

This document is important and requires your immediate attention. If you are in doubt about how to respond to the offer, you should consult with your investment dealer, stockbroker, lawyer or other professional advisor. Enquiries concerning the information in this document should be directed to New Island Resources Inc. at the e-mail address or toll-free number listed on the last page of this Directors' Circular.



NEW ISLAND
resources inc.

DIRECTORS' CIRCULAR

RECOMMENDING

REJECTION

OF THE UNSOLICITED OFFER BY

ANACONDA MINING INC.

TO PURCHASE ALL OF THE OUTSTANDING COMMON SHARES OF

NEW ISLAND RESOURCES INC.

The Board of Directors of New Island Resources Inc. has unanimously concluded that the consideration provided by the unsolicited Anaconda Offer is inadequate, from a financial point of view, to New Island Resources Inc. Shareholders.

The Board of Directors unanimously recommends that New Island Resources Inc. Shareholders REJECT the unsolicited Anaconda Offer and NOT TENDER their common shares to the Anaconda Offer.

NOTICE TO NON-CANADIAN RESIDENTS

The Anaconda Offer is in respect of the securities of a Canadian issuer. While the issuer is subject to Canadian continuous disclosure requirements, shareholders should be aware that Canadian requirements are different from those of the United States and other non-Canadian jurisdictions.

The enforcement by non-Canadian shareholders of civil liabilities under the securities laws of the United States or other non-Canadian jurisdictions may be adversely affected by the fact that New Island Resources Inc. is incorporated in Canada, its officers and directors are residents of Canada, and its assets are located in Canada.

July 22, 2010

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FORWARD-LOOKING STATEMENTS

This Directors' Circular (the “**Directors' Circular**”) contains forward-looking statements that are based on expectations and estimates. Forward-looking statements may be identified by the use of forward-looking terminology such as “believe”, “intend”, “may”, “will”, “expect”, “estimate”, “anticipate”, “continue” or similar terms, variations of those terms or the negative of those terms. Statements that are not historical facts, including statements about New Island's beliefs and expectations, are forward-looking statements. These statements contain potential risks and uncertainties, and actual results may therefore differ materially. Except for ongoing obligations to disclose material information under applicable securities laws, New Island undertakes no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Important factors that may affect these expectations include, but are not limited to: the risks associated with mining exploration; changes in the Canadian economy; changes in competition in New Island's markets; availability of future financing; and other factors discussed herein and those detailed from time to time in New Island's filings with the securities regulatory authorities in Canada. New Island shareholders should evaluate any forward-looking statements in light of these important factors.

NEW ISLAND RESOURCES INC.

July 22, 2010

Dear Shareholder:

RE: Unsolicited Take-Over Bid by Anaconda Mining Inc.

On June 11, 2010, Anaconda Mining Inc. (“**Anaconda**”) announced that it intended to make an unsolicited all-share offer for all of the outstanding shares of New Island Resources Inc. (“**New Island**”). On June 11, 2010, Anaconda filed documents with the Canadian securities commissions relating to its unsolicited take-over bid to purchase all of the outstanding common shares of New Island (the “**New Island Shares**”) for Anaconda common shares (the “**Anaconda Shares**”), on the basis of 0.3333 Anaconda Share for every New Island Share (the “**Anaconda Offer**”), representing an implied price of \$0.1083 per New Island Share, based on the Anaconda Share closing price on June 10, 2010 of \$0.325. As at the date hereof, the Anaconda Share closing price was \$0.25, a decrease of 30% from the June 10, 2010 closing price. On June 25, 2010, Anaconda extended the period for acceptance of the Anaconda Offer from July 19, 2010 to August 3, 2010. This take-over bid was not solicited or negotiated by New Island.

The Board of Directors of New Island has unanimously concluded that the unsolicited Anaconda Offer is not in your best interests. **The Board of Directors unanimously recommends that you REJECT the Anaconda Offer and that you NOT TENDER your New Island Shares under the Anaconda Offer. The Board of Directors believes that the Anaconda Offer fails to provide full value for New Island and is an attempt by Anaconda to acquire New Island without offering adequate consideration to New Island Shareholders.**

In reaching its conclusion, the Board of Directors relied upon, among other things, the recommendation New Island's independent directors. The Board of Directors also relied upon an opinion of Salman Partners Inc. (“**Salman**”) that states, subject to the assumptions, limitations and qualifications set out therein, that the consideration offered by Anaconda under the Anaconda Offer is inadequate, from a financial point of view, to New Island Shareholders.

As set out in the accompanying Directors' Circular, the Board of Directors considered the following reasons for the recommendation that you **REJECT** the Anaconda Offer:

- The Board of Directors believes that the Anaconda Offer fails to adequately compensate New Island Shareholders for the strategic value of New Island's assets.
- The Board of Directors believes that the timing of the Anaconda Offer is opportunistic and disadvantageous to New Island Shareholders.
- Delays caused by Anaconda, as operator, in developing the Pine Cove project have significantly impaired New Island's operating cash flow, and contributed to New Island's cash flow requirements and depressed share price. Anaconda is taking advantage of the depressed share price which it helped bring about.
- Anaconda does not have a strategy focused on gold exploration and development.
- The Board of Directors believes that the Anaconda Offer does not reflect an adequate premium for control of New Island.
- The Anaconda Offer is below the premiums typically paid in Canadian takeovers.
- The consideration offered under the Anaconda Offer represents a **discount** to the current trading price of New Island Shares.
- The value of the consideration offered under the Anaconda Offer is uncertain and entirely dependent on the value of Anaconda Shares, which are subject to significant fluctuations.
- As previously announced, the Board of Directors has negotiated a superior deal with Mountain Lake Resources Inc. (“**Mountain Lake**”). The Mountain Lake proposal involves an exchange of one Mountain Lake share for every 4.25 New Island Shares, which represents an implied **premium** of 35.95% rather than a **discount** of 7.42% as proposed by the Anaconda Offer.

- New Island's financial advisor has provided a written opinion that, as of the date of such opinion, the consideration offered under the Anaconda Offer is inadequate, from a financial point of view, to New Island Shareholders.
- The Anaconda Offer is highly conditional and not a firm offer.
- Anaconda has engaged in a course of conduct aimed at preventing the Board of Directors and the shareholders of New Island from having access to the information necessary to evaluate the Anaconda Offer.

In summary, the Board of Directors strongly and unanimously believes that the Anaconda Offer is financially inadequate, opportunistic and fails to provide adequate compensation to New Island Shareholders for the value of New Island's assets and its future value-creation potential.

The proposed transaction with Mountain Lake will be effected by way of a plan of arrangement (the “**MOA Arrangement**”) on the basis of one Mountain Lake share for every 4.25 New Island Shares. Based on the closing price of the New Island Shares and the Mountain Lake shares as of July 21, 2010, the MOA Arrangement represents a **premium** of 35.95% over the closing price of the New Island Shares, and a 103.92% **premium** of the closing price of the New Island shares on June 1, 2010, the day before a letter of intent was executed and disclosed to the public.

You are advised to read the full explanation of the reasons for your Board of Directors' recommendation to **REJECT** the Anaconda Offer as described in the enclosed Directors' Circular. **If you have already tendered any of your New Island Shares under the Anaconda Offer, you should withdraw them immediately.** New Island Shareholders who have deposited New Island Shares under the Anaconda Offer and who wish to obtain advice or assistance in withdrawing their New Island Shares are urged to contact New Island by e-mail at info@newislandresources.com or 1 (709) 576-7711.

Sincerely,

On behalf of the Board of Directors

Sam Walters

Chairman of the Board of Directors

Harold Wareham

President, Chief Executive Officer and Director

New Island Shareholders requiring advice or assistance concerning the Anaconda Offer are urged to contact:

NEW ISLAND RESOURCES INC.

1 (709) 576-7711

E-mail: info@newislandresources.com

Facsimile: (709) 576-2236

DIRECTORS' CIRCULAR

This Directors' Circular is issued by the Board of Directors (the "**Board of Directors**") of New Island Resources Inc. ("**New Island**") in connection with the unsolicited offer (the "**Anaconda Offer**") made by Anaconda Mining Inc. ("**Anaconda**") to acquire all of New Island's outstanding common shares (the "**New Island Shares**") on the basis of 0.3333 common shares of Anaconda (the "**Anaconda Shares**") for each New Island Share, upon the terms and subject to the conditions set out in the Anaconda Offer and accompanying circular of Anaconda dated June 11, 2010, as amended on June 25, 2010 (the "**Anaconda Circular**"). Reference is made to the "Glossary of Terms" annexed hereto as Schedule A for the definitions of certain terms used in this Directors' Circular.

All information provided in this Directors' Circular relating to Anaconda is derived from information contained in the Anaconda Circular and other information contained in public filings made by Anaconda with securities regulatory authorities in Canada or otherwise publicly made available by Anaconda. The Board of Directors does not assume any responsibility for the accuracy or completeness of such information or for any failure by Anaconda to disclose events that may have occurred or that may affect the significance or accuracy of any such information, which are unknown to New Island.

Unless otherwise indicated, all dollar amounts in this Directors' Circular are expressed in Canadian dollars.

UNANIMOUS RECOMMENDATION OF THE BOARD OF DIRECTORS

The New Island Board of Directors unanimously recommends that New Island shareholders (the "New Island Shareholders") REJECT the Anaconda Offer and NOT TENDER their New Island Shares to the Anaconda Offer. New Island Shareholders who have already deposited New Island Shares under the Anaconda Offer should WITHDRAW their New Island Shares.

Each of the directors and officers of New Island has indicated his intention NOT to accept the Anaconda Offer.

Shareholders who have already tendered their New Island Shares should contact their broker or dealer, or contact New Island directly for information on how to withdraw any New Island Shares already tendered.

REASONS FOR THE RECOMMENDATION

The Board of Directors has carefully reviewed and considered the Anaconda Offer, with the benefit of advice from independent financial advisors and legal advisors. The following is a summary of the principal reasons for the unanimous recommendation of the Board of Directors to New Island Shareholders that they **REJECT** the Anaconda Offer and **NOT TENDER** their New Island Shares to the Anaconda Offer.

1. *The Board of Directors believes that the Anaconda Offer fails to adequately compensate New Island Shareholders for the strategic value of New Island's assets*

- Anaconda and New Island are joint venture partners in the development of a gold mine in Newfoundland and Labrador known as the Pine Cove property ("**Pine Cove**") pursuant to an option and joint venture agreement (the "**2003 Option and Joint Venture Agreement**"). As Anaconda acknowledges in the Anaconda Circular, there is a discount in the value of the shares of both New Island and Anaconda as a result of the "perceived litigation risk that has persisted throughout the history of the Anaconda/New Island joint venture" (Anaconda Circular, page 29). New Island has twice been required to commence arbitration under the 2003 Option and Joint Venture Agreement in order to enforce its rights under the agreement. As recently as June 1, 2010, Anaconda and New Island were engaged in arbitration.
- Anaconda, providing the Anaconda Offer is successful, also eliminates a significant litigation risk with respect to its ability to deduct from Pine Cove project cash flow all of its expenses with respect to its failed attempts at achieving commercial production. Given the potential claims of New Island against Anaconda relating to cost overruns and lost revenues arising from Anaconda's failure to achieve commercial production at the Pine Cove property in a timely fashion, Anaconda should pay a significant control premium to consolidate 100% of the interest in the Pine Cove property. Eliminating this risk alone should represent a considerable incentive to offer a premium rather than the **discount** found in the Anaconda Offer.

2. ***The Board of Directors believes that the timing of the Anaconda Offer is opportunistic and disadvantageous to New Island Shareholders***

- The timing of the Anaconda Offer opportunistically exploited a recent period of time immediately prior to announcing the Anaconda Offer when the spread between the trading prices of New Island Shares and Anaconda Shares increased, which the Board of Directors believes inflates the premium described in the Anaconda Offer. The Board of Directors believes that the Anaconda Offer represents a particularly inadequate premium when measured against the average price of New Island Shares over the previous year, prior to the announcement of Anaconda's intention to make the Anaconda Offer. In particular, New Island Shares have traded above the implied price of the Anaconda Offer on a majority of the trading days since the Anaconda Offer was made.
- Moreover, Anaconda is in a unique position vis-à-vis other potential acquirors of New Island as it alone has access to the Pine Cove property. While Anaconda's recent press releases have indicated that the Pine Cove property is nearing commercial production, Anaconda has a history of set backs with respect to achieving commercial production at the Pine Cove property. Anaconda first predicted production at Pine Cove by the fourth quarter of 2006 in a press release dated November 9, 2005. On March 17, 2006, Anaconda announced that it would be installing a gekko milling system and that production would commence in 2006. On February 19, 2007, Anaconda announced that the project was fully financed and expected production in 2007. On August 31, 2007, Anaconda announced the project was still planning production in the fourth quarter of 2007. On October 22, 2007, and again on November 28, 2007, Anaconda announced that the production was delayed until the first quarter of 2008. On May 5, 2008, Anaconda announced that production had begun, and projected production of 13,000 ounces of gold in 2008. On July 3, 2008, Anaconda announced that the mill it had constructed on the Pine Cove property was operating at fifty percent capacity. Production issues continue until September 2009, at which point Anaconda conceded that the system it had developed to bring the Pine Cove project into commercial production had failed and that a \$2.7 million refit was required. As Anaconda has refused to allow New Island access to the Pine Cove property, New Island is required to rely upon the public disclosure of Anaconda with respect to the Pine Cove property as are the New Island Shareholders. If the Anaconda Offer is to be fully assessed by the Board of Directors and the New Island Shareholders, it is necessary to allow the Board of Directors to have access to the Pine Cove property.

3. ***Anaconda does not have a strategy focused on gold***

Anaconda has many disparate projects currently underway with no particular focus on gold development

- New Island is focused on the development of its gold properties in Newfoundland and Labrador, including Pine Cove and Glover Island. In contrast, Anaconda does not have a strategy focused on the development of its gold property in Newfoundland and Labrador, Pine Cove. As publicly disclosed, Anaconda is working on the development of a number of iron ore projects in South America. There is a lack of focus on Anaconda's part on the Pine Cove property, on gold properties, or even precious metal properties.

There is a risk that Anaconda's assets may not be developed

- All of Anaconda's South American projects require a significant amount of capital and it is uncertain how Anaconda management intends to raise the funds needed to develop, and how it will manage, these disparate projects at the same time.

4. ***The Board of Directors believes that the Anaconda Offer does not reflect an adequate premium for control of New Island***

- In the Board of Directors' view, a comparison of the Anaconda Offer to premiums paid in precedent Canadian transactions illustrates that the Anaconda Offer does not reflect an adequate premium for control of New Island. The implied premium of the Anaconda Offer is 54.7% based on Anaconda's closing price on June 10, 2010, and a **discount** of 7.42% based on New Island's and Anaconda's closing prices on the date hereof. Premiums paid in recent similar transactions involving Canadian listed gold exploration and development companies have averaged approximately 57%. At current prices the Anaconda Offer falls far short of this benchmark.
- While the implied offer price of the Anaconda Offer purports to represent a premium of 54.7%, based on the closing price of the New Island Shares on the TSX Venture Exchange on June 10, 2010, the last trading day

prior to the announcement of the Anaconda Offer, trading on that day was unusually heavy (700,000 shares, versus New Island's 200-day average trading volume of approximately 95,000 shares), and the price of New Island Shares dropped on that day from \$0.09 to \$0.07. At \$0.09, the Anaconda Offer represents a premium of merely 20.36%. This is significantly below the average premium paid in comparable transactions.

- Based on Anaconda's closing price on July 21, 2010, the Anaconda Offer represents a premium of merely 19.0% to New Island's closing price on the TSX Venture Exchange on June 10, 2010, significantly below the average premium paid in comparable transactions.
- Furthermore, since the announcement of the Anaconda Offer, the price of Anaconda Shares has continued to decline from a high of \$0.325 at the time of the announcement to a price of \$0.250 as of the close of trading on July 21, 2010. During this time, the New Island Shