ANACONDA MINING INC.

Management's Discussion and Analysis

of the

Financial Condition and Results of Operations

Third Quarter and

Nine Months Ended

February 28, 2011

April 14, 2011

Anaconda Mining Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis has been prepared based on information available to Anaconda Mining Inc. ("Anaconda" or the "Company") as at April 14, 2011 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 third quarter and nine months ended February 28, 2011, 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 the Company's profile on SEDAR at www.sedar.com.

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, designed the Company's disclosure controls and procedures ("DC&P") and its internal control over financial reporting ("ICFR") using the *COSO Internal Control – Integrated Framework* as required by Canadian securities laws. Subject to the existing limitations and weaknesses identified and disclosed below regarding ***segregation of duties and complex and non-routine accounting transactions*** the Chief Executive Officer and the Chief Financial Officer have concluded that, as of ***February 28, 2011***, the DC&P and ICFR were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109— *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and that the Company's ICFR provides reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for external purposes in accordance with Canadian GAAP.

Internal control over financial reporting

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

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

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's IFCR using the *COSO Internal Control – Integrated Framework* and concluded, subject to the inherent limitation noted below, that the Company has sufficient controls to meet the requirements as stated above and that one weakness existed as at ***February 28, 2011***, as disclosed below.

Segregation of duties

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

Complex and non-routine accounting transactions

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

The Chief Executive Officer and the Chief Financial Officer have concluded however, that no material misstatements exist in the Company's financial reporting as at February 28, 2011.

There have been no changes in the Company's internal control over financial reporting during the three months ended ***February 28, 2011***.

Cautionary note regarding forward-looking information

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

Anaconda Mining Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

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

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

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

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

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

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

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

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

Extension to warrant expiry dates

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

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

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

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

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

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

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

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

The Company also incurred $608,610 of Transaction costs as at January 13, 2011, and these costs have also been capitalized to property, mill and equipment on the consolidated balance sheet. For more information please see the press releases available on SEDAR at www.sedar.com.

San Gabriel, Vetarron and Antonio properties

During the third quarter ended February 28, 2011, and subsequent to the end of the period, Anaconda and Inversiones SBX Limitada ("SBX"), Anaconda's Chilean Joint Venture Partner, have focused their resources on moving the Esperanza iron deposit forward toward a commercial development decision. Esperanza is a small surface hosted deposit in the greater San Gabriel project area containing an indicated resource of 4.3 million tonnes at an average grade of 41% total iron. (see Anaconda's PR dated Aug 14, 2008 regarding the San Gabriel 43-101 Resource report). Detailed metallurgical studies along with preliminary process engineering have been completed. The JV partners have requested equipment pricing from suppliers in order to finalize a detailed Mine Plan (including Capex and Opex) to determine the economic scope under which a near term development decision can be based. The Esperanza mineral resource is near surface and as a result will require minimal pre-stripping and could be in production within approximately 12 months following a production decision.

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

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

Rights offering

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

The Rights and the underlying common shares have been approved for listing on the TSX. If all Rights are subscribed for, 31,686,443 common shares will be issued for total gross proceeds of $2,218,051. The offering is not subject to any minimum subscription level. Certain investors including members of management have agreed to provide a standby guarantee in the amount of $2,218,051 (the "Standby Guarantee"), of which $2,145,000 has already been advanced to Anaconda Mining in the form of promissory notes due on June 29, 2011 and June 30, 2011 *(note 12)*. Pursuant to a standby guarantee, the standby guarantors will be issued 7,921,611 common share purchase warrants (the "Guarantor Warrants"). Each whole Guarantor Warrant entitles the holder to purchase one common share for $0.08 until May 3, 2013.

Net proceeds after rights offering expenses will be released to Anaconda to be used for working capital purposes. If Anaconda calls upon the Standby Guarantee shares shall be issued to the standby guarantors for the amount of unsubscribed Rights and will settle the applicable amount of promissory notes, which may include up to $412,500 of promissory notes held by insiders.

The Corporation does not currently have sufficient funds to satisfy trade payables and other short term obligations. Anaconda continues to make modifications to its mill processing at the Pine Cove mine to increase ore throughput and gold recovery. These improvements are expected to generate sufficient cash from operations for at least the next twelve months as illustrated in the forecast provided in the Rights Offering Circular. However, if these efforts are not successful, the Corporation will need to raise additional capital in order to fund any shortfall in working capital and its other contractual obligations over the next twelve months.

