \$0.00 and \$0.01 per basic and fully diluted share, respectively.
- Purchase of property, mill and equipment for the six months ended November 30, 2012 was \$916,042.
- Approximately \$395,000 was spent at the Pine Cove project on exploration for the six months ended November 30, 2012.
- On July 19, 2012 the Company entered into a five-year property option agreement with Fair Haven Resources Inc. ("Fair Haven") to acquire a 100% undivided interest in 11 exploration licenses (the "Fair Haven Property") totaling 71 claims or approximately 1,804 hectares.
- On August 2, 2012, the Company staked additional property near the Pine Cove project totaling 3 mining licenses and nearly 300 hectares.
- On November 13, 2012 the Company entered into a five-year property option agreement (the "Agreement") with Herb Froude ("Froude") to acquire a 100% undivided interest in 1 exploration licenses (the "Froude Property") totaling 11 claims or approximately 275 hectares.
- On November 19, 2012 the Company entered into a five-year property option agreement (the "Agreement") with Messieurs Duffitt and Strong ("Duffitt and Strong") to acquire a 100% undivided interest in 2 exploration licenses (the "Duffitt and Strong Property") totaling 7 claims or approximately 175 hectares.
- The property options and staking above increase the Company's land package within the Pine Cove Project to approximately 4,785 hectares.
- During the first and second quarters, the Company's exploration initiatives focused on prospecting the properties across the Pine Cove project and obtaining a bulk sample from the Romeo and Juliet prospect.

Overall performance

Net income for the three months ended November 30, 2012 was \$126,032 or \$0.00 per share (a loss of \$595,957 or \$0.00 per share for the three months ended November 30, 2011). At the Pine Cove Project, the Company generated a gross margin of \$925,147 for the three months ended November 30, 2012 (\$1,061,572 for the three months ended November 30, 2011). The Company also generated earnings before interest, depreciation and depletion and share based compensation ("EBITDA") of \$849,173 for the three months ended November 30, 2012 (\$814,278 for the three months ended November 30, 2011).

Net income for the six months ended November 30, 2012 was \$1,628,880 or \$0.01 per share (a loss of \$1,407,615 or \$0.01 per share for the six months ended November 30, 2011). At the Pine Cove Project, the Company generated a gross margin of \$3,196,635 for the six months ended November 30, 2012 (\$2,182,752 for the six months ended November 30, 2011). The Company also had EBITDA of \$3,256,657 for the six months ended November 30, 2012 (\$1,779,275 for the six months ended November 30, 2011). The year over year improvement in the results was primarily due to substantially better overall mill recovery, increased mill availability, better throughput, increased gold sales volume, and higher gold sales prices.

The Pine Cove Project

The Company owns 100% of the Pine Cove Project covering approximately 4,785 hectares. The Pine Cove Project comprises two contiguous mining leases totaling 660 hectares along with 21 mining licenses totaling

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

4,125 hectares that were recently acquired, as described below. On site, there is an operating open pit mine, milling and processing plant, a permitted tailings storage facility and waste dump.

On May 7, 2012 the Company entered into a five-year property option agreement (the "Agreement") with Tenacity Gold Mining Company Ltd. ("Tenacity") to acquire a 100% undivided interest in 4 mineral exploration licenses (the "Tenacity Property") totaling 63 claims or approximately 1,575 hectares contiguous to the Pine Cove property. The Agreement requires the Company to pay to Tenacity \$25,000 at closing (paid), an additional \$275,000 in cash payments over the option period and incur \$750,000 in expenditures over the life of the option. At the Company's option, 50% of cash payments can be settled with the issuance of common shares; with value determined based on a weighted average of the 30 trading days preceding payment. The Agreement also entitles Tenacity to a net smelter royalty ("NSR") of 3% when the average price of gold is less than US\$2,000 per ounce for the calendar quarter or a 4% when the average price of gold is more than US\$2,000 per ounce for the calendar quarter, with a cap of \$3 million on the total NSR payments made to Tenacity.

On July 19, 2012 the Company entered into a five-year property option agreement (the "Agreement") with Fair Haven to acquire a 100% undivided interest in 11 exploration licenses totaling 71 claims or approximately 1,804 hectares near its Pine Cove mine. The Fair Haven Property runs adjacent to the optioned Tenacity Property and increases the Company's land package around Pine Cove six-fold to approximately 4,335 hectares. The Agreement requires the Company to pay to Fair Haven \$10,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of \$750,000. The Agreement also entitles Fair Haven to a NSR of 2% to an aggregate sum of \$3 million; following this and after 200,000 ounces of gold has been sold from the Fair Haven Property, Fair Haven is then entitled to a 1% NSR.

