



Management's Discussion and Analysis
of the
Financial Condition and Results of Operations
For the 12 Months ended
May 31, 2008

August 29, 2008

Anaconda Mining Inc.
(Formerly Anaconda Gold Corp.)

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 August 29, 2008 and compares its fiscal 2008 results with those of the previous period. This discussion and analysis ("MD&A") of the operating results and financial condition of the Company for the 12 months ended May 31, 2008 and the 8 months ended May 31, 2007, should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the same period, that have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Management's Responsibilities for Financial Reporting and Controls

The Consolidated Financial Statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and have been approved by the Company's board of directors (the "Board"). The integrity and objectivity of these Consolidated Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the Consolidated Financial Statements.

In support of this responsibility, the Company's management maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, management has chosen those methods it deems most appropriate in the circumstances. The Consolidated Financial Statements may contain certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the Consolidated Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The audit committee is appointed by the Board and has financial experts who are not involved in the Company's daily operations. The audit committee meets periodically with management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy it that each party is properly discharging its responsibilities and to review the Consolidated Financial Statements with the external auditors.

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Evaluation of Disclosure Controls and Procedures

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. As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures 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 and 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.

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.

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General

Anaconda Mining Inc. (the "Company" or "Anaconda") was incorporated under the laws of British Columbia. On July 22, 2002, the Company changed its name from Anaconda Uranium Corporation to Anaconda Gold Corp. On April 18, 2007, the Company changed its name to Anaconda Mining Inc. immediately prior to the closing of the acquisition (the "Acquisition") of Colorado Minerals Inc. ("Colorado").

The Company's principal business activity is that of a mineral exploration and mining company with operations in Canada and Chile. The Company completed the construction of its mining project in Baie Verte, Newfoundland (the "Pine Cove project") in early June, 2008. Pre-commercial production has commenced and the Company has made four limited-quantity gold pours as it works toward its full production capabilities, herein defined as the as the first day of the month following the first month in which gold has been produced from the project for a period of thirty consecutive days at an average rate of not less than 70% of the initial-rated capacity of the mill ("Commercial Production").

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 costs on the consolidated balance sheets is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties and upon future profitable production or proceeds from their disposition.

The reader is reminded that on April 18, 2007, Anaconda completed the Acquisition by issuing 19,701,560 common shares of the Company (500,000 greater shares than were outstanding prior to the issuance) 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 common shares of Anaconda thereby affecting a reverse takeover ("RTO") of Anaconda. Accordingly, for accounting purposes Colorado is deemed to be the acquirer of Anaconda and the continuing company, although Anaconda is the legal parent company and the reporting issuer.

Overall Performance

As at May 31, 2008, the Company had assets of \$19.9 million and a net equity position of \$15.2 million. This compares with assets of \$23.5 million and a net equity position of \$19.6 million at May 31, 2007.

Assets decreased by \$3.6 million to \$19.9 million over the 12-month period. The decrease was a result of the following items: Decrease in the Company's cash position by \$8.6 million, a reduction to the prepaid expenses of \$281,000 mainly as a result of the delivery of the Gekko machinery to the Pine Cove project, deferred call option premiums by \$456,000, representing the amortization of the premiums associated with the option contracts closed out during the period and deferred financing costs of \$245,000, representing the financing costs for the remaining expired portion of the Company's Pine Cove project loan. These decreases were off-set by the following increases: GST recoverable of 150,000, subscription receivable of \$55,000, mineral properties and deferred exploration expenditures of \$4.0 million and mill and equipment costs of \$1.4 million.

Anaconda's decreased cash position since May 31, 2007 has resulted from the following activities: Cash used in operating activities of \$446,000 (fiscal 2007 – \$633,000); cash provided from financing activities of

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\$981,000 (fiscal 2007 – \$13 million) and cash used in investing activities of \$9.1 million (fiscal 2007 - \$2.8 million).

For the 12 months ended May 31, 2008, the Company posted a net loss of \$10.9 million, or a loss of \$0.19 per share on a basic and fully-diluted basis (fiscal 2007 - \$371,000, or \$0.01 per share). Net loss is comprised of interest income of \$174,000 (fiscal 2007 - \$45,000) together with foreign exchange gains of \$369,000 (fiscal 2007 – \$92,000) and future income tax recoveries of \$29,700 (fiscal 2007 – \$Nil) offset by the following expenditures, costs and write-downs: Financing fees of \$Nil (fiscal 2007 – \$35,000); professional and consulting costs of \$579,000 (fiscal 2007 - \$308,000); general and administrative expenses of \$379,000 (fiscal 2007 - \$47,000); stock-based compensation of \$2.4 million (fiscal 2007 - \$Nil); shareholder and regulatory reporting of \$177,000 (fiscal 2007 - \$Nil); salaries and benefits of \$354,000 (fiscal 2007 - \$42,000); project management fees and supervision of \$Nil (fiscal 2007 - \$72,000) ; project investigation costs of \$617,000 (fiscal 2007 - \$Nil) and write-down of mineral properties and deferred exploration expenditures of \$6.9 million (fiscal 2007 - \$Nil).

The Company also recorded an unrealized gain on its available-for-sale securities of \$175,300 (net of future income taxes of \$29,700) (2007 - \$Nil).