The offering is not being made in any jurisdiction other than the applicable jurisdictions in Canada (the "Qualified Jurisdictions"), and is not, and under no circumstances is to be construed as, an offering of any securities for sale in or to a resident of any jurisdiction other than the Qualified Jurisdictions or a solicitation therein of an offer to buy or sell securities. Shareholders as of April 7, 2011 will be provided with a Rights Offering Circular detailing the offer.

New financings

During December 2010 and January 2011, Anaconda issued promissory notes with a face value of $1,866,700 ($192,500 issued to related parties), for net proceeds of $1,697,000.

Subsequent to February 28, 2011, Anaconda issued further promissory notes with a face value of $1,151,700 ($Nil issued to related parties), for net proceeds of $1,047,000.

Overall performance

As at February 28, 2011, Anaconda had assets of $22,766,151 and a net equity position of $6,736,219. This compares with assets of $21,385,328 and a net equity position of $12,061,296 at May 31, 2010. As at February 28, 2011, the Company had a working capital deficiency of $6,875,063 and an accumulated deficit of $30,340,506.

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

3 months ended February 28, 2011

Assets increased by $1,128,529 over the third fiscal quarter of 2011. Current assets increased by $306,063 with an increase in cash of $704 (see below for change in cash details). Short-term restricted cash increased by $164,752 with the additional requirement to restrict 10% of gold-sales proceeds to satisfy series I debenture, interest payments. Accounts receivable, prepaids and deposits increased by $38,973 mainly due to additional minor advances made to vendors at the Company's Chilean subsidiary. HST recoverable increased by $57,590 with increased taxable expenditures made at the Company's corporate head office and its Pine Cove project. Due from related parties increased by $103,921 as a result of additional office rental recharges owed by Raven Hill Partners ("Raven Hill") and foreign exchange gains on the SBX receivable of $73,652 due pursuant to the Chilean iron-ore transaction. These increases were offset with a decrease in the carrying value of Anaconda's raw material inventory of $133,527. The remainder of the increase of $902,466 to total assets is comprised of a decrease to the investment in New Island shares of $2,258,897 as these shares were returned to New Island shareholders pursuant to the Transaction; decrease of deferred transaction costs of $528,610 resulting from reallocating and capitalizing the deferred transaction costs of the Transaction ($608,610) offset by the deferred transaction costs (to February 28, 2011) of the rights offering ($80,000). Leasehold improvements decreased by $867 as a result of quarterly amortization. These costs were offset by an increase to property, mill and equipment of $3,655,005, with this increase mainly a result of Anaconda completing the Transaction and acquiring the Pine Cove remaining assets from New Island (see ***Pine Cove project and transaction with New Island Resources Inc.***) less depletion and amortization for the quarter. Mineral properties and deferred exploration expenditures increased by $34,281 representing 50% of the quarterly expenditures made on the Company's 50%-owned San Gabriel property.

Anaconda's non-restricted cash position remained virtually constant from second quarter of 2011, increasing by $704 and was the result of the following activities: Cash used in operations of $1,255,067 with net loss after adjusting for non-cash operating items such as depletion, amortization, stock-based compensation, interest accretion, unrealized foreign exchange losses, write-downs and future income tax recoveries, all totaling $346,007, consuming $1,524,930 of the cash used. These expenditures were offset by changes in working capital items of $299,863. The issuance of promissory notes of $1,697,000 was offset by related-party advances by the Company of $143,745 resulting in cash provided from financing activities of $1,553,255. Deferred exploration expenditures, purchases of equipment and restricted cash increases of $63,886, $60,013 and $166,306, respectively account for total cash used in investing activities of $290,205. Interest rate fluctuations on foreign currencies held by the Company decreased the Company's cash position by $7,279 for the quarter.