On August 2, 2012, the Company staked additional property near the Pine Cove Project totaling 3 mining licenses and nearly 300 hectares.

On November 13, 2012 the Company entered into a five-year property option agreement (the "Agreement") with Herb Froude ("Froude") to acquire a 100% undivided interest in 1 exploration licenses (the "Froude Property") totaling 11 claims or approximately 275 hectares near its Pine Cove mine. The Froude Property is contiguous and now inclusive in the Pine Cove Project. The Agreement requires the Company to pay to Froude \$10,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of \$125,000. The Agreement also entitles Froude to a NSR of 3% to an aggregate sum of \$3 million; following this and after 200,000 ounces of gold has been sold from the Froude Property, Froude is then entitled to 1% NSR.

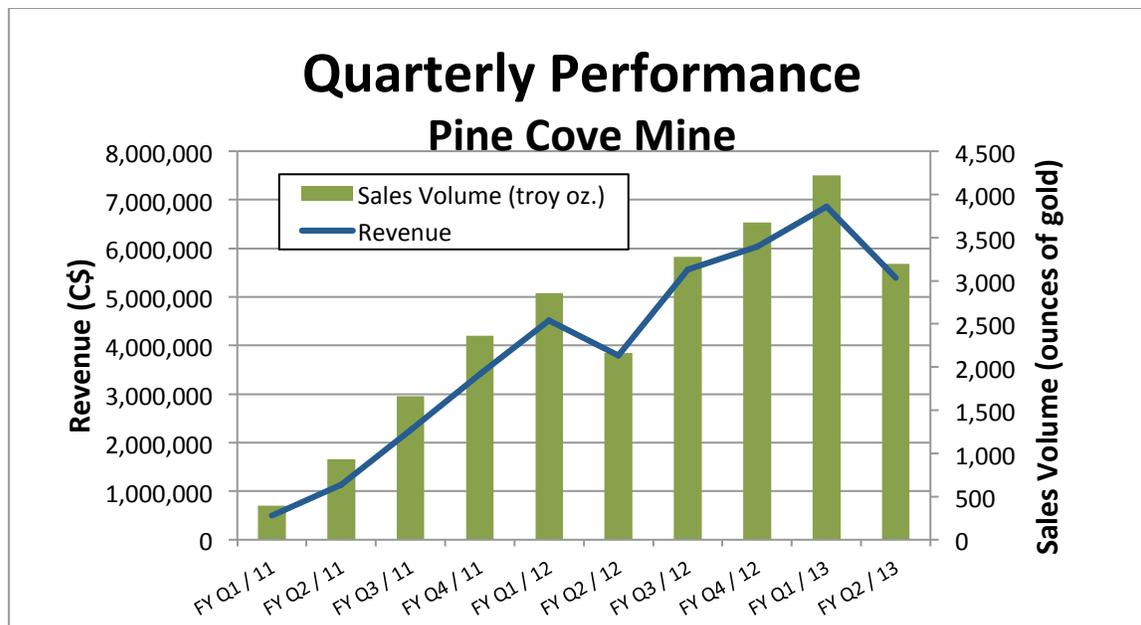
On November 19, 2012 the Company entered into a five-year property option agreement (the "Agreement") with Messieurs Duffitt and Strong ("Duffitt and Strong") to acquire a 100% undivided interest in 2 exploration licenses (the "Duffitt and Strong Property") totaling 7 claims or approximately 175 hectares near its Pine Cove mine. The Duffitt and Strong Property is contiguous to the Pine Cove Project. The Agreement requires the Company to pay to Duffitt and Strong \$20,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of \$125,000. The Agreement also entitles Duffitt and Strong to a NSR of 3% to an aggregate sum of \$3 million; following this and after 200,000 ounces of gold has been sold from the Duffitt and Strong Property, Duffitt and Strong are then entitled to 1% NSR.

