ANACONDA MINING INC.

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

For the Three and Nine Months Ended
February 29, 2012 and February 28,2011

April 11, 2012

ANACONDA MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") has been prepared based on information available to Anaconda Mining Inc. ("Anaconda" or the "Company") as at April 11, 2012. The MD&A of the operating results and financial condition of the Company for the three and nine months ended February 29, 2012, should be read in conjunction with the Company's unaudited interim consolidated financial statements (the "Financial Statements") and the related notes for the three and nine months ended February 29, 2012, and the Company's audited consolidated financial statements for the year ended May 31, 2011 and 2010, prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Executive summary

General
Anaconda Mining Inc. (the "Company" or "Anaconda") was incorporated under the laws of British Columbia. On April 18, 2007, Anaconda completed an acquisition (the "Acquisition") of Colorado Minerals Inc. ("Colorado") by issuing 19,701,560 Anaconda common shares to the shareholders of Colorado in exchange for all the issued and outstanding shares of Colorado. As a result of the issuance, the former shareholders of Colorado owned approximately 50.8% of the then outstanding Anaconda common shares thereby affecting a reverse takeover ("RTO") of Anaconda. Accordingly, for accounting purposes Colorado is deemed to be the acquirer of Anaconda, although Anaconda is the legal parent company and the reporting issuer. The Company's registered office is located at The Exchange Tower, 130 King Street West, Suite 2120, Toronto, Ontario, M5X 1C8.

Anaconda operates a gold mine and mill near Baie Verte, Newfoundland (the "Pine Cove project") in north central Newfoundland and 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.

Highlights for the nine months ended February 29, 2012

- On December 7, 2011, Anaconda's wholly owned subsidiary, Inversiones La Veta SpA ("La Veta"), sold its shares representing a 50% ownership stake in Minera Hierro San Gabriel S.A. ("MHSG") and a 20% ownership stake in Inversiones Hierro Antofagasta S.A. ("IHA") to Hierro Tal Tal S.A. ("Tal Tal"), a private Chilean company, for up to US$11 million in cash payments, a gross sales royalty and a 1.25% carried interest in Compania Portuaria Tal Tal S.A. ("CPTT"). La Veta received US$2 million at closing and will receive another US$2 million on or before May 31, 2012. The remaining payments are contingent upon Tal Tal meeting certain production and sales milestones.
- In December 2011, the Company repaid the full principal amount plus accrued interest of approximately $711,000 to the holders of the Series III Debentures.
- As at February 29, 2012, the Company had cash and cash equivalents of $1,187,024 and a net working capital surplus of $1,108,134.
- For the three months ended February 29, 2012, the Company sold 3,277 ounces of gold and generated $5,558,524 in revenue at an average sales price of $1,696 per ounce. For the nine months ended February 29, 2012, Anaconda sold 8,301 ounces of gold and generated $13,870,022 in revenue at an

average sales price of $1,671 per ounce.

- Net income for the three months ended February 29, 2012 was $5,789,191 or $0.03 per share and $4,187,458 or $0.02 per share for the nine months ended February 29, 2012.
- Earnings before interest, taxes, depreciation, amortization, and non-cash stock based compensation for the three months ended February 29, 2012 was $2,229,593 and $3,938,686 for the nine months ended February 29, 2012.
- Purchase of property, mill and equipment for the three and nine months ended February 29, 2012 was $2,234 and $1,098,553, respectively.
- On January 26, 2012, Anaconda announced the appointment of J. Errol Farr, CMA, as Chief Financial Officer of the Company.
- On February 10, 2012, the Company announced certain changes to its board of directors that included the appointments of Michael Byron and Maruf Raza, and the resignations of John McBride, David Wiley, Thomas Pladsen and Glenn Kosick.
- On July 27, 2011, Anaconda announced results from a three-hole diamond drill program designed to test gold mineralized area less than 100 metres to the north of the ultimate open pit design outline at the Pine Cove project. The best results from this program were obtained in hole PC-11-181 which intersected 2.50 grams per tonne gold over 40.8 metres, including 7.18 grams per tonne over 3.2 metres and 11.44 grams per tonne over 4.3 metres.
- On June 6, 2011, the Company announced that it had closed a non-brokered private placement of 16,999,728 common shares at $0.07 per share.
- Subsequent to the end of the third quarter of fiscal 2012, on March 28, 2012, the Company paid a total of $500,360 against its Series I, Series II and the Thorsen loan on a pro-rata basis.