Review of Operations

Corporate

On March 31, 2008, the Company reached an agreement with Auramet Trading, LLC (the “Lender”) to extend the maturity date on the Loan until May 31, 2008 in order to match expected revenues from its Pine Cove project with repayment of the outstanding loan balance. The Company’s principal repayment and final balloon payment, both scheduled for payment on March 31, 2008, were adjusted such that the extended principal balance due on May 31, 2008 was US\$1 million. All other terms and conditions of the original agreement remain in effect, including the conversion provisions. Upon extension of the Loan, the Company valued the conversion portion of the extended loan amount as described per *CICA 3861* using a discount factor of 12%, a factor it considered to be consistent with interest costs for a similar loan with no conversion feature. Since this factor is equal to the interest rate on the loan, the value attributable to the equity component of the extended Loan was zero. The Loan was repaid on May 31, 2008.

As a requirement under the Loan, Anaconda entered into a gold price protection program (the “GPPP”) with Auramet over the period of the Loan. The gold call option premium charged by Auramet was \$456,300 and has been charged to operations.

As the commencement of initial production at its Pine Cove project was pushed back to early June 2008, the Company and Auramet have revised the GPPP such that all future delivery of gold by the Company to Auramet has been terminated. In doing so, the Company and Auramet closed out all forward sales contracts at a net cost to the Company of \$1,231,731. Contemporaneously, the Company close out all its forward-buy contracts for gross proceeds of \$770,005 which it used to pay down the Loan (plus accrued interest) and forward sales contracts due at May 31, 2008. The net loss of \$461,726 on closing out these contracts was capitalized to the Pine Cove mineral property. The remaining forward-sales contract amounts of \$992,796, due to Auramet (over the same period as the underlying gold sales that were cancelled) are included in accounts payable and accrued liabilities.

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Private Placement

As a result of ongoing optimization and a longer than anticipated ramp-up to Commercial Production of its Pine Cove gold mine, the Company has arranged a facility of up to \$1.5 million to ensure that the Company has sufficient funds for the remainder of the project's start-up costs and for general working capital requirements until full production commences.

7.5% Convertible Loan

During July 2008, the Company arranged for a 7.5% convertible unsecured loan facility (the "7.5% Facility") of up to \$1.5 million dollars from Thorsen-Fordyce Merchant Capital Inc, an insider of the Company. The 7.5% Facility allows the holder to convert the indebtedness of, in whole or in part, into units of the Company, each unit consisting of one common share and one-half of one common share purchase warrant, at the greater of (i) \$1.00 per unit, and (ii) the volume weighted average trading price of the common shares of the Company for the twenty trading days immediately preceding the date of the notice of conversion (the "Conversion Price"), per unit. Each whole warrant received on the conversion will entitle the holder to purchase one common share during the 18 months after the date of conversion at (i) a price of \$1.25 per share where the conversion price was \$1.00, or (ii) at a price equal to 1.25 times the Conversion Price.

The Company has fully drawn on this facility.

San Gabriel

San Gabriel Iron Project ("San Gabriel" or the "Project"), located in northern Chile near the coastal deep-water port of Chañaral. The 3,800 hectare Project lies 60 km northeast of the Pacific coastal city of Chañaral, which has potential to provide the required infrastructure for shipping iron ore overseas. The Project is located within 15 km of a transmission line, 20 km of a rail line and 25 km from a main highway. Anaconda has the right to earn a 100% interest in San Gabriel by making payments totaling US\$2.4 million over 49 months, including a US\$20,000 payment made on signing.

The following fiscal commitments exist for the project: 2010 – US\$115,000; 2011 – US\$500,000 and 2012 – US\$1,720,000.

Mineralization consists of a magnetite magmatic intrusive and magnetite-bearing metasomatised volcanoclastic andesitic host rocks occurring as a roof pendant in dioritic intrusives of Jurassic to lower Cretaceous age. Skarn-related iron mineralization is characteristic of the Chile-Peru coastal region and forms deposits ranging from a few million tons to billion ton ore bodies such as Marcona in Peru.

The initial mineral resource estimate for the Project totals 57.9 million tonnes ("Mt") at an average grade of 32 percent total iron ("% Fe") in the indicated category and a further 2.6 Mt at an average grade of 29% Fe in the inferred category. The mineral resource is contained within three zones, namely the San Gabriel (Main), Esperanza and Antonia zones and uses a cutoff grade of 20% Fe (Table 1). See below for additional information related to this mineral resource estimate.

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Table 1. San Gabriel Initial Mineral Resource Estimate ¹

Zone	Category	Tonnage (Mt)	Iron Grade (% Fe)
San Gabriel (Main)	Indicated	53.6	31
Esperanza	Indicated	4.3	41
Total Indicated		57.9	32
Antonia	Inferred	2.6	29
Total Inferred		2.6	29

¹ using a cutoff of 20% iron

The Company's local Chilean exploration contractor, SBX Consultores ("SBX"), retained the services of two engineering consultants, Mr. Nelson Rojas and Mr. Antonio Barros, both of whom are based in Chile.

Mr. Rojas is a Mining Consultant with a degree in Civil Mining Engineering and over 30 years experience in open pit and underground mining operations and mining project evaluation. He has worked for, and consulted to, iron mining and exploration companies both in Chile and abroad. This work has included the evaluation of mineral resources, engineering, metallurgical testing and flow sheet development associated with the production of various iron ore products, including pellets, fines and lump ore. Mr. Rojas will focus on ongoing metallurgical test work and the development of flow sheets for San Gabriel.

Mr. Barros is a Logistics Specialist with a degree in Civil Engineering. He has over 20 years experience in the lumber and agriculture industries, focused on the seaborne export of these commodities from Chile to international markets. Mr. Barros has extensive knowledge of the Chilean port system and supporting infrastructure. Mr. Barros will examine logistics related to the potential development of San Gabriel.

The mineral resource estimate was prepared as at August 12, 2008 and is based on the results of 71 reverse circulation holes (17,566 metres) and 5 diamond holes (2,190.95 metres) drilled by Anaconda between September, 2007 and May, 2008.