Operations Overview

During the three months ended November 30, 2012 (the "Period"), the gold sales volume of 3,194 ounces represented a 47% increase over the same period in 2011 (second quarter of fiscal 2012). Average sales price for the second quarter of fiscal 2013 was \$1,686 per ounce versus \$1,751 per ounce for the second quarter of fiscal 2012. As a result of higher sales volume, gross revenue during the three months ended

**ANACONDA MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

November 30, 2012, which was \$5,395,563, exceeded the same period in the previous fiscal year by \$1,603,519 despite the lower average selling price. The improvement in overall gold output compared to the second quarter of fiscal 2012 was due to substantial improvement in mill availability, throughput and overall mill recovery. Sales volume and revenue dropped in comparison to the first quarter of fiscal 2013 primarily as a result of needing to build the in circuit inventory and production levels after the planned maintenance shutdown last August. Sales volume and quarterly revenue for the 10 most recent quarters are illustrated in the following chart.



Milling operations

The Pine Cove mill operated for 86 days during the Period. Mill availability was 95% for the quarter. The mill processed 76,292 dry tonnes of ore (884 tonnes per operating day) at an average head grade of 1.75 grams per tonne ("g/t"), slightly lower than the 1.83 g/t projected for the quarter. Overall mill recovery averaged 83% for the quarter, which was on budget. The following table summarizes the key mill operating statistics for the three months ended November 30, 2012 and November 30, 2011.

OPERATING STATISTICS:

Three months ended	November 30 2012	November 30 2011
Availability	95%	72%
Dry tonnes processed	76,292	55,369
Tonnes per 24-hour period (throughput)	884	837
Grade (g/t)	1.75	2.04
Overall mill recovery	83%	78%
Gold sales volume (troy oz.)	3,194	2,166

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

Year over year mill performance for the second quarter improved substantially, primarily due to increases in mill availability, throughput, and recovery. The disparity in availability and throughput is because the mill underwent a scheduled shutdown in Q2 FY 2012 to replace the drum filters and perform routine maintenance. For the current fiscal year, the scheduled maintenance already occurred in the first quarter. The new filtration equipment combined with a new coagulant provided a significant boost in both recovery and availability in the drum filter circuit beginning after the second quarter of fiscal 2012. Capital improvements in the leaching circuit, consisting of modification to the downcomers, improved leach recovery as well. Mill operations also benefited from finer graduation of feed to the grinding circuit and through the regrind mill after the filtration circuit was no longer impeded by filter blinding, which was solved by the introduction of the aforementioned new coagulant. Head grade in the mill was 1.75 g/t in the period versus 2.04 g/t for the same period in the prior fiscal year.

Mining operations

Mining activities operated for a total of 64 days and excavated a total of 556,028 tonnes of ore and waste. Ore production totaled approximately 61,000 tonnes which was under budget by 27%, while waste was approximately 494,000 tonnes for a strip ratio of 8.1 : 1. The following table summarizes the mining production for the three months ended November 30, 2012 and November 30, 2011:

OPERATING STATISTICS: Three months ending	November 30 2012	November 30 2011
Operating days	64	53
Ore production (tonnes)	61,172	46,276
Waste production (tonnes)	494,856	178,271
Total production (tonnes)	556,028	224,547
Waste to ore ratio (strip ratio)	8.1	3.9

The removal of Pasture Pond from the north side of the pit, which started in the first quarter of fiscal 2013, continued through September, the first of month of the second quarter. To complete the removal of the pond, the Company employed a second mining crew to remove organic and waste surface material at Pasture Pond and extend the pit on the north side to its ultimate limit. As of the end of the second quarter, the Pasture Pond stripping project was complete.

Year-to-date November 30, 2012, because of the Pasture Pond project, the Company budgeted to have a strip ratio of approximately 6.2 : 1 while the actual strip ratio was slightly higher at approximately 6.8 : 1. Excluding the Pasture Pond project, the actual strip ratio in the pit was approximately 5.4 : 1. The budgeted strip ratio for the balance of fiscal 2013 is under review, due to potential changes in pit design and pending results from the drilling activity down-dip of the pit, which is currently underway.

Exploration

The Company, through a combination of staking and option agreements holds mineral exploration rights to approximately 4,785 hectares comprising the Pine Cove Project. These rights cover highly prospective rocks of the Point Rousse ophiolite complex which is known to host "Mother-Lode-Style" gold mineralization. The fiscal 2013 exploration program has three objectives:

- 1) to re-evaluate the exploration potential immediately north of the Pine Cove deposit;
- 2) to identify drill targets regionally across the Pine Cove Project; and
- 3) to obtain a bulk sample from the Romeo and Juliet prospect for metallurgical testing.

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

During the first half of fiscal 2013, the Company focused on the regional exploration potential across the 4,785 hectares it controls on the Ming's Bight Peninsula and the Romeo and Juliet bulk sample, as described below.

1. **Regional Exploration:** Past mineral exploration activities in the Ming's Bight area on the Baie Verte Peninsula, dating mainly from the period 1985-1990, resulted in an extensive collection of archived data that includes more than 30,000 gold-in-soil geochemical analyses. Much of this data has never been adequately followed up and many anomalies have not been explained. Compilation and digitizing of this historic geophysical and soil geochemical data was initiated by Tenacity Gold Mining Company Ltd. and completed by Anaconda. Prospecting teams have followed up much of the historic soil data and completed infill sampling in some areas.

As a result of the positive sampling results, trenching targets have been identified in the Ming's Bight and Goldenville areas. Trenching permits have been approved for the Ming's Bight targets and trenching will get under way after spring breakup. Because of positive sampling results from the Goldenville area, Anaconda optioned three mineral licenses from local prospectors (Press Release dated December 11, 2012) and now controls a 4-kilometer strike length of the Goldenville iron formation.

Trenching has also been completed in the Pine Cove North area. Three trenches exposed shear-related, strongly silicified and iron-carbonitized mafic volcanic rocks locally containing disseminated pyrite. These altered zones are anomalous in gold over exposed trench lengths of greater than 30 meters with assay values up to 430 ppb over one meter channel intervals.

Additional work is planned for both the Pine Cove North and Goldenville areas. A regional airborne magnetic survey is planned and it is anticipated that the magnetic data will outline structural breaks (faults) that when combined with the soil geochemical data will help identify trenching and diamond-drilling targets.

2. **Romeo and Juliet Bulk Sample:** The Romeo and Juliet prospect is a gold-bearing quartz vein system located 1.5 kilometers northwest of the Pine Cove mine. The veins were discovered in 1988 and have been trenched and tested by 18 shallow diamond-drill holes. The veins contain very fine, free gold making sampling a challenge ("nugget effect") as historic chip and channel samples returned quite variable assay values including 1.15 grams per tonne gold over 6 metres from the Romeo zone up to 23 grams per tonne over 1.0 metre from the Juliet zone. In 1993, a 10-tonne "mini" bulk sample was collected from the Juliet zone and 3,035 kilograms were processed returning a head grade of 36.68 grams per tonne gold (this data is historic in nature and has not been verified by the Company). In August 2012, 24 grab samples were collected from the Juliet zone and assay results ranged from a low of 10 parts-per-billion gold up to 130.7 grams per tonne gold. In the late fall of 2012 Anaconda extracted a 1,000-tonne bulk sample from the Juliet zone and stockpiled the broken quartz vein material at the Pine Cove mine where it was crushed. Samples have been selected from the stockpile and submitted for assaying followed by metallurgical testing.
3. **Pine Cove Down-Dip Exploration:** Historic drilling immediately north of the Pine Cove deposit indicated potential for additional gold mineralization down-dip of the Pine Cove deposit. In 2011, three holes were drilled approximately 100 meters north of the mine. Drill hole PC-11-181 intersected 2.50 grams per tonne gold over 40.8 meters. In 2012, two drill holes were collared 44 meters south and 25 meters north of PC-11-181. PC-12-188 drilled south of PC-11-181 deviated and did not test the proposed target. PC-12-189 intersected 32 meters grading 0.848 grams per

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

tonne. The Company has commenced a 10 hole, 2,000-metre winter drill program to further evaluate the down-dip area.

All the Company generated samples were submitted by Anaconda personnel to Eastern Analytical Laboratory in Springdale, Newfoundland for assay.

The information in this MD&A has been reviewed and approved by David Evans, P. Geo., with Silvertip Exploration Consultants Inc., a "Qualified Person" under National Instrument 43-101.

Results of operations

For the three months ending November 30, 2012

Revenue

The Company primarily derives its revenue from the sale of gold from its Pine Cove Project. For the three months ended November 30, 2012, the Company generated \$5,395,563 in revenue at an average sales price of \$1,686 per ounce. Revenue increased approximately 42% from the same quarter last year, due to a 47% increase in quarter over quarter sales volume despite an average sales price in the second quarter of 2013 that was approximately \$65 per ounce lower than second quarter of fiscal 2012.