Sale of Chilean iron-ore assets
On December 7, 2011, the Company announced that, pursuant to an agreement dated that day, it had closed the sale of its Chilean iron-ore exploration assets (the "Chilean Assets") to a private Chilean company, Hierro Tal Tal S.A. ("Tal Tal"). Anaconda's wholly-owned subsidiary, La Veta, sold its shares representing a 50% ownership stake in MHSG and its 20% ownership stake in IHA to Tal Tal for up to US$11 million in cash payments, of which US$2 million was paid at closing and an additional US$2 million is due on or before May 31, 2012. La Veta will have the right to receive an additional US$3 million upon achievement of commercial production, as defined by the Stock Purchase Agreement ("SPA"), by any of the properties, directly or indirectly, controlled by MHSG or IHA (the "Properties"). La Veta can earn up to another US$4 million based on the sales price realized for certain volumes of production from the Properties, as defined in the SPA.

La Veta can also earn a gross sales royalty for all production sold from the Properties. For the Properties controlled by MHSG, the gross sales royalty shall be 0.80% and for the Properties indirectly controlled by IHA, the gross sales royalty shall be 0.50%. Lastly, La Veta shall receive a 1.25% carried interest in CPTT, a private Chilean company whose principal asset is a concession giving it the right to build a port in the city of Taltal.

With the cash proceeds received of US$2 million at closing, Anaconda paid the full principal amount plus accrued interest of approximately $711,000 to the holders of the Series III Debentures. The remaining cash was used for working capital purposes.

Private placement
On June 6, 2011, the Company announced that it had closed a non-brokered private placement of 16,999,728 common shares at $0.07 per share. The common shares were issued, in part, to retire $1,049,981 of promissory notes including accrued interest thereon, that were due at the end of June, 2011. The remainder of the common shares issued generated gross cash proceeds of approximately $140,000. In addition, the Company issued, 1,394,000 flow-through common shares raising additional proceeds of $97,580.

Collateral security of Series I and II debentures
During the nine months ended February 29, 2012, the Company sought relief from the Series I and Series II debentures collateral security requirement to maintain restricted funds equal to 10% of gold revenues. As at February 29, 2012, the Company has received approval for the release of the short-term restricted cash covenant from the requisite number of debenture holders. The debenture holder release is not permanent and must be sought and received at each of the Company's reporting dates until the debentures have matured.

Overall performance

On a consolidated basis, net income for the three months ended February 29, 2012 was $5,789,191 or $0.03 per share and $4,187,458 or $0.02 per share for the nine months ended February 29, 2012. At the Canadian operations (Pine Cove project and corporate), the Company generated net income of $2,006,981 for the three months ended February 29, 2012 and $1,529,928 for the nine months ended February 29, 2012. The improved performance was primarily due to better production, increased gold sales volume and higher gold sales prices as compared with similar periods in the prior fiscal year. Chile generated net income of $3,782,210 and $2,657,530 for the three and nine months ended February 29, 2012 mainly because of the sale of the Chilean Assets to Tal Tal. Going forward, the Company no longer has any financial commitments with respect to exploration and development of the Chilean Assets. Therefore, the Company will only have minimal expenditures related to accounting and legal costs to maintain the Chilean subsidiaries that were directly or indirectly involved in the transaction.

Despite the positive performance in the third quarter of fiscal 2012, the Company has experienced historic losses and negative cash flows from operations both of which have raised concerns regarding its ability to continue as a going concern. Cash flows generated from the operations of the Pine Cove project are currently sufficient to fund all of Anaconda's ongoing working capital requirements, corporate and administrative expenses, aged payables, debt service, capital expenditure requirements and other contractual obligations. However, management believes the Pine Cove project must continue to maintain current recovery, throughput, grade and production levels for at least 12 months so that it can continue to meet its corporate obligations. If these efforts are not successful, Anaconda will need to raise additional capital in order to fund any shortfall in working capital, unfunded corporate and administrative expenses, debt service, capital-expenditure requirements and other contractual obligations over the next 12 months. See also ***Liquidity, working capital and capital resources*** section of this MD&A.

Review of operations

Pine Cove project

Overview
During the third quarter ended February 29, 2012, the Pine Cove project generated a record level of gold sales volume of 3,277 ounces, representing a 51% increase over the second quarter ended November 30, 2011 and a 15% increase over the first quarter ended August 31, 2011. The improvement in overall gold output compared to previous quarters is due to greater consistency in achieving key operating parameters. In the third quarter, grade, throughput and recovery were at or near their highest levels for fiscal 2012. The following table summarizes the results for the key operating parameters by quarter for fiscal 2012.

	Q1 '12	Q2 '12	Q3 '12	Total/Avg.
OPERATING STATISTICS:				
Dry tonnes processed	79,935	55,369	72,500	**207,804**
Grade (grams per tonne)	1.51	2.04	2.01	**1.83**
Overall mill recovery	76%	78%	81%	**78%**
Gold sales volume (troy oz.)	**2,858**	**2,166**	**3,277**	**8,301**

Mill operations
The Pine Cove mill operated for 79.5 days during the third quarter. Mill availability was normal for the first two months of the quarter and then crusher maintenance and a heavy snowfall caused significant downtime in February. The mill processed 72,500 dry tonnes of ore (912 tonnes per operating day) at an average head grade of 2.01 grams per tonne, which was nearly the same as the previous quarter and in line with life of mine expectations. Overall mill recovery averaged 81% for the quarter and reached a high of 83% in February. The following table summarizes the key operating statistics by month for the third quarter ended February 29, 2012:

	Dec '11	Jan '12	Feb '12	Total/Avg.
OPERATING STATISTICS:				
Calendar days	31	31	29	**91**
Operating days	29	29	21.5	**79.5**
Availability	93%	93%	74%	**87%**
Dry tonnes processed	26,901	24,228	21,371	**72,500**
Tonnes per 24-hour day	928	835	994	**912**
Grade (grams per tonne)	**1.94**	**1.75**	**2.34**	**2.01**
Overall mill recovery	78%	82%	83%	**81%**
Gold sales volume (troy oz.)	**1,028**	**997**	**1,252**	**3,277**

In December, overall mill recovery was below the targeted level of 80% primarily because of lower than expected leach recovery. The leach circuit feed size distribution was too coarse due to changes made to improve throughput at the grinding circuit and insufficient size reduction through the regrind ball mill, causing leach recovery to be below expectations. Additional media was added to the regrind mill and a more precise control strategy was implemented late in the month to control grind size. In addition, the use of copper sulphate to aid the performance of the filtration circuit contributed towards mill optimization, allowing a finer grind product (p80 – 30 microns) in the leach circuit.

As overall mill recovery improved in January (82%) and February (83%), total dry tonnes processed in those months declined. The two leading factors were weather and crusher related maintenance issues. Inclement weather slowed crushing activities and periodically froze stockpiles while scheduled crusher maintenance was performed along with unscheduled outages to replace key parts. The maintenance team has since built an inventory of critical crusher spare parts to limit future downtime. Despite the weather and crusher maintenance challenges, mill throughput per 24-hour operating day operated efficiently at 919 tonnes with February being nearly 1,000 tonnes of throughput per 24-hour operating day.

Mining operations

During the third quarter ended February 29, 2012, contract mining activities operated for a total of 58 days with one crew and excavated a total of 303,945 tonnes of ore and waste. Ore production totaled over 82,000 tonnes while waste was approximately 221,000 tonnes. In addition to ore and waste mucking, mining activities included tailings dam/decant enhancement, ramp construction/realignment and pit dewatering. The average feed grade through the mill for the quarter was approximately 2.0 g/t. The following table summarizes the mining production for the third quarter ended February 29, 2012:

	Dec '11	Jan '12	Feb '12	Total/Avg.
OPERATING STATISTICS:				
Calendar days	31	31	29	**91**
Operating days	17	21	20	**58**
Ore production (tonnes)	45,985	7,627	29,106	**82,718**
Waste production (tonnes)	68,052	73,558	79,618	**221,228**
Total production (tonnes)	**114,037**	**81,185**	**108,723**	**303,945**
Waste: Ore ratio	**1.48**	**9.64**	**2.74**	**2.67**
Grade (grams per tonne)	**1.94**	**1.75**	**2.34**	**2.01**

For the month of December, a low strip ratio resulted due to the abundance of broken ore in the pit and the need to expose solid pit faces for future planned drilling and blasting. In addition, mining activities were curbed during the Christmas holidays so mucking was performed in a lower strip ratio area to build inventory for the mill, which operated without any holiday downtime. During January, the strip ratio rose to nearly 10:1 as waste rock was used for widening the main ramp into the pit and for continued enhancement of the tailings dam. A low strip ratio was intentionally targeted for the month of February to make up for the minimal ore mucked in January.

During the third quarter ended February 29, 2012, the tailings dam enhancement program continued, using waste material excavated from normal course mining activities. By the end of the quarter, dam elevation was at 95 meters on the northeast section and at 93 meters on the southwest section. Once the decant structure is complete, focus will shift to completing the southwest portion and begin preparation for till and liner application. Ultimate elevation is targeted to be 98 meters.

Exploration update

During the month of February, Anaconda received a report from its geophysical contractor outlining the results of an IP survey that targeted an area with known mineralization just north of the current operation. The IP survey identified an anomaly located to the northwest of the existing pit. Using this survey and past drill results as a guideline, a small drill program of up to four holes is scheduled to begin in late March.