9 months ended February 28, 2011

Assets increased by $1,460,824 over the period. Current assets decreased by $15,326 with decrease in cash of $355,907 (as detailed below). Short-term restricted cash increased by $230,334 with the additional requirement to restrict 10% of gold-sales proceeds to satisfy series I debenture, interest payments. Accounts receivable, prepaids and deposits decreased by $52,508 mainly due to collection of miscellaneous advances at Anaconda's Chilean subsidiary. HST recoverable decreased by $391,464 as recoverable taxable expenditures at May 31, 2010 consisted of one-time capital expenditures regarding the Pine Cove mill expansion. The carrying value of Anaconda's raw materials inventory decreased by $483,814 as the Company had stock-piled ore at last year end in anticipation of the expanded mill commissioning. These decreases were offset with an increase in due from related parties of $934,113 from SBX, pursuant to the terms of the Chilean iron-ore transaction and Raven Hill pursuant to the recovery of office rent and administrative expenses (see ***Transactions with related parties*** section of this MD&A) of $103,921. Long-term assets increased by $1,476,148 comprised of a decrease in investments of $336,600 resulting from the disposition of the Company's investment in Merc International Minerals Inc. ("MERC") shares; a decrease in long-term restricted cash of $101,173 as the result of a return of a letter of credit from the province of Newfoundland as the Company fulfilled the requirements thereunder; an increase in deferred transaction costs of $419 representing a netting of $79,581 of costs reallocated and capitalized to the New Island transaction offset by transaction costs of the rights offering. Leasehold improvements decreased by $2,511 as a result of amortization for the 9-month period. Property, mill and equipment increased by $4,997,840, this increase mainly a result of Anaconda completing the Transaction (see ***Pine Cove project and transaction with New Island Resources Inc.***) less depletion, depreciation and amortization for the period. Deferred exploration expenditures showed a net decrease of $3,081,826, representing the disposal of 50% of the Company's San Gabriel project of $2,040,322 plus further provisions for non-transferrable VAT of $554,471 plus the loss on the 50% disposition of $1,483,157 offset by expenditures for the period of $848,898 and $147,226 on the San Gabriel property and other Chilean properties, respectively, all pursuant to the Chilean iron-ore transaction with SBX.

Anaconda's non-restricted cash position decreased by $355,907 over the 9 months ended February 28, 2011, and was the result of the following activities: Cash provided from operations of $777,029 comprising of a net cash loss after adjusting for non-cash operating items such as depletion, amortization, stock-based compensation, interest accretion, unrealized foreign exchange losses, write-downs and future income tax recoveries, all totaling $6,717,643, of $3,614,316. These expenditures were offset by non-cash changes in working capital items of $4,391,345. The issuance of promissory notes of $1,697,000 and loans and debentures of $386,972 was offset by related-party advances by the Company of $199,450 resulting in cash provided from financing activities of $1,884,522. Deferred exploration expenditures, purchases of equipment and restricted cash increases of $856,221, $2,175,694 and $129,160, respectively, less cash proceeds from the sale of MERC shares of $153,000, account for total cash used in investing activities of $3,008,075. Interest rate fluctuations on foreign currencies held by the Company decreased the Company's cash position by $9,383 for the 9-month period.

Review of operations

Pine Cove project

During the third quarter ended February 28, 2011, Anaconda sold 1,659 ounces of gold versus 931 in the second quarter. This quarter-over-quarter increase was approximately 78% or 728 ounces of gold during the period. Average revenue per ounce for the three months ended February 28, 2011 was $1,363.

During the period, the Pine Cove mill processed 56,892 tonnes of ore with a weighted average grade of 2.2 grams per tonne, which equates to an average of 632 dry tonnes per day of throughput. The average throughput takes into account downtime due to inclement weather, scheduled and unscheduled maintenance and holidays. Through the end of the quarter, the mill had been able to consistently process 800 to 850 tonnes per day on an instantaneous basis, before accounting for downtime, but did incur significant periods of downtime due primarily to snow, particularly in February. Subsequent to quarter end, the Company made a series of modifications to the crusher and cyclones that raised throughput to 950 to 1,000 tonnes per day on an instantaneous basis. The table below summarizes by month the amount of tonnes and average grade for the quarter ended February 28, 2011:

Month	Processing Feed (tonnes)	Grade (grams/tonne)
December 2010	23,586	1.92
January 2011	18,759	2.01
February 2011	14,547	2.92
Total	**56,892**	**2.21**

The Company continued to struggle with recovering gold from the ore with overall recoveries at less than 50%. Significant efforts have been made to identity problems and to take remedial measures. After careful evaluation, the Company believes the source of the problems relates to disproportional amounts of clay minerals in certain areas of the deposit. Starting at the end of January 2011, the Company initiated a multi-step process to minimize the adverse effects of clay minerals in the ore, including:

- The incorporation of a cleaner cell in the flotation circuit.
- Water washing flotation concentrate.
- Chemical Depressant for clay gangue.