Cost of sales and gross margin

Cost of sales consists of mill operations, mining costs, logistics, project administration and depletion/depreciation at the Pine Cove Project. For the three months ended November 30, 2012, cost of sales was \$4,310,334 yielding a gross margin of \$925,147 (17% gross margin percentage) compared to the prior year's first quarter, which generated a cost of sales of \$2,617,785 yielding a gross margin of \$1,061,572 (a 27% gross margin percentage).

Administrative expenses

Corporate administration expenses consist of consulting/professional fees, corporate salaries/benefits, office and general, representation and travel, regulatory related costs. For the three months ended November 30, 2012, administrative expenses totaled \$535,354 compared to \$626,441 for the same period in 2011. Significant reductions in administrative expenses for the year are a result of general cost management, a reduction of professional fees, and a reduction in consulting fees related to commissioning the mill.

Exploration and evaluation assets

For three months ended November 30, 2012, the Company spent approximately \$230,000 at the Pine Cove Project on activities as described above.

Net income

Net income for the three months ended November 30, 2012 was \$126,032 or \$0.00 per share compared with a loss of \$595,957 or \$0.00 per share for the three months ended November 30, 2011. The increased production volume and profitable operation of the Pine Cove Project account for the positive change in net income.

For the six months ending November 30, 2012

Revenue

For the six months ended November 30, 2012, the Company generated \$12,255,862 in revenue at an average sales price of \$1,654 per ounce. Revenue increased approximately 47% from the same six month period last year, due to a 47% increase in sales volume and an almost identical average sales price.

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cost of sales and gross margin

For the six months ended November 30, 2012, cost of sales was \$8,694,799 yielding a gross margin of \$3,196,635 (27% gross margin percentage) compared to the prior year's first six months, which generated a cost of sales of \$5,881,250 yielding a gross margin of \$2,182,752 (25% gross margin percentage). Variations in the cost of sales and gross margins for the six-month period reflect efficiencies from processing a higher volume of gold (better milling and project administration costs), higher costs of mining as a percentage of sales resulting from a higher strip ratio due to the removal of Pasture Pond. There are also one time expense items such as thickener repairs - \$115,000, unusual crusher downtime costs - \$80,000, Pasture Pond removal - \$270,000.

Administrative expenses

For the six months ended November 30, 2012, administrative expenses totaled \$990,671 compared to \$1,140,966 in 2011. Significant reductions in administrative expenses for the year are a result of general cost management, a reduction of professional fees, and a reduction in consulting fees related to commissioning the mill.

Exploration and evaluation assets

For six months ended November 30, 2012, the Company spent approximately \$395,000 at the Pine Cove Project on activities as described above.

Net income

Net income for the six months ended November 30, 2012 was \$1,638,880 or \$0.01 per share compared with a loss of \$1,407,615 or \$0.01 per share for the six months ended November 30, 2011. The increased production volume and profitable operation of the Pine Cove Project account for the positive change in net income.

Summary of quarterly results

	November 30 2012	August 31 2012	May 31 2012	February 29 2012
	\$	\$	\$	\$
Total assets	21,170,350	21,900,073	21,044,630	23,139,184
Long-term liabilities	1,338,287	3,854,117	4,488,260	7,779,850
Shareholders' equity	15,289,609	15,101,129	13,527,818	11,691,630
Total revenues	5,395,563	6,860,300	6,035,734	5,558,524
Net income (loss)	126,032	1,512,848	(889,397)	5,789,191
Net income (loss) per share - basic ¹	0.00	0.01	0.02	0.03
Net income (loss) per share - fully-diluted ¹	0.00	0.01	0.02	0.03

	November 30 2011	August 31 2011	May 31 2011	February 28 2011
	\$	\$	\$	\$
Total assets	20,086,585	20,720,129	23,320,744	21,227,335
Long-term liabilities	7,461,408	7,425,817	7,225,938	7,452,444
Shareholders' equity	6,004,859	6,237,698	7,491,196	4,621,514
Total revenues	3,792,044	4,519,454	3,415,052	2,276,989
Net (loss)	(790,073)	(811,659)	(716,875)	(2,206,880)
Net (loss) per share - basic ¹	(0.00)	(0.01)	(0.00)	(0.02)
Net income (loss) per share - fully-diuted ¹	(0.00)	(0.01)	(0.00)	(0.02)

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Liquidity, working capital and capital resources

As at November 30, 2012, the Company had cash and cash equivalents of \$98,945 (May 31, 2012 - \$678,568) and a net working capital deficit of \$2,127,821 (May 31, 2012 - a deficit of \$348,170), an accumulated deficit of \$25,901,775 (May 31, 2011 - \$27,540,655) and positive cash flow from operations for the six months ended November 30, 2012 of \$2,342,168 (six months ended November 30, 2011 - negative \$36,213).