Results of operations

Revenue
The Company primarily derives its revenue from the sale of gold from its Pine Cove project. For the three months ended February 29, 2012, the Company generated $5,558,924 in revenue at an average sales price of $1,696 per ounce. Revenue increased approximately 146% from the prior year's comparative quarter due to the nearly doubling of gold production with the average sales price approximately $334 per ounce higher than the third quarter of fiscal 2011.

For the nine months ended February 29, 2012, the Company generated $13,870,022 in revenue at an average sales price of $1,671 per ounce. Revenue increased approximately 256% from the prior year's comparative nine-month period due to the nearly tripling of gold production and with the average sales price approximately $365 per ounce higher than the first nine months of fiscal 2011.

Cost of sales and gross margin
Cost of sales consists of milling operations, mining activities, direct wages and depletion/depreciation at the Pine Cove project as well as the net smelter returns paid to the mineral property owner. For the three months ended February 29, 2012, cost of sales was $3,230,823 yielding a gross margin of $2,327,701 (42% gross margin percentage) compared to the prior year's third quarter which generated a cost of sales of $3,070,002 yielding a gross margin deficit of $793,013. For the nine months ended February 29, 2012, cost of sales was $9,270,699 yielding a gross margin of $4,599,353 (33% gross margin percentage) compared to the prior year's nine months which generated a cost of sales of $6,024,249 yielding a gross margin deficit of $2,114,218. Cost of sales and gross margins for both the three and nine months of this fiscal year reflect a period of consistent production and increased gold sales volumes as compared to the prior year. In addition, depletion and depreciation increased in both the three and nine months ended February 29, 2012 relative to the same periods last year due to the increased units of production upon which the depletion and depreciation calculations are based.

Administrative expenses
Administrative expenses consist of consulting/professional fees, corporate salaries/benefits, office and general, representation and travel, regulatory related and share based compensation (non-cash expense). For the three months ended February 29, 2012, administrative expenses totaled $528,018 compared to $1,005,268 in the same period from the prior year. For the nine months ended February 29, 2012, administrative expenses totaled $2,090,242 compared to $3,709,008 in the same period from the prior year. Significant reductions in administrative expenses for both the three and nine month periods of this year are a result of general cost management, a reduction of professional fees consumed with the acquisition of the 40% of the Pine Cove project last year, a reduction in share based compensation and a reduction in salaries and benefits.

Exploration and evaluation expenditures
For the three and nine months ended February 29, 2012, the Company spent approximately $9,560 and $214,000, respectively, at the Pine Cove project. Chilean exploration expenditures were $869,882 for the nine months ending February 29, 2012 and reflected non-cash activities prior to the sale of the Chilean Assets.

Gain of sale of Chilean Assets
On December 7, 2011 the Company closed the sale of its Chilean Assets. The gain on sale of these assets is $4,182,772 represented by US$2 million received at closing, US$2 million due on or before May 31, 2012, the write off of various current liabilities of the Company's Chile based subsidiary less applicable costs.

Net income
Net income for the three months ended February 29, 2012 was $5,789,191 or $0.03 per share and $0.03 per fully-diluted share compared with a loss of $2,206,880 for the three months ended February 28, 2011. Net income for the nine months ended February 29, 2012, was $4,187,458 or $0.02 per share and $0.02 per fully diluted share compared with a loss of $8,516,592 for the nine months ended February 28, 2011. The increased production volume and profitable operation of the Pine Cove project and the sale of Chilean Assets were the main reasons for the net income generated.

Summary of quarterly results

	IFRS			
	February 29 2012	**November 30 2011**	**August 31 2011**	**May 31 2011**
	$	$	$	$
Total assets	23,139,184	20,086,585	20,720,129	21,668,565
Long-term liabilities	7,779,850	7,461,408	7,425,817	6,893,908
Shareholders' equity	11,691,630	6,004,859	6,237,698	5,689,879
Total revenues	5,558,524	3,792,044	4,519,454	3,465,052
Net income (loss)	5,789,191	(790,073)	(811,659)	(1,083,152)
Net income (loss) per share - basic[1]	0.03	(0.004)	(0.005)	(0.000)
Net income (loss) per share - fully-diluted[1]	0.03	(0.004)	(0.008)	(0.000)