Michael Easdon, a Registered Professional Geologist in the state of Oregon and a Qualified Person, as such term is defined in National Instrument 43-101 ("NI 43-101"), audited and confirmed the resource estimate presented above. Mr. Easdon is a Consulting Geologist and is independent of Anaconda. Mr. Easdon is responsible for, and has verified the technical information, including drill core and chip sampling, analytical and test data underlying the mineral resource estimate prepared herein. Mr. Easdon is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing or other issues that may materially affect the mineral resource estimate disclosed in this release. Mr. Easdon is the author of a National Instrument 43-101F1 technical report entitled "Technical Report on the San Gabriel Iron Project", dated August 29, 2008 and filed on SEDAR.

Assaying and analytical work was performed by Asesoría Minera Geoanalítica Ltda.'s ("Geoanalítica") lab located in La Serena, Chile. Geoanalítica is ISO 9001:2000 certified and independent of Anaconda. Drill core, chips and trench channel samples were sampled and analyzed for total iron using standard wet chemical dissolution, followed by atomic absorption finish.

Separate and independent (Andes Analytical Assays of Santiago, Chile) check assays were performed on 97 pulps which generally confirmed that Geoanalítica is properly assaying the submitted samples. In addition,

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Anaconda selected 68 composites (comprising composites of between 2 and 24 2-metre samples) which were assayed by Geoanalitica using the standard volumetric wet analysis technique which confirmed that the initial iron values reported by Geoanalitica were reliable and repeatable.

Quality Assurance/Quality Control ("QA/QC") procedures were reviewed by Mr. Easdon and found to be acceptable and conforming to normal industry standards. Mr. Easdon has visited the Project and the Company's storage, sampling and logging facility located in Copiapo. Mr. Easdon has reviewed sampling and Quality Assurance and Quality Control procedures. Mr. Easdon has informed Anaconda that he considers the quality of the assay data to be adequate for the estimation of potential mineral resources. The initial mineral resource estimate for San Gabriel was performed utilizing geological cross and longitudinal sections and level plans. The mineral resource estimate presented herein is classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines" as per Canadian Securities Administrator's National Instrument 43-101 requirements.

An indicated mineral resource is that part of a mineral resource for which quantity, grade, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. An inferred mineral resource is that part of a mineral resource for which quantity and grade can be estimated on the basis of the geologic evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

It cannot be assumed that the inferred mineral resources will be upgraded to an indicated mineral resource as a result of continued exploration. Furthermore, it cannot be assured that indicated or inferred mineral resources will be converted to a "reserve" category at such time as feasibility studies are initiated.

Inca de Oro Sur (formerly known as Carmen)

Located 100 km north of Copiapo, Chile, the project is located in the Inca de Oro mining district. The Company has the right to earn a 100% interest in the Carmen property by making staged payments totaling US\$5.57 million. The following remaining fiscal payment commitments exist for this project: US\$1,190,000; 2010 – US\$1,160,000 and 2011 – US\$1,600,000.

In September 2007, the Company announced that it had completed its definitive agreement with Minera Peñoles de Chile ("Peñoles") and EM DOS Limitada ("EM DOS") to jointly explore and develop the project. Under the terms of the agreement, Peñoles has the right to earn a 65% interest over a 48-month period by spending a total of US\$22 million. Of this amount, US\$12 million will comprise cash payments to Anaconda and EM DOS and US\$10 million will comprise direct exploration expenditures on the project. The Company received its portion (US\$2.05 million) of the first payment of US\$3.0 million due under the Peñoles agreement. The Company also issued 400,000 shares of Anaconda Mining Inc., valued at \$176,000, to EM DOS as per the agreement. The value has been capitalized to the carrying value of the project. The payment received from Peñoles was netted against the carrying value of the project reducing it to zero. The amount in excess of the carrying value has been recorded as a reduction to the exploration costs written off during the year.

Peñoles continues the exploration drilling and has reported that drill results from the from the first 18 diamond drill holes that was completed as part of the current exploration program on the joint venture project and such results were announced by Anaconda in a press release dated August 6, 2008. The current exploration

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program tested three targets on the Project, namely the Carmen, Juana, and Lautaro targets. The majority of the drilling was focused on the Carmen porphyry copper-gold target, and highlights include: 257 metres ("m") grading 1.10 grams of gold per tonne ("g/t Au") and 0.45 percent copper ("% Cu"), including 66 m grading 1.87 g/t Au and 0.54% Cu in hole BDP-01, and 290 m grading 0.67 g/t Au and 0.37% Cu in hole BDP-02.

Peñoles commenced an exploration program, which included 12,000 metres of drilling, in October 2007; results have now been received for 18 holes, totalling 8,757 metres. Of the 18 holes drilled, 15 are from the Carmen target. Mineralization at Carmen consists of a central zone with quartz, bornite, chalcopyrite and magnetite in veinlets and disseminations; the grade varies from 0.3 to 1.0% Cu and 0.5 to 2.0 g/t Au. Surrounding the central zone is a zone of quartz, chalcopyrite and calcite, with lesser bornite and quartz veining stockwork, where the grade varies from 0.1 to 0.5% Cu and 0.1 to 0.5 g/t Au. Sulphides underlie a shallow oxidized zone hosted within andesite and tonalite porphyry. Alteration is characteristic of a porphyry Cu-Au system consisting of a central biotite and K-feldspar potassic assemblage with weak and local intermediate argillic alteration overprint and an external halo of chlorite-epidote-propylitic alteration.