The Company's primary source of cash during the six months ended November 30, 2012 was sales of gold production from its Pine Cove Project. The Company's primary uses of cash include cash costs of gold production, capital expenditures, exploration costs, debt service costs and costs related to reclamation obligations. Anaconda's ability to continue to grow its business is dependent on its ability to continue to generate cash from its primary sources in excess of its primary uses.

The Company has historically experienced losses and negative cash flows from operations both of which had raised concerns regarding its ability to continue as a going concern. Cash flows generated from the operations of the Pine Cove Project are currently sufficient to fund all of Anaconda's ongoing working capital requirements, corporate and administrative expenses, aged payables, debt service, capital expenditure requirements and other contractual obligations. The Company is currently in the process of demonstrating a history of performance, earnings and success; however the period of demonstration is not sufficient. All these factors cast 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 profitably produce and sell its gold production and/or obtain the necessary financing to fund working capital and capital expenditures.

Operating activities

During the six months ended November 30, 2012, the Company generated cash flow from operations of \$2,342,168. The Company used cash of approximately \$718,000 related to the change in non-cash working capital items. Trade and other receivables increased by \$581,800 as a result of selling gold just prior to the period end, HST receivable decreased by \$28,470, inventory balances decreased by \$300,011, as a result of a drawdown of raw material stockpiles, and trade and other payables decreased by \$406,935.

Investing activities

Changes to investing activities during the six months ended November 30, 2012 are:

- Additions to property, mill and equipment of \$916,042, including the purchase of a sulphur analyzer, computer software, costs of the tailings dam upgrade, dust control system and construction of the waste dump south of the mill;
- Additions to exploration and evaluation assets of \$395,429 related to exploration programs mentioned above, and;
- An increase in restricted cash of \$133,692 due to the posting of an environmental bond related to the removing of Pasture Pond from the ultimate pit area.

Financing activities

The Company's loans and debentures were repaid during the six months ended November 30, 2012 in the amount of \$1,478,628.

The capital structure of the Company consists of the loans and debentures and all the components of

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Over the balance of the fiscal year, the Company has payment requirements against outstanding accounts payable and accrued liabilities of \$2,261,518. In addition, the following table summarizes the Company's other contractual obligations as at November 30, 2012:

Contractual obligation	Total	Fiscal Year 2012-2015	Fiscal Year 2016-2017
Interest	291,000	291,000	-
Long-term debt retirement ¹	2,840,437	2,840,437	-
Total contractual obligations	3,131,437	3,131,437	-

¹ Principal balance repayable on the loans and debentures.

Remuneration of key management and transactions with related parties

Key management personnel include the members of the Board of Directors and the senior leadership team. Compensation of key management personnel (including directors) was as follows:

For the six months ended November 30	2012	2011
	\$	\$
Salaries and short term benefits ¹	269,039	81,408
Post-employment benefits ²	-	27,727
Share based payments ³	97,652	244,043
	366,691	353,178

¹ Includes salary, benefits and directors fees paid during the six months ended November 30, 2012

² Includes termination benefits

³ Includes share based payments vested during the period

The Company incurred interest expense for the six months ended November 30, 2012 of \$82,057 of which \$26,599 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.

Raven Hill Partners Inc. ("Raven Hill") charged Anaconda a total of \$162,000 in respect of corporate administration and accounting services provided by employees of Raven Hill, \$105,000 in rent for the Company's head office, and \$18,000 for investor relations costs for the six months ending November 30, 2012. Raven Hill is beneficially owned by Lewis Lawrick and Dustin Angelo, directors of the Company.

As at November 30, 2012 the accrued liabilities balance includes \$nil (May 31, 2012 - \$154,190) of amounts due to related parties for directors' fees, unpaid interest and consulting costs.

Capital management and off-statement-of-financial-position transactions

The Company's capital structure is adjusted based on management and the Board of Directors' decision to fund expenditures, outside of operating cash flow, 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

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company would supplement its Pine Cove Project cash flow and raise funds externally as and when required to finance obligations or complete projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The sources of future funds available to Anaconda are cash flow from operations, 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 three months ended November 30, 2012. The Company is not subject to externally imposed capital restrictions.

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 has experienced historic losses and negative cash flows from operations both of which have raised concerns regarding its ability to continue as a going concern. Cash flows generated from the operations of the Pine Cove Project are currently sufficient to fund all of Anaconda's ongoing working capital requirements, corporate and administrative expenses, aged payables, debt service, capital expenditure requirements and other contractual obligations. The Company is currently in the process of demonstrating a history of performance, earnings and success; however the period of demonstration is not sufficient. All these factors cast 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 profitably produce and sell its gold production and/or obtain the necessary financing to fund working capital and capital expenditures.

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

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Significant accounting judgments and estimates

The preparation of the 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.

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

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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.

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 November 30, 2012, 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.

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 on *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 Company's outstanding shares could decline and investors could lose part or all of their investment.

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, HST receivable, and prepaid expenses and deposits. Cash is held with a tier A Canadian chartered bank and as such management believes the risk of loss to be minimal.

Financial instruments included in HST receivable which consist of goods and services taxes receivable from the Canadian government and such amounts are in good standing as at November 30, 2012. Management believes that the credit risk associated with the financial instruments included relating to HST recoverable, is minimal.

Trade and accounts receivable may also consist 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 trade and accounts receivable is minimal.

Financial instruments included in due from related parties include reimbursement of office costs and rent. The credit risk associated with these financial instruments is limited to the carrying value, being \$100,976 at November 30, 2012.

Liquidity risk

As at November 30, 2012, the Company had a net working capital deficit of \$2,127,821. The Company utilized the cash flow generated from the Pine Cove Project's operations. If necessary, the Company may seek 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 November 30, 2012, 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).

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interest rate risk

The Company has no interest-bearing assets and only fixed-interest debts. Anaconda invests excess cash, when available, in a cashable money market account. Anaconda periodically monitors the investments it makes and is satisfied with the creditworthiness of its cash investments.

Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company sells its gold production and transacts business using the Canadian dollar.

Some of the operational and other expenses incurred by the Company are paid in US dollars. The assets and liabilities of the Company are recorded in Canadian dollars. As a result, fluctuations in the US dollar 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.

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. The Company is further exposed to price risk as it enters into gold sales forward contracts, from time to time.

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 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;
- a project being 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

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 its control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Company's operations and financial condition.

Increase in production costs

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

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

Uncertainty in the estimation of mineral reserves and mineral resources

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

The figures for mineral reserves and mineral resources contained in NI 43-101 technical reports and other filings of the Company made on SEDAR at www.sedar.com are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves could be mined or processed profitably. Actual reserves may not conform to

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Uncertainty relating to inferred mineral resources

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

Need for additional reserves

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

No history of profitability

The Company has a limited history of profitability and a shareholder deficit of \$25,901,775 as at November 30, 2012. However, cash flows generated from the operations of the Pine Cove Project are currently sufficient to fund all of the Company's ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements and other contractual obligations. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and may 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 not carry insurance to protect against certain risks. Risks not insured include environmental pollution, earthquake damage, mine floodings or other hazards against which the Company, and in general, mining 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.

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 contingent assets 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

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Business Company's Act* (Ontario) and any other applicable law.

Absence of dividends

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

Risk of dilution

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

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at January 10, 2013:

Common shares of no par value	Number
Shares	176,825,944
Warrants	8,179,838
Options	12,090,000
Fully diluted shares outstanding	197,095,782

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 Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at November 30, 2012, the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

ANACONDA MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Internal control over financial reporting

Management is responsible for certifying the design of the Company's Internal Control of Financial Reporting ("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 IFRS. 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 IFRS.
- 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 two weaknesses existed as at November 30, 2012, 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 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.

ANACONDA MINING INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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 November 30, 2012.

There have been no changes in the Company's internal control over financial reporting during the three months ended November 30, 2012.

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.

Additional information and continuous disclosure

This MD&A has been prepared as at January 10, 2013. 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).

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 Company's Board of Directors has reviewed and approved the condensed consolidated interim financial statements with management.

January 10, 2013

"Dustin Angelo"

Dustin Angelo
President and Chief Executive Officer

"Errol Farr"

Errol Farr
Chief Financial Officer

**ANACONDA MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**