	IFRS			CGAAP
	February 28 2011	**November 30 2010**	**August 31 2010**	**May 31 2010**
	$	$	$	$
Total assets	21,227,335	20,014,596	19,921,230	21,385,328
Long-term liabilities	7,452,444	7,535,679	7,354,203	6,307,303
Shareholders' equity	4,621,514	5,609,596	8,773,029	12,061,296
Total revenues	2,276,989	1,136,082	496,961	1,035,822
Net (loss)	(2,206,880)	(4,245,760)	(2,063,953)	(1,702,719)
Net (loss) per share - basic[1]	(0.018)	(0.037)	(0.02)	(0.02)
Net income (loss) per share - fully-diuted[1]	(0.018)	(0.037)	(0.02)	(0.02)

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

Liquidity, working capital and capital resources

As at February 29, 2012, the Company had cash and cash equivalents of $1,187,024 (May 31, 2011 - $290,882) and a net working capital surplus of $1,108,134 (May 31, 2011 – a deficit of $5,329,850), an accumulated deficit of 30,757,853 (May 31, 2011 - $34,945,311) and positive cash flow from operations for the nine months ended February 29, 2012 of $1,448,141 (nine months ended February 28, 2011 – negative $879,624).

The Company's primary sources of cash include sales of gold production from its Pine Cove project and financing transactions. The Company's primary uses of cash include cash costs of gold production, capital expenditures, exploration costs, debt service costs and costs related to reclamation obligations. Anaconda's ability to continue to grow its business is dependent on its ability to continue to generate cash from its primary sources in excess of its primary uses.

The Company has experienced historic losses and negative cash flows from operations both of which have raised concerns regarding its ability to continue as a going concern. Cash flows generated from the operations of the Pine Cove project are currently sufficient to fund all of Anaconda's ongoing working capital requirements, corporate and administrative expenses, aged payables, debt service, capital expenditure requirements and other contractual obligations. However, management believes the Pine Cove project must continue to maintain current recovery, throughput, grade and production levels for at least 12 months so that it can continue to meet its corporate obligations. 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

Operating activities
Trade and other receivables increased by $2,112,937 as a result of an increase in the HST receivable and the recording of the US$2 million in accounts receivable from the sale of the Chilean Assets. Due from related parties decreased by $906,089 mainly as a result of the settlement of an amount recoverable at the time of sale of the Chilean Assets. Inventory balances increased by $403,435, as a result of increased raw material stockpiles. This amount is net of adjustments made pursuant to the Company's change in its inventory valuation policy (see Change in accounting policy, above). Current liabilities decreased by $4,615,966 during the nine months ended February 29, 2012 as a result of using the proceeds of the sale of the Chilean Assets, the private placement financing and cash flows from operations to pay off the Series III debentures, the promissory notes, due to shareholders and accounts payable and accrued liabilities.

Investing activities
Additions to property, mill and equipment of $1,098,553 and a release of the short term restricted cash of $569,437 account for the changes to investing activities during the nine months ended February 29, 2012.

Financing activities
Common shares issued pursuant to the private placement for net cash proceeds of $1,276,905 (after cash costs of the issuance of $10,656). Proceeds of the private placement were used, in part, to repay promissory notes of $1,004,529.

The capital structure of the Company consists of the loans and 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.

Over the next 12 months, the Company has payments against outstanding accounts payable and accrued liabilities of $3,203,593. In addition, the following table summarizes the Company's other contractual obligations as at February 29, 2012:

Contractual obligation	Payments due by period			
	Total	**Q4 2012**	**Fiscal Year 2012-2015**	**Fiscal Year 2016-2017**
Demand loans (due to shareholders)	**94,000**	94,000	-	-
Interest	**2,278,000**	253,000	2,025,000	-
Long-term debt retirement[1]	**6,900,000**	-	6,900,000	-
Operating leases	**1,007,500**	97,500	585,000	325,000
Total contractual obligations	**10,279,500**	444,500	9,510,000	325,000

[1] Principal balance repayable on the Thorsen loan, Series I debenture and Series II debenture.

Rights Offering Circular variance analysis

The following table includes a consolidated cash flow forecast by management and approved by the Company's board of directors during fiscal Q4, 2011 that was included in the Rights Offering Circular dated March 31, 2011 (the "Circular"), compared to the most recent cash flow information prepared by management. The most recent information contains actual cash flow numbers through the third quarter ended February 29, 2012, the final quarter that this analysis is required.

	Notes	Q4-2011			Q1-2012		
		Circular	Actual	Variance	Circular	Actual	Variance
Average gold price ($Cdn)		1,400	1,368	(32)	1,400	1,581	181
Processing (tonnes/day)	1	900	775	(125)	1,000	963	(37)
Grade (grams/tonne)	2	2.0	1.8	(0.2)	2.6	1.5	(1.1)
Recovery (%)	3	72%	70%	(2%)	75%	80%	5%
		($000,s)			($000,s)		
Operating revenues		5,311	3,415	(1,896)	7,911	4,519	(3,392)
Costs of goods sold		(3,689)	(2,833)	856	(3,979)	(2,828)	(1,151)
Gross margin		**1,622**	**582**	**(1,040)**	**3,932**	**1,691**	**(2,241)**
Administrative cash expenses		(323)	(282)	41	(371)	(1,052)	(681)
Debt service (including principal repayments	4	(488)	(531)	(43)	(1,100)	(366)	734
New funding	5	-	126	126	-	1,811	1,811
Capital expenditures	6	(50)	(338)	(288)	(50)	(818)	(768)
Past due accounts payable	6	(550)	(100)	450	(1,300)	(77)	1,223
Cash flow		**211**	**(543)**	**(754)**	**1,111**	**1,190**	**79**
Indebtedness owing pursuant to standby commitment		2,218	2,218	-	-	-	-
Estimated transaction costs		(120)	(115)	5	-	-	-
Settlement of indebtedness pursuant to standby commitment	7	(2,218)	(1,447)	771	-	(1,050)	(1,050)
Net cash flow		**91**	**113**	**22**	**1,111**	**140**	**(971)**
Unrestricted cash balance, beginning		499	177	(322)	590	290	(300)
Unrestricted cash balance, end		**590**	**290**	**(300)**	**1,701**	**430**	**(1,271)**

		Q2-2012			Q3-2012		
	Notes	**Circular**	**Actual**	**Variance**	**Circular**	**Actual**	**Variance**
Average gold price ($Cdn)		1,400	1,751	351	1,400	1,696	296
Processing (tonnes/day)		1,000	837	(163)	1,000	912	(88)
Grade (grams/tonne)	2	2.6	2.0	(0.6)	2.6	2.0	(0.6)
Recovery (%)	3	81%	78%	(3%)	84%	81%	(3%)
			($000,s)			**($000,s)**	
Operating revenues		8,741	3,792	(4,949)	9,574	5,559	(5,015)
Costs of goods sold		(4,060)	(2,400)	1,660	(4,232)	(2,843)	1389
Gross margin		**4,681**	**1,392**	**(3,289)**	**5,342**	**2,716**	**(2,626)**
Administrative cash expenses		(273)	(566)	(293)	(373)	(466)	93
Debt service (including principal repayments	4	(713)	(522)	191	(221)	(1,259)	1,038
New funding	5	-	1,229	1,229	-	2,012	2,012
Capital expenditures	6	(50)	(1,521)	(1,471)	(50)	(2)	(48)
Past due accounts payable	6	(1,651)	(389)	1,262	(1,429)	(1,869)	440
Cash flow		**1,995**	**(377)**	**(2,371)**	**3,269**	**1,133**	**2,136**
Indebtedness owing pursuant to standby commitment		-	-	-	-	-	-
Estimated transaction costs		-	-	-	-	-	-
Settlement of indebtedness pursuant to standby commitment		-	-	-	-	-	-
Net cash flow		**1,995**	**(377)**	**(2,371)**	**3,269**	**1,133**	**2,136**
Unrestricted cash balance, beginning		1,701	431	(1,270)	3,696	54	3,642
Unrestricted cash balance, end		**3,696**	**54**	**(3,641)**	**6,965**	**1,187**	**(5,778)**

[1] The mill was operational for only 65 days of Q2-2012 (total 91 days) or 71% of the time primarily due to scheduled down time for equipment replacement and maintenance as well as a winter storm that knocked out the electricity for four days in October 2011. Weather and crusher maintenance impacted throughput in January and February 2012. Despite these challenges, third quarter performance was more in line with expectation.

[2] Actual grade has improved to life of mine forecasted levels..The circular estimates were based on a long term mine plan that had a spike in grade for FY 2012. However, the mine plan was changed during the fiscal year, which directed mining to lower grade areas as compared to the original mine plan.

[3] For the quarter ended February 29, 2012, recoveries were slightly lower than budget (by 3%), but did peak at 83% in February.

[4] During Q1-2012, the Company's series III debenture principal repayment was extended to April 2012 with the principal repayment of $150,000 made in October 2011. The remaining Series III debenture balance was repaid in the third quarter with a portion of the funds generated from the sale of the Chilean iron ore assets.

[5] On June 3, 2011, the Company closed on a private placement of flow-through and non-flow through units raising gross proceeds of $1,287,561. During Q2-2012, new funding was provided by related-party advances or receivable receipts. In December 2011, the Company sold its Chilean iron ore assets and received approximately $2 million.

[6] Initially, in the beginning of the forecast, capital expenditures and payment of accounts payable were minimized to required and/or contracted amounts in order to preserve cash. During the third quarter, funds

from the sale of the Chilean iron ore assets and cash flow from operations were used to pay down aged payables, make capital expenditures and do exploration.