Subsequent to the quarter end, the Company completed the modifications, has produced a higher grade concentrate (ranging from 40 grams per tonne to 50 grams per tonne) and achieved a flotation recovery of approximately 89% to 90%.

Mine production continues to perform within budget parameters for both ore and waste. The strip ratio for the three months ended February 28, 2011, was 5.61:1, which compares well to current mine plan. The Company mined nearly 314,000 tonnes of waste and approximately 60,500 tonnes of ore. As at February 28, 2011, the Company had approximately 7,024 tonnes in its stockpile and approximately 21,840 tonnes in the pit at an average grade of 2.19 grams per tonne. The following table summarizes by month the amount of tonnes of ore and waster mined during the three months ended February 28, 2011.

		Mining	
Month	**Ore**	**Waste**	**Total**
December 2010	27,353	78,236	105,589
January 2011	15,235	112,076	127,311
February 2011	17,936	123,625	141,561
Total	**60,524**	**313,937**	**374,461**

Results of operations

3 months ended February 28, 2011 compared to 3 months ended February 28, 2010

Net loss for the 3-month period ended February 28, 2011 was $1,870,937 or $0.015 per basic and fully-diluted share. This compares with a net loss of $2,194,231 or $0.025 per basic and fully-diluted share for the corresponding 3-month period in 2010. The net loss decrease of $323,294 is the result of the following significant items:

Gross operating margin

Gold sales were down on a net basis by $407,732 with sales from the Pine Cove project up by $1,566,800 mainly as a result of a greater number of ounces sold (1,671 ounces in Q3-2011 versus 744 ounces in Q3-2010). This increase was entirely offset by the reduction in toll-milling gold sales from Nugget Pond (0 ounces in Q3-2011 versus 1,121 ounces in Q3-2010) of $1,974,532.

Cost of goods sold increased by $133,370. Mill operating costs increased by $135,936, mining costs increased by $571,718, payroll costs increased by $467,004 and net smelter returns increased by $9,121 - all as a result of increased throughput at the newly expanded mill. The increased costs were reduced by savings on toll-milling costs of $1,050,409 as the toll-milling project was terminated in December 2009.

Administrative expenses

Office and general costs decreased by $90,481, with office administration and rental costs up by $31,012 mainly as a result of Anaconda's move to new office premises in October 2010. This increase was offset by a decrease to financing costs of $20,921 as a result of one-time fees paid during Q3-2010 and increases to other income of $100,572 regarding the sale of the Company's Lingman Lake and Borthwick claims that it had previously written off.

Consulting and professional fees increased by $100,951 as the Company engaged various experts and professionals to review its Pine Cove mill circuit and implement a remediation program (see ***Review of operations – Pine cove project*** section of this MD&A).

Stock-based compensation increased by $313,787 with the current vesting of options issued in Q4-2010 accounting for $73,852 together with vesting of options issued during Q3-2011 of $28,389 and the reversal of previous stock-based compensation regarding options to consultants in Q2-2010 that did not vest, accounting for $211,546.

Although the Company has restrained from other than mandatory and crucial travel and conferences, representation and travel increased by $16,725 as a result of general increases to airfare, hotel accommodations and PDAC conference costs.

Other expenses, write-downs and future income taxes

Interest expense increased by $24,427 Q3-2011 versus Q3-2010 as the Company's debt load increased by $781,667 related to the issuance of the series III debentures. The increase was offset by lower accretion of the Company's asset retirement obligations as a result of the downward adjustment to the total discounted obligation made at the end of fiscal 2010, of $3,323 and a one-time adjustment to correct for over-accrued interest charges of $109,554, resulting in a net decrease of $88,450.

The Company's property, mill and equipment increased over the comparison period from $11,645,800 to $15,426,320. On the contrary, the units of production basis (being the ounces of gold produced for the quarter) decreased by 194 ounces (Q3-2010 – 1,865 ounces versus Q3-2011 - 1,671 ounces). The resultant depletion and depreciation for Q3-2011 was $177,940 versus depletion and depreciation for the same period in 2010 of $111,583, an increase of $66,357. This increase was offset by the depreciation allocation to inventory (pursuant to the Company's inventory valuation accounting policy) of $97,013 and a one-time adjustment made in Q3-2010 of $300,961 to catch-up total depreciation and depletion to revised life-of-mine estimated gold production. The resulting change is a net decrease of $331,617.