Results from holes BDP-01 and -02, in the central zone of the Carmen target have returned some of the highest grade intercepts encountered to date. In the south-central zone of the Carmen target, holes BDP-06 and -17 intersected mineralization up to 400 m below surface. This is a full 200 m deeper than recognized by previous drilling. Furthermore, hole BDP-17 ended in mineralization, indicating this zone remains open to the west. To the north, holes BDP-04 and BDP-10 cut several north-south trending silicified structures with low grade gold and copper.

One hole was drilled at the Juana target (BDP-12) and two holes were drilled at the Lautaro target (BDP-13 and -15), located 1.5 and 3.0 kilometres north of Carmen, respectively. Although all three holes cut minor zones of pyritization (up to 10%) and trace chalcopyrite, no significant gold or copper values were encountered.

The drill holes reported above were collared using HQWL (2.5" sized core). Core is logged by Peñoles staff and then split using a diamond saw; the average sample length is 1.6 m. Half the core is stored in a secure core shed and the other half is sampled, bagged, and secured, then transported by road to ALS Laboratory Group ("ALS") in La Serena, Chile for analysis. ALS is an ISO 9001:2000 accredited laboratory and is independent of both Anaconda and Peñoles. Drill core was prepared and processed for ME-ICP-41 and gold fire assay (50 gram aliquots). All drilling, sampling and drill core logging within the current program was conducted by Peñoles staff, under the supervision of Mr. Armando Zaragoza Exploration Manager for Minera Peñoles de Chile Limitada.

Fiona Childe, Ph.D., P.Geol, Vice President of Corporate Development for Anaconda, who is a Qualified Person within the meaning of National Instrument 43-101 "NI 43-101" of the Canadian Securities Administrators, is responsible for reviewing the contents of the information provided above, including the drill results presented therein.

Pine Cove

As announced by the Corporation on March 19, 2008, a four hole, 1,051.7 metre ("m"), diamond drill program was conducted on two targets north of the current resource area at Pine Cove in December, 2007 (holes PC-07-176 to -179).

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Holes PC-07-176 and PC-07-177 were collared 60 m north of the northern margin of the proposed open pit to test a shallow gold-mineralized zone. Previous drilling of this zone encountered pyritization and gold mineralization, including a high grade zone in PC-00-113 which returned 7.8 g/t Au over 3.7 m.

Holes PC-07-176 and PC-07-177 were drilled on the same section, with PC-07-177 drilled down dip of PC-07-176. Both holes intersected alteration and pyrite mineralization at 80 to 90 m downhole. Hole PC-07-176 averaged 6.0 g/t Au over a 4.1 m interval, which included two high-grade intercepts of 19.1 g/t Au over 0.6 m and 14.4 g/t Au over 0.8 m (see Table 1 for a summary of significant results). Hole PC-07-177 intersected 33.5 g/t Au over 1.1 m, within a broader interval which averages 11.6 g/t Au over 3.4 m; however it should be noted this 3.4 m section includes a low-grade interval of 0.1 g/t Au over 1.1 m.

Table 1. Assay results from Pine Cove exploration targets.

Hole #	Inclination	Azimuth	From (m)	To (m)	Length* (m)	Au (g/t)
PC-07-176 Incl. &	-75	180	80.8	84.9	4.1	6.0
			82.9	83.5	0.6	19.1
			84.1	84.9	0.8	14.4
PC-07-177 Incl.	-85	180	66.0	67.8	1.8	2.8
			70.8	71.8	1.0	1.8
			76.0	77.0	1.0	2.5
			88.6	92.0	3.4	11.6
			88.6	89.7	1.1	33.5
			101.0	104.0	3.0	1.9
PC-07-178	-58	180	162.7	164.7	2.0	1.5
			210.6	212.6	2.0	2.4
PC-07-179 Incl. Incl. &	-75	180	122.0	126.0	4.0	3.0
			125.0	126.0	1.0	6.6
			181.5	192.0	10.5	3.7
			182.0	182.4	0.4	13.0
			187.7	188	0.3	29.1

* Note: lengths are drill indicated, not true widths. Additional information is required before true widths can be estimated.

Holes PC-07-178 and PC-07-179 were collared approximately 35 m west of holes PC-07-176 and PC-07-177 and were designed to test for a possible down dip extension of the main gold zone at Pine Cove.

Hole PC-07-178 was drilled entirely within a major shear zone containing highly deformed mafic volcanics with gouge, slickensides, chlorite/talc alteration and hematite staining. This hole returned two significant intervals; 2.4 g/t Au over 2.0 m and 1.5 g/t Au over 2.0 m. Broad intervals throughout the hole returned anomalous gold values in the 0.1 to 0.9 g/t Au range.

Hole PC-07-179 was drilled down dip of hole PC-07-178 and intersected 3.7 g/t Au over 10.5 m, including two high grade intercepts of 13.0 g/t Au over 0.4 m and 29.1 g/t Au over 0.3 m. Another zone higher in the hole returned 3.0 g/t Au over 4.0 m. Mineralization encountered in holes PC-07-178 and PC-07-179 appears to be consistent with the dip of the resource area and as such, represent a strong exploration target for the discovery of potential new resource areas at Pine Cove.

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Results of the four holes drilled in December, 2007 are not included within the mineral reserves or resources for the project. Drilling of the four holes at Pine Cove was managed by Mr. Kevin Regular, P. Geo., a Qualified Person within the meaning of National Instrument 43-101 who is independent of Anaconda.

The project moved closer to final commissioning and its first gold pour. By early June 2008, construction had been completed and work focused on optimization of the mill and operator training. The Company and commissioning technologists from Gekko Systems, continue to conduct optimization studies on the Gekko gravity concentrator at the front end of the mill.

On July 16, 2008, the Company announced the first gold pour at the project had been completed and yielded approximately 140 oz of gold doré. Three additional gold pours have occurred since that date with a cumulative gold doré of 365 oz produced.

To-date, the Company has earned a 30% interest in the Pine Cove project. To earn the remaining 30% interest, the Company must complete construction of the project's production facilities and bring it into Commercial Production. As full optimization has not been achieved, Commercial Production has not yet been reached. It is anticipated that Commercial Production will occur sometime in October, 2008. Once Commercial Production is achieved and the Company earns the additional 30% interest, it will receive 100% of the project's cash flows until all capital expended on the project (less \$500,000 for its initial contribution) is repaid to it.

The Company must pay a 3% net smelter royalty to the original owner on all metals refined from the project. Anaconda must also pay a 7.5% net profits interest to a previous owner.

Damoti Lake

The Damoti Lake gold project is located 200 km north of Yellowknife, NWT. On May 11, 2007 Anaconda announced that it had completed the acquisition of a 100% interest in mining lease DAM 3, which hosts the Horseshoe Zone deposit, and an 80% interest in five surrounding mining licences.

As a result of an option agreement entered into with Merc International Minerals Inc. ("MIMI") on July 31, 2008, the Company has recorded an impairment in the carrying value of the property of \$1,955,000 and has no further interest in the project. The value carried by the Company at May 31, 2008, represents the anticipated future value of the payments due to the Company by MIMI under the option.

Vicuña

Located approximately 100 km southeast of Copiapo, Chile, the Vicuña property is in the high Andes and situated near the Argentine border. The Company had the right to acquire a 100% interest in the Vicuña property by making staged payments totaling US\$9.9 million. Subsequent to year end, the Company allowed the option on this project to lapse and retains no further interest in the property. The Company has recorded and impairment in the carrying value of the property at year end and has reduced it to zero with a corresponding charge to the income statement.

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Borthwick Lake

On December 3, 2007, the Company entered into an option agreement (the "Borthwick Option Agreement") with MIMI, whereby MIMI may acquire an undivided 100% interest (the "Borthwick Interest") in the Company's Borthwick Lake claims (the "Borthwick Option") until termination on the earlier of November 30, 2011 or 7 days after default by MIMI for non-payment amounts due to Anaconda, amounts to be expended on exploration of Borthwick property or issuance of MIMI common shares to Anaconda, all in accordance with the Borthwick Option Agreement.

Under the terms of the Borthwick Option Agreement, MIMI may exercise the Borthwick Option by:

- i) Paying to the Company \$25,000 prior to December 31, 2007 (received by the Company) and \$50,000 prior to November 30, 2009.
- ii) Incurring exploration expenditures on the Borthwick property aggregating \$1.7 million as follows:
 - a) Between December 31, 2007 and November 30, 2008 - \$150,000;
 - b) between December 1, 2008 and November 30, 2009 - \$200,000;
 - c) between December 1, 2009 and November 30, 2010 - \$400,000; and
 - d) between December 1, 2010 and November 30, 2011 - \$950,000
- iii) Issuing to the Company, the following common shares in the capital of MIMI from treasury, free and clear of all liens, encumbrances, claims and restrictions of any nature, including resale transactions, within the time periods set forth below:
 - a) On or before December 31, 2007 – 250,000 (received by the Company);
 - b) on or before November 30, 2009 – 350,000;
 - c) on or before November 30, 2010 – 450,000; and
 - d) on or before November 30, 2011 – 550,000.

As noted under iii) a) above, the Company has received the MIMI common shares and will treat the shares as financial instruments (CICA 3855.19 (b)(iv)) that are "available-for-sale" (CICA 3855.19(i)) with the appropriate comprehensive gain or loss disclosure that will occur with mark-to-market adjustments on a go-forward basis.

Upon earning the Borthwick Interest, MIMI shall grant to the Company an industry standard net smelter royalty in any mineral produced from the Borthwick property (the "Borthwick NSR"). The Borthwick NSR shall be 1% in any month that the average afternoon London Gold Fix is less than US\$600 and 2% in any month that the average afternoon London Gold Fix is US\$600 or more. The Borthwick NSR shall be paid on a quarterly basis, in arrears.

Lingman Lake

On February 29, 2008, the Company entered into an option agreement (the "Lingman Option Agreement") with MIMI, whereby MIMI may acquire an undivided 100% interest (the "Lingman Interest") in the Company's Lingman Lake claims (the "Lingman Option") until termination on the earlier of November 30, 2011 or 7 days after default by MIMI for non-payment amounts due to Anaconda, amounts to be expended on exploration of

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the Lingman property or issuance of MIMI common shares to Anaconda, all in accordance with the Lingman Option Agreement.

Under the terms of the Lingman Option Agreement, MIMI may exercise the Lingman Option by:

- i) Paying to the Company \$25,000 prior to November 30, 2008.
- ii) Incurring exploration expenditures on the Lingman property aggregating \$300,000 as follows:
 - a) Between February 29, 2008 and November 30, 2008 - \$50,000;
 - b) between December 1, 2008 and November 30, 2009 - \$100,000;
 - c) between December 1, 2009 and November 30, 2010 - \$100,000; and
 - d) between December 1, 2010 and November 30, 2011 - \$50,000
- iii) Issuing to the Company, the following common shares in the capital of MIMI from treasury, free and clear of all liens, encumbrances, claims and restrictions of any nature, including resale transactions, within the time periods set forth below:
 - e) On or before November 30, 2010 – 150,000; and
 - f) On or before November 30, 2011 – 250,000.

Upon earning the Lingman Interest, MIMI shall grant to the Company an industry standard net smelter royalty in any mineral produced from the Lingman property (the "Lingman NSR"). The Lingman NSR shall be 1% in any month that the average afternoon London Gold Fix is less than US\$600 and 2% in any month that the average afternoon London Gold Fix is US\$600 or more. The Lingman NSR shall be paid on a quarterly basis, in arrears.

On a quarterly basis, management of the Company review exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization.

Results of Operations

12 months ended May 31, 2008 compared to 12 months ended May 31, 2007

Net loss for the 12-month period ended May 31, 2008 was \$10.9 million compared to \$371,000 in 2007. The difference is a reflection of the administrative operations of a much smaller Colorado with limited operations together with exploration development costs written off during the year. The loss was offset by other comprehensive income of an unrealized gain on the Company's available-for-sale securities of \$175,300 (net of future taxes of \$29,700). Total comprehensive loss therefore amounted to \$10.7 million (2007 – \$371,000).

3 months ended May 31, 2008 compared to 3 months ended May 31, 2007

Net loss for the 3-month period ended May 31, 2008 was \$7.7 million compared to \$279,000 in 2007. Similar to the 12-month difference noted above, this comparison between the administrative costs of Anaconda versus Colorado reflects the different sizes of the two organizations. The 3-month loss was offset by other comprehensive income of an unrealized gain on the Company's available-for-sale securities of \$50,000 (net

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of future taxes of \$5,700) (2007 - \$Nil). Total comprehensive 3-month loss therefore amounted to \$7.7 million (2007 – comprehensive loss of \$279,000).

Summary of Quarterly Results

The following financial data was prepared in accordance with Canadian generally accepted accounting principles using reverse take-over accounting:

2008	March 1 2008 To May 31, 2008	December 1, 2007 To February 29 2008	September 1 To November 30 2007	June 1 To August 31 2007
Total revenues	17,931	31,920	62,938	61,657
Net (income) loss	7,711,461	1,323,882	608,636	1,256,885
Net (income) loss per share ¹	\$0.14	\$0.02	\$0.01	\$0.02
Total assets	19,856,802	25,042,583	22,16,652	23,402,928
Long-term liabilities	645,000	502,000	502,000	502,000
Shareholders' equity	15,226,994	19,792,507	19,209,434	19,423,716
Cash dividends declared per common share	\$0.00	\$0.00	\$0.00	\$0.00
2007	April 1 To May 31, 2007²	January 1 to Mar. 31, 2007	October 1 to Dec. 31, 2006	July 1 to Sept. 30, 2006
Total revenues	39,558	3,598	2,128	437
Net (income) loss	188,218	91,222	91,453	129,606
Net (income) loss per share ¹	\$0.01	\$0.01	\$0.01	0.8¢
Total assets	23,492,368	2,341,664	1,746,239	1,750,312
Long-term liabilities	250,000	-	-	-
Shareholders' equity	19,646,073	1,580,119	1,671,341	1,662,794
Cash dividends declared per common share	\$0.00	\$0.00	\$0.00	\$0.00

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¹In 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.

²Prior to the Acquisition, Colorado's year end was September 30th. Upon completion of the Acquisition, Colorado has changed its year end to May 31st to be co-terminus with Anaconda's (its legal parent) year end.

The loss for the 3-month period ended May 31, 2008 is much greater than the loss for the previous quarter mainly as a result of the Company's review of its deferred exploration expenditures and subsequent write-off of impaired values.

Liquidity and Capital Resources

In management's view, the Company's liquidity and solvency are critical information since Anaconda is not currently generating any income from its mineral properties.

Aside from its Pine Cove property which is now in limited production, the mineral properties of Anaconda are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The development of any ore deposits found on the Company's exploration properties depends on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them into commercial production. The only sources of future funds presently available to Anaconda are through the exercise of outstanding stock options, the sale of equity capital of the Company 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. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Anaconda may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

Subsequent to May 31, 2008.

The Company raised gross proceeds of \$1.5 million from a private placement (see ***Review of Operations – Private Placement***) of this MD&A.

During the 12 months ended May 31, 2008

The Company raised gross proceeds of \$212,500 and \$793,500 upon the exercise of 331,250 warrants and 991,875 agent's warrants, respectively, that were set to expire on September 23, 2007, April 17, 2008 and April 17, 2009. Further proceed of \$144,000 were raised on the exercise of 192,500 options with an expiry date of September 25, 2008 and June 21, 2012.

The Company completed a 2-tranche, non-brokered private placement whereby it issued 2,585,000 units at a price of \$1.00 per unit, for gross proceeds of \$2,585,000. Each unit consists of 1 common share of the Company and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the

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holder to purchase one common share of the Company at an exercise price of \$1.25 per share until November 14, 2009 (for 1,000,000 warrants that closed during tranche 1 of the financing) and November 30, 2009 (for the remaining 292,500 warrants that closed during tranche 2 of the financing). The Company paid total finder's fees on the private placement of \$45,000.

During the 8 months ended May 31, 2007

On April 18, 2007, the Company completed a financing of 16,531,250 units (the "Units") including the exercise of an over-allotment option. Each unit was issued at a price of \$0.80 for gross proceeds of \$13,225,000. Each Unit consisted of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire, subject to adjustment in certain circumstances, one common share of the Company at a price of \$1.20 at any time on or prior to the close of business on April 18, 2009.

In consideration for the services rendered by the Agents in connection with the Financing, the Company paid the Agents a cash fee equal to 6% of the gross proceeds of the Financing. As additional compensation, the Company granted to the Agents non-transferable share purchase warrants (the "Agents' Warrants") to purchase 991,875 common shares of the Company (6% of the total common shares sold under the Financing), exercisable at any time until April 18, 2008.

On April 24, 2007, the Company issued 75,000 common shares on the exercise of options that raised \$45,000.

Working Capital

As at May 31, 2008, the Company had a working capital deficit of \$2.4 million dollars. However, as reported in ***Review of Operations – Private Placement*** section of this MD&A, the Company has secured further funding through a private placement allowing it to discharge some of its current obligations. However, in order to meet its other short to medium-term working capital obligations, the Company will require and seek further financing to ensure that those obligations are properly discharged prior to its Pine Cove project reaching Commercial Production.

Transactions with Related Parties

The following transactions involved related parties during the 12-month period ended March 31, 2008 (May 31, 2007):

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of \$133,000 (fiscal 2007 - \$24,000) in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA. The term of this agreement is ongoing with either party able to terminate upon 30 days written notice to the other.

Tormin Resources Limited charged the Company a total of \$53,000 (fiscal 2007 - \$Nil) in respect of engineering and geological services of John Cook, a director of the Company.

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Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Significant Accounting Policies and Critical Accounting Estimates

Going Concern

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the "going concern" assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in these financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Anaconda and its legal subsidiaries, Colorado Minerals Inc., a Canadian company and Inversiones La Veta Limitada, a limited liability company based in Chile. These consolidated financial statements have been prepared to reflect the combination that occurred on April 18, 2007 and are based on an acquisition under the purchase method, applying reverse takeover accounting. As a result of the combination, control of Anaconda passed to the shareholders of Colorado. Under reverse takeover accounting, Colorado is deemed to be the acquirer and the continuing entity. The financial statements of the combined entity are issued under the name of the legal parent, Anaconda Mining Inc., but are considered to be a continuation of the financial statements of the legal subsidiary, Colorado Minerals Inc.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles 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 stock-based payments. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, including cashable guaranteed investment certificates with maturities due within one year.

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 amortization and depleted using

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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 gold sales during the bulk sampling development stage and the net realizable value of gold concentrate in inventory will be netted against deferred exploration and development costs.

A detailed breakdown of the Company's mineral properties and deferred exploration expenditures by property is as follows:

Property	May 31, 2007	Additions	Written-off	May 31, 2008
	\$			\$
Inca de Oro Sur (formerly known as Carmen) ¹	2,142,595	(2,142,595)	-	-
Vicuña	1,074,265	807,286	(1,881,551)	-
San Gabriel	2,140	2,771,718	-	2,773,858
Other Chilean	907,177	3,057,769	(3,112,667)	852,279
Pine Cove	2,375,144	6,427,040	-	8,802,184
Damoti Lake	3,736,853	165,028	(1,954,813)	1,947,068
Borthwick Lake ²	617,759	(137,637)	-	480,122
Lingman Lake	244,272	-	-	244,272
	11,100,205	10,948,609	(6,949,031)	15,099,783

Property	September 30, 2006	Additions	Written-off	May 31, 2007
	\$			\$
Inca de Oro Sur (formerly known as Carmen) ¹	764,300	1,378,295	-	2,142,595
Vicuña	399,583	674,682	-	1,074,265
San Gabriel	-	2,140	-	2,140
Other Chilean	77,885	829,292	-	907,177
Pine Cove	-	2,375,144	-	2,375,144
Damoti Lake	-	3,736,853	-	3,736,853
Borthwick Lake ²	-	617,759	-	617,759
Lingman Lake	-	244,272	-	244,272
	1,241,768	9,858,437	-	11,100,205

¹ Balance and additions for year reflect US\$2.05 million option payment received from Minera Peñoles de Chile ("Peñoles").

² Balance reflects an option payment received in accordance with an agreement entered into with MERC International Minerals Inc.

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Joint Venture Participation and Accounting

From time to time the Company enters into agreements that provide for specified percentage interests in mineral property rights to be allocated to joint venture participants in exchange for funding or joint funding of exploration programs.

Where agreements specify the Company as the operator, and controlling interest of the exploration program of the venture, such arrangements are considered to be participation funding and not considered to be joint ventures.

Joint venture accounting is applied by the Company only when commercial feasibility is established and the parties enter into formal comprehensive agreements for ownership and mining participation terms. Accordingly, the Company records funding contributions prior to such agreements as reductions of carrying costs and no gain or loss on disposition of a partial interest is recorded.

Amortization

Office furniture, fixtures, 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.

With the Company's Pine Cove project nearing construction completion, the Company has reviewed its previously stated policy on the amortization of its mill and equipment. Previously, the Company had indicated that mill and equipment would be amortized on a straight-line basis over a period ranging from 5-20 years. Upon review, the Company has determined that a more appropriate measure would be on a "units-of-production" basis. This accounting policy change has no effect on previous reporting as amortization will commence for these assets once the Pine Cove project commences Commercial Production.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantially enacted tax rates expected to apply when these temporary differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Foreign Currency Translation

The Company's foreign operations are integrated and are included in these consolidated financial statements on the basis that monetary assets and liabilities are translated at the period end rate of exchange, non-monetary assets and liabilities are translated at historical rates, and revenues and expenses are translated at the exchange rate in effect at the time the revenues are earned or the expenses are incurred. Exchange gains and losses arising on the translation of monetary items are included in income and loss from operations.

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Loss Per Share

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

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. 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.

Asset Retirement Obligations

The Company follows the CICA Handbook Section 3110 "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement of fair value. As at May 31, 2008, the Company has estimated \$645,000 (2007- \$250,000) in asset retirement obligations related to its Pine Cove property.

Revenue Recognition

The Company does not record revenue until such time as Commercial Production is attained. Proceeds from gold sales during the bulk sampling development stage are deducted from deferred exploration and development costs.

Financial Instruments

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Comprehensive Income / (Loss)

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Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 – “Hedging Relationships”, and the hedging guidance in Section 1650 – “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Future Accounting Changes

Capital Disclosure and Financial Instruments – Disclosure and Presentation.

On December 1, 2006, the CICA issued three new accounting standards: *Handbook Section 1535 – “Capital Disclosures”*, *Handbook Section 3862 – “Financial Instruments – Disclosure”* and *Handbook Section 3863 – “Financial Instruments – Presentation”*. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning June 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861 – “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extend of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of June 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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Other Information

Additional information regarding the Company, including the Company's annual information form, may be found on SEDAR at www.sedar.com.

Disclosure of Outstanding Share Information

The following table sets forth information concerning the outstanding securities of the Company as at August 29, 2008:

Common Shares of no par value	Number
Shares	60,021,260
Warrants	9,476,875
Options	3,995,500

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

Dividends

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation 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

Political Risk

The Company operates in Chile, which is an immature and emerging economy with associated risk factors. Anaconda's operations and related assets are subject to the risks of actions by governmental authorities, insurgent groups or terrorists. The Company conducts its business and financial affairs to protect against political, legal, regulatory and economic risks applicable to our operations. However, there can be no assurance that the Company will be successful in protecting itself from the impact of these risks.

Business Risk

The gold and iron-ore industries are highly competitive, particularly with respect to searching for and developing new sources of gold and iron-ore reserves, constructing and operating mines, and transporting and marketing gold and iron-ore products.

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In Chile, the Company is pursuing a pure exploration program, and there is no assurance that feasible iron-ore reserves will be discovered and economically produced. Financial risks in the commodity industry include fluctuations in commodity prices, and interest and currency exchange rates. Operational risks, if a discovery were made, include reserve performance uncertainties, reliance on partners, competition, environmental and safety issues, and a complex regulatory environment. In Canada, the Company is working toward Commercial Production at its Pine Cove project. Operational risks include reserve uncertainties, mine and mill performance uncertainties, environmental and safety issues.

Anaconda is exploring its iron-ore property in Chile and has not yet determined whether it contain any reserves. The recovery of both the costs of acquiring the iron-ore and the related deferred exploration costs depends on the existence of economically recoverable reserves, its ability to obtain the financing necessary to complete the exploration and development of the any property, and the future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

Operating a foreign registered subsidiary presents risks associated with differences in business regulations and practices compared with operating a Canadian corporation. The Company is a responsible member of the Chilean community and is building relationships with its members and involving them in key decisions that will have an impact on their lives.

Commodity Risk

There are risks of volatility in world gold and iron-ore prices and other risks that the Company cannot control. Anaconda has no current plans to hedge its production to eliminate pricing risk.

Exploration, Development and Production Risks

A portion of the current working capital of Anaconda will be expended on iron-ore exploration, exploitation and development activities, which are high-risk ventures with uncertain prospects for success. Iron-ore exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration activities by the Company will result in new discoveries of commodities that are commercially viable or economically producible. Holders of securities of the Company must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Company. It is difficult to project the costs of implementing any exploratory or developmental drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole and changes in drilling. Few properties that are explored are ultimately developed into new reserves. In certain instances, the Company may be precluded from pursuing an exploration program or decide not to continue with an exploration program and such an occurrence may have a negative effect on the value of the securities of the Company.

Future exploration may involve unprofitable efforts, not only from lack of commodity reserves, but from commodity reserves that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a mine does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include: delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time,

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production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Gold and Iron-Ore Reserves

All evaluations of future net revenues are before consideration of indirect costs such as administrative overhead, other miscellaneous expenses and income taxes. The future net revenues may not be representative of the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable reserves, including many factors beyond the control of the Company.

In general, estimates of economically recoverable reserves and the future net revenues there from are based upon a number of variable factors and assumptions, such as historical production from the properties, commodity prices, the assumed effects of regulation by governmental agencies and future operating costs, each of which may vary considerably from actual results. Estimates of the economically recoverable reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected there from, prepared by different engineers and geologists or by the same engineers and geologists at different times, may vary substantially.

Foreign Currency Exchange Rates

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. Many 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 (including reserve information) are recorded in Canadian dollars. As a result, fluctuations in the US dollar or Chilean Peso against the Canadian dollar and each of these currencies against local currencies in jurisdictions where properties of the Company are located could result in unanticipated and material fluctuations in the financial results of the Company.

Competition

A number of other gold and iron-ore companies operate and are allowed to bid for exploration and production licenses and other services in Chile and Canada which are the focus of the business and operations of the Company, thereby providing competition to the Company. Larger companies may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees and may conduct their own commodity marketing operations, which may give such companies a competitive advantage over the Company. Some of these companies have been conducting operations in Chile and Canada for considerably longer periods of time than has the Company and thus these companies may be more familiar with the political and business landscape in Chile and Canada than the Company. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Environmental Regulation

The current and future operations of the Company that are conducted in Chile and Canada are subject to environmental regulations promulgated by the Governments of Chile and Canada. Current environmental legislation in Canada and Chile provides for restoration of mine sites and safe disposal of any chemicals extracted or used in the mine development. In addition, certain types of operations may require the submission

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MANAGEMENT'S DISCUSSION AND ANALYSIS

and approval of environmental impact assessments. The existing operations of the Company are subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a material adverse effect on the future financial condition or results of the operations of the Company.

Independent Contractors

Anaconda's success also depends to a significant extent on the performance and continued service of independent contractors. The Company contracts the services of professional drillers, construction and engineering services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on Anaconda's business and results of operations and could result in failure to meet business objectives.