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

Transactions with related parties

Nine months ended February 29, 2012
Keshill Consulting Associates Inc. ("KCA") charged the Company a total of $105,200 in respect of the services of Stephen Gledhill the former CFO of the Company. Stephen Gledhill beneficially owns KCA.

The Company incurred interest expense of $206,856 of which $32,201 related to non-cash interest accretion on the valuation of the conversion feature of the convertible loan payable to Thorsen-Fordyce Merchant Capital Inc. ("Thorsen"). Thorsen is controlled by Lewis Lawrick, a director of the Company.

Woodgrove Technologies Inc. ("Woodgrove") charged Anaconda a total of $31,200 in respect of consulting services provided by Glenn Dobby and Glenn Kosick, both directors of the Company, to the Pine Cove project for services that were provided prior to May 31, 2011, but not invoiced until fiscal 2012. Glenn Dobby and Glenn Kosick beneficially own Woodgrove.

Raven Hill charged Anaconda a total of $117,000 in respect of corporate administration and accounting services provided by employees of Raven Hill. Raven Hill is beneficially owned by John McBride, Lewis Lawrick, David Wiley and Dustin Angelo, all directors or former directors of the Company.

As at February 29, 2012, the Financial Statements include amounts due to shareholders in the form of demand loans of $93,972 and due to related parties of $nil (2011 - $nil). In addition, accounts payable and accrued liabilities contain unpaid directors' fees of $187,000; salary and salary continuance payments of $89,186 to officers and/or directors of the Company or corporations controlled by them. The demand loans are interest free and have no fixed terms of repayment.

As at February 29, 2012, the due to related parties account balance includes amounts due to Raven Hill Partners in the amount of $13,006.

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

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

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

The Company would supplement its Pine Cove project cash flow and raise funds externally as and when required to finance obligations or complete projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The sources of future funds available to Anaconda are cash flow from operations, the exercise of outstanding stock options and/or warrants, the sale of equity capital of the

Company, the issuance of further loans and/or debentures or the sale by Anaconda of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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

There were no changes in the Company's approach to capital management during the nine months ended February 29, 2012. The Company is not subject to externally imposed capital restrictions.

Contingencies and commitments

Minimum payments for the Company's office lease commitments over the lease period are as follows:

Fiscal year end	Amount $
2012	55,593
2013	222,375
2014	222,375
2015	222,375
2016	185,313

Critical accounting policies and estimates

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

The Company has experienced historic losses and negative cash flows from operations both of which have raised concerns regarding its ability to continue as a going concern. Cash flows generated from the operations of the Pine Cove project are currently sufficient to fund all of Anaconda's ongoing working capital requirements, corporate and administrative expenses, aged payables, debt service, capital expenditure requirements and other contractual obligations. However, management believes the Pine Cove project must continue to maintain current recovery, throughput, grade and production levels for at least 12 months so that it can continue to meet its corporate obligations. 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.

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

Significant accounting judgments and estimates

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

Share-based payment transactions

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

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

Equity-settled transactions

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

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

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

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

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

Impairment of long-lived assets

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

Depletion and amortization

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

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

Financial instruments

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

Financial instruments require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

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

Fair value

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

As at February 29, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

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

Status of transition to IFRS

IFRS Conversion

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

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

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity and net earnings in Note 3 to the Financial Statements. The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and comprehensive loss have resulted in reclassifications of various amounts on the statements of cash flows, however there has been no change to the Company`s net cash flows.

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

Initial adoption

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

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

- to apply the requirements of **IFRS 2, *Share-based payments***, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;

- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;

- to apply the requirements of IAS 23 (paragraphs 27 and 28) only to borrowing costs prospectively from the Transition Date;

- retrospective application of IFRS would require the Company to determine cumulative currency translation difference in accordance with IAS 21 – The effects of Changes in Foreign Exchange Rates from the date a subsidiary was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at the Transition Date; and

- International Financial Reporting Interpretation Committee's IFRIC 1 - Changes in Existing Decommission, Restoration and Similar Liabilities requires specified changes in a decommissioning, restoration of similar liability to be added to or deducted from the cost of the asset to which it relates. IFRS 1 exemption allows a first-time adopter to not comply with these requirements for changes in such liabilities that occurred before the date of transition to IFRS. The Company has elected to take this exemption.

The Company has complied with the following mandatory exceptions:

- IFRS 1.B3 allows the Company to apply the de-recognition requirements of IAS 39 retrospectively from a date of entity's choosing. The Company has chosen the Transition Date.

- Estimates - Hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS.

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- to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;

- to apply the requirements of IAS 23 (paragraphs 27 and 28) only to borrowing costs prospectively from the Transition Date;

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- Estimates - Hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS.

Dividends

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

Risks and uncertainties

Readers should consider carefully the following risks and other information included in the Company's historical consolidated financial statements and related notes. The risks below are not the only ones facing the Company. Additional risk factors may be found in the Company's other public filings at *SEDAR at* *www.sedar.com*. 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 is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is primarily attributable to cash, trade and other receivables, prepaid expenses and deposits and due from related parties. Cash is held with a tier A Canadian chartered bank and one of Chile's largest banks as such management believes the risk of loss to be minimal.

Financial instruments included in trade and other receivables consist of, in part, goods and services taxes receivable from the Canadian government and such amounts are in good standing as at February 29, 2012. Management believes that the credit risk associated with the financial instruments included relating to HST recoverable, is minimal.

Accounts receivable may also consist of amounts due from the Company's metals broker regarding processed gold and silver enroute to the broker. Management believes the credit risk associated with the financial instruments contained in accounts receivable is minimal. As at February 29, 2012, the accounts receivable balance contains $33,972 due from the Company's metals broker.

Financial instruments included in due from related parties include reimbursement of office costs and rent (and in fiscal 2011, property payments due from SBX). The credit risk associated with these financial instruments is limited to the carrying value, being $100,971 at February 29, 2012.

Liquidity risk
As at February 29, 2012, the Company had a net working capital surplus of $1,108,134. The Company utilized the proceeds from the financings and cash flow from operations throughout the first nine months of fiscal 2012 for its working capital requirements. The Company intends to continue to utilize the cash flow generated from the Pine Cove project's operations to meet its other short to medium-term working capital

obligations as well as long-term debt obligations. If necessary, the Company may seek further financing for capital projects or general working capital purposes. As discussed previously, there can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

At February 29, 2012, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

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

Interest rate risk
The Company has no interest-bearing assets and only fixed-interest debts. Anaconda invests excess cash, when available, in short term securities with maturities of less than one month. Anaconda periodically monitors the investments it makes and is satisfied with the creditworthiness of its cash investments.

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 in Canadian dollars when producing in Canada. Some of the operational and other expenses incurred by the Company are paid in US dollars or in local currency of the country where operations are performed. The assets and liabilities of the Company are recorded in Canadian dollars. As a result, fluctuations in the US dollar or Chilean Peso against the Canadian dollar could result in unanticipated and material fluctuations in the financial results of the Company. The Company has no plans for hedging its foreign currency transactions.

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

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 a limited history of profitability and a shareholder deficit of $30,757,853 as at February 29, 2012. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and may require additional financing to further explore, develop, operate, acquire and retain its property interests and if financing is not available for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business.

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

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

Dependence upon key management personnel and executives
The Company will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration, development and operating

activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

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

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

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

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at April 11, 2012:

Common shares of no par value	**Number**
Shares	176,825,944
Warrants	19,654,630
Options	13,150,000
Fully diluted shares outstanding	209,630,574

Change in accounting policy

In the three months ending November 30, 2011, the Company decided to change its inventory valuation accounting policy. The Company had been including an allocation of depreciation in its valuation of inventory. During the three months ended November 30, 2011, the Company elected to change its policy on inventory valuation and has therefore restated its comparative and IFRS transition balances. The change resulted in reduction to the previously reported inventory and a corresponding increase to the deficit of $172,068 at June 1, 2010 (the IFRS transition date) and $143,138 at May 31, 2011.

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at February 29, 2012, the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

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 IFRS. ICFR should include those policies and procedures that establish the following:

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

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's ICFR using the *COSO Internal Control – Integrated Framework* and concluded, subject to the inherent limitation noted below, that the Company has sufficient controls to meet the requirements as stated above and that two weaknesses existed as at February 29, 2012, as disclosed below.

Segregation of duties

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

Complex and non-routine accounting transactions

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

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 29, 2012.

There have been no changes in the Company's internal control over financial reporting during the nine months ended February 29, 2012.

Cautionary note regarding forward-looking information

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

Additional information and continuous disclosure

This MD&A has been prepared as at April 11, 2012. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's web site (www.anacondamining.com).

Management's responsibility

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

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

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

External auditors, appointed by the shareholders, have not audited or reviewed the unaudited interim consolidated financial statements as at and for the nine months ended February 29, 2012 and did not perform the tests deemed necessary to enable them to express an opinion on the unaudited interim consolidated financial statements.

April 11, 2012

"Dustin Angelo"

Dustin Angelo
President and Chief Executive Officer

"Errol Farr"

Errol Farr
Chief Financial Officer