During Q3-2011, the Company provided for and wrote down further value-added-tax ("VAT") expenditures of $30,103 made by its Chilean holding subsidiary as VAT expenditures are not permitted to be capitalized under Canadian GAAP. The write-downs during the same quarter of 2010, were incurred as the Company wrote-down the value of its Lingman Lake and Borthwick properties to zero (a write-down of $725,257) and wrote-off consulting costs associated with a miscellaneous project not pursued ($8,011). The resultant decrease is $703,346.

Future income taxes (recoveries) vary with mark-to-market of the Company's investments as these increase and decreases are captured in the consolidated statement of comprehensive loss statement, net of taxes (recoveries) thereon. During Q3-2010, the decrease in the fair value of the Company's investments was $38,250 with the tax effect recovery of $5,546. During the same period of 2011, the decrease in the fair value of the Company's investments was $2,258,897 with a tax effect recovery of $109,180. The resultant increase in tax recoveries is $103,633.

9 months ended February 28, 2011 compared to 9 months ended February 28, 2010

Net loss for the 9-month period ended February 28, 2011 was $10,331,959 or $0.091 per basic and fully-diluted share. This compares with a net loss of $1,637,325 or $0.019 per basic and fully-diluted share for the corresponding 9-month period in 2010. The net loss increase of $8,694,635 is the result of the following significant items:

Gross operating margin

Gold sales were down on a net basis by $6,414,889 with sales from the Pine Cove project up by $2,107,517 mainly as a result of a greater number of ounces sold (2,994 ounces in 2011 versus 1,939 ounces in 2010). This increase was entirely offset by the reduction in toll-milling gold sales from Nugget Pond (0 ounces in 9-months-2011 versus 7,745 ounces in 9-months-2010) of $8,522,405.

Cost of goods sold decreased by $2,087,388. Mill operating costs were up by $495,172, together with payroll costs also up by $1,383,243 as the Company increased its staff complement at the Pine Cove project after completion of the expanded mill as well as increasing operating expenditures in an effort to rectify ongoing issues with the mill circuit. Mining costs were down by $138,543 as expenditures were focused on the mill circuit, as were net smelter royalties by $195,684, as a result of lower gold sales. Cost of goods sold was decreased further as the toll-milling project was terminated in December 2009, a reduction of $3,631,577.

Administrative expenses

Office and general costs have decreased by $173,012, with office administration and rental costs down by a net of $38,689 with increased rental costs as a result of Anaconda's move to new office premises in October 2010 offset by reductions in other administrative expenses. These decreases were further decreased by reductions in financing costs of $33,751 as a result of one-time fees paid during the nine-months of 2010 and increase to other income of $100,572 regarding the sale of the Company's Lingman Lake and Borthwick claims that it had previously written off.

Consulting and professional fees increased by $918,857 as the Company engaged various experts and professionals to review its Pine Cove mill circuit and implement a remediation program (see ***Review of operations – Pine cove project*** section of this MD&A).

Stock-based compensation increased by $340,262. The 9-month expense of vesting of options issued in Q4-2010 accounted for $404,034 together with vesting of options issued during 2011 of $28,389. During the 9 months ended February 28, 2010, vesting of options issued in Q1-2010 accounted for $92,160.

Although the Company has restrained from other than mandatory and crucial travel and conferences, representation and travel increased by $6,464 as a result of general increases to airfare, hotel accommodations.

Salaries and benefits costs increased by $232,532 as a result of one-time severance costs to the outgoing CEO ($180,000 of which $95,000 has been accrued but not paid upon approval of the recipient) together with workers' compensation premiums ($52,532) previously carried at the project level but now included with corporate payroll.

Other expenses, write-downs and future income taxes

Interest expense increased by $486,077 as the Company's debt load increased by $3,527,724 from the series III debentures, loans from the government of Newfoundland and an agency of the Federal Government and promissory notes. The increase was offset by lower accretion of the Company's asset retirement obligations as a result of the downward adjustment to the total discounted obligation made at the end of fiscal 2010, of $10,488.

The Company's property, mill and equipment increased over the comparison period from $11,645,800 to $15,426,320. However, the units of production basis (being the ounces of gold produced for the quarter) decreased by 6,690 ounces (2010 – 9,684 ounces versus 2011 – 2,994 ounces). The resultant depletion and depreciation for 9 months ended February 28, 2011 was $278,218 versus depletion and depreciation for the same period in 2010 of $250,293, an increase of $27,925. This increase was offset by the depreciation allocation to inventory (pursuant to the Company's inventory valuation accounting policy) of $111,277 and one-time adjustments made in 2010 of $128,879 to catch-up total depreciation and depletion to revised life-of-mine estimated gold production. The resulting change is a net decrease of $212,231.

During the 9 months ended February 28, 2011, the Company provided for and wrote down VAT expenditures of $554,552 made by its Chilean holding subsidiary as VAT expenditures are not permitted to be capitalized under Canadian GAAP. The write-downs during the same period of 2010, were incurred as the Company wrote-down the value of its Lingman Lake and Borthwick properties to zero (a write-down of $725,257) and wrote-off consulting costs associated with a miscellaneous project not pursued ($57,978). The resultant decrease is $228,683.

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

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

Future income taxes (recoveries) vary with mark-to-market of the Company's investments as these increase and decreases are captured in the consolidated statement of comprehensive loss statement, net of taxes (recoveries) thereon. During Q3-2010, the decrease in the fair value of the Company's investments was $38,250 with the tax effect recovery of $5,546. During the same period of 2011, the decrease in the fair value of the Company's investments was $2,258,897 with a tax effect recovery of $109,180. The resultant increase in tax recoveries is $103,633.

Summary of quarterly results

	Dec. 1, 2010 - Feb. 28, 2011	**Sept. 1, 2010 - Nov. 30, 2010**	**Jun. 1, 2010 - Aug. 31, 2010**	**Mar. 1, 2010 - May 31, 2010**
	$	$	$	$
Total revenues	2,276,989	1,136,082	496,961	1,035,822
Net loss	(1,870,117)	(4,126,972)	(4,334,049)	(1,702,719)
Net loss per share – basic[1]	(0.015)	(0.04)	(0.04)	(0.02)
Net loss per share – fully-diluted[1]	(0.015)	(0.04)	(0.04)	(0.02)
	$	$	$	$
Total assets	22,766,151	21,599,129	22,364,908	21,385,328
Long-term liabilities	6,956,554	13,894,708	6,829,818	6,307,303
Shareholders' equity	6,736,219	7,704,421	11,588,715	12,061,296
Cash dividends declared per common share	0.00	0.00	0.00	0.00

	Dec. 1, 2009 - Feb. 28, 2010	Sep. 1, 2009 - Nov. 30, 2009	Jun. 1, 2009 - Aug. 31, 2009	Mar. 1, 2009 - May 31, 2009
	$	$	$	$
Total revenues	2,684,721	4,457,526	3,182,874	445,031
Net income (loss)	(2,194,231)	150,925	405,981	(2,390,084)
Net income (loss) per share-basic[1]	(0.03)	0.00	0.01	(0.03)
Net income (loss) per share-fully-diuted[1]	(0.03)	0.00	0.00	(0.03)
	$	$	$	$
Total assets	20,024,379	20,208,790	19,390,005	17,896,299
Long-term liabilities	4,741,397	2,238,146	2,203,022	2,167,974
Shareholders' equity	13,154,591	13,053,560	12,815,829	11,730,270
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 its only source of revenue is from its production of saleable product (gold and silver) from its Pine Cove project. The Company has not yet established whether its mineral properties in Chile contain reserves that are economically recoverable. The recovery of amounts capitalized for mineral properties and related deferred exploration expenditures and property, mill and equipment on the consolidated balance sheets is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its properties and upon future profitable production or, alternatively, the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

As at February 28, 2011, the Company had a working capital deficiency of $6,875,063 (May 31, 2010 - $723,088) and an accumulated deficit of $30,340,506 (May 31, 2010 - $20,008,547). Anaconda has no proven history of performance, earnings or success. All these factors cast considerable doubt as to whether the Company will be able to continue as a going concern over the next 12 months should it not be able to obtain the necessary financing to fund production enhancement and metallurgical recovery strategies in order to facilitate profitable production. The Company has limited financial resources and has experienced negative cash flow, including $355,907 (2010 – positive cash flow of $863,463) for the nine months ended February 28, 2011.

The Company utilized the proceeds raised from any financings and related-party loans through-out the first nine months of fiscal 2011 for its working capital requirements. However, in order to meet other working capital obligations, the Company intends to utilize any cash flow generated from the Pine Cove project's operations and seek further debt and/or equity financing (including the rights offering described previously in this MD&A) for general working capital purposes and capital projects. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company and that the entire amount of the proceeds of the rights offering will be applied to pay the outstanding promissory notes held by the standby guarantors that are due.

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

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

Over the next 12 months, the Company has payments against outstanding accounts payable and accrued liabilities of $5,050,969. In addition, the following table summarizes the Company's existing contractual obligations:

	Payments due by period				
Contractual obligation	**Total**	**< 1 year**	**1 – 3 years**	**4 – 5 years**	**> 5 years**
Demand loans (due to related parties)	**487,000**	487,000	-	-	-
Debt-service (principal and interest)	**3,146,000**	1,583,000	1,563,000	-	-
Long-term debt retirement	**7,743,000**	843,000	6,900,000	-	-
Operating leases	**1,728,000**	292,000	876,000	560,000	-
Mineral property option payments*	**1,720,000**	1,720,000	-	-	-
Total contractual obligations	**14,824,000**	4,925,000	9,339,000	560,000	-

*This amount is $US and is a contingent obligation of Anaconda. SBX is responsible for this payment pursuant to the Chilean iron-ore transaction. If SBX fails to make the payment, Anaconda will be required to make the option payment in order to maintain the San Gabriel property in good standing.

Transactions with related parties

Three months ended February 28, 2011:

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

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

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

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

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

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

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

Nine months ended February 28, 2011:

KCA charged the Company a total of $121,600 in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA.

The Company incurred interest expense of $201,914 of which $27,792 related to non-cash interest accretion on the valuation of the conversion feature of the convertible loan payable to Thorsen. Thorsen is controlled by Lewis Lawrick, a director of the Company. Of the cash interest incurred of $174,122, $78,450 has been paid and $95,672 was accrued but not paid with the consent of the lender.

Thorsen also advanced the Company $477,000 and was repaid $237,000 against a demand loan that is non-interest bearing and with no fixed term of repayment. The net loan balance of $240,000 is included in the due to related parties amount shown on the consolidated balance sheet. The accounts payable and accrued liabilities balance at February 28, 2011 includes $95,672 of unpaid interest due to Thorsen.

Cartsei Inc. ("Cartsei") charged Anaconda a total of $42,746 in respect of consulting services provided by Glenn Dobby, a director of the Company, to the Pine Cove project. Glenn Dobby beneficially owns Cartsei. The accounts payable and accrued liabilities balance at February 28, 2011 includes $34,862 in unpaid consulting costs due to Cartsei.

GA Kosick Enterprises Ltd. ("Kosick") charged Anaconda a total of $42,746 in respect of consulting services provided by Glenn Kosick, a director of the Company, to the Pine Cove project. Glenn Kosick beneficially owns Kosick. The accounts payable and accrued liabilities balance at February 28, 2011 includes $33,318 in unpaid consulting costs due to Kosick.

Woodgrove Technologies Inc. ("Woodgrove") charged Anaconda a total of $192,026 in respect of consulting services provided by Glenn Dobby and Glenn Kosick, both directors of the Company, to the Pine Cove project. Glenn Dobby and Glenn Kosick beneficially own Woodgrove. The accounts payable and accrued liabilities balance at November 30, 2010 includes $143,370 in unpaid consulting costs due to Woodgrove.

Raven Hill charged Anaconda a total of $55,000 in respect of consulting and accounting services provided by employees of Raven Hill unrelated to the Company. Raven Hill is beneficially owned by John McBride, Lewis

Lawrick, David Wiley and Dustin Angelo, all directors of the Company. The accounts payable and accrued liabilities balance at February 28, 2011, includes $30,000 of unpaid consulting and accounting charges due to Raven Hill.

David Wiley, a director of the Company, advanced $125,000 in the form of a non-interest bearing demand loan with no fixed terms of repayment. This amount is included in the due to related parties amount shown on the consolidated balance sheet.

John McBride, a director of the Company, advanced $122,099 in the form of a non-interest bearing demand loan with no fixed terms of repayment. This amount is included in the due to related parties amount shown on the consolidated balance sheet.

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

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

During the 9 months ended February 28, 2011, the Company issued promissory notes in consideration of loans provided in the amounts of $27,500 by Dustin Angelo; $110,000 by John McBride and $55,000 by Lewis Lawrick, all officers and/or directors of the Company.

The due from related parties balance at February 28, 2011, includes $934,114 due from SBX (or companies controlled by it) regarding the Chilean iron-ore transaction and $103,920 from Raven Hill regarding reimbursement for office costs.

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

Capital management and off-balance-sheet transactions

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

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

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

There were no changes in the Company's approach to capital management during the 3 months ended February 28, 2011. The Company is not subject to externally imposed capital restrictions nor has it any off-balance-sheet arrangements.

Contingencies and commitments

Minimum payments for the Company's office lease commitments over the lease period are as follows: Fiscal 2011 - $73,000; 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 assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should Anaconda be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that would differ from those shown in these consolidated financial statements.

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

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

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

Use of estimates

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

Carrying value of mineral properties and related deferred costs

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

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

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

Stock-based compensation

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

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

Impairment of long-lived assets

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

Depletion and amortization

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

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

Financial instruments

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

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

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

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 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).

The Company has been constrained in its cash resources and has utilized most available cash for ongoing operations and other working capital expenditures. As such, other than selected initial analysis, it has had to push other areas of its IFRS implementation until the upcoming fourth quarter. Over the last fiscal quarter of 2011, analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will 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 revised 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, to be completed by end of May, 2011 (Q4-2011)
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	In progress, to be completed by end of May, 2011 (Q4-2011)
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress, to be completed by end of May, 2011 (Q4-2011)
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, to be completed by end of May, 2011 (Q4-2011)

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

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

There were no changes in the Company's approach to capital management during the 3 months ended February 28, 2011. 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.

Financial risks

Credit risk

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

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

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

Liquidity risk

As at February 28, 2011, the Company had a working capital deficiency of $6,875,063 (May 31, 2010 - $723,088) and an accumulated deficit of $30,340,506 (May 31, 2010 - $20,008,547). Anaconda has no proven history of performance, earnings or success. All these factors cast considerable doubt as to whether the Company will be able to continue as a going concern over the next 12 months should it not be able to obtain the necessary financing to fund production enhancement and metallurgical recovery strategies in order to facilitate profitable production.

The Company utilized the proceeds raised from any financings and related-party loans through-out the first nine months of fiscal 2011 for its working capital requirements. However, in order to meet other short to medium-term working capital obligations, the Company intends to utilize any cash flow generated from the Pine Cove project's operations and seek further debt and equity financing for general working capital purposes and capital projects. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

At February 28, 2011, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

Market risk

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

(i) Interest rate risk

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

(ii) Foreign currency risk

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

The Company may sell its future reserve production pursuant to marketing agreements that are denominated in the Chilean Peso that first must be denominated into US dollars or into Canadian dollars. Some of the operational and other expenses incurred by the Company are paid in US dollars or in local currency of the country where operations are performed. The assets and liabilities of the Company are recorded in Canadian dollars. As a result, fluctuations in the US dollar or Chilean Peso against the Canadian dollar could result in unanticipated and material fluctuations in the financial results of the Company. The Company has no plans for hedging its foreign currency transactions.

(iii) Price risk

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

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

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

(iv) Derivatives – mineral properties

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

Capital requirements

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

Requirement of additional financing

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

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

Risks Factors of the Business

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

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

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

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

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

Mining industry risks

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

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

Environmental risks and hazards

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

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

Governmental regulation of the mining industry

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

Title matters

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

Licenses and permits

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

Fluctuations in the market price of mineral commodities

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

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

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

Infrastructure

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

Increase in production costs

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

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

Uncertainty in the estimation of mineral reserves and mineral resources

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

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

Uncertainty relating to inferred mineral resources

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

Need for additional reserves

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

No history of profitability

The Company has no history of profitability and a shareholder deficit of $30,340,506, as at February 28, 2011. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, operate, acquire and retain its property interests and if financing is not available for any reason, The Company may become unable to acquire and retain its mineral concessions and carry out its business.

Uninsured risks

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

Competition

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

Instability of political and economic environments

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

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

Repatriation of earnings

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

Dependence upon key management personnel and executives

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

Possible conflicts of interest of directors and officers of the Company

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

Absence of dividends

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

Risk of dilution

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

Payment obligations relating to properties

SBX 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 April 14, 2011:

Common shares of no par value	Number
Shares	126,745,772
Warrants	18,266,353
Options	12,490,000

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

Additional information and continuous disclosure

This MD&A has been prepared as at April 14, 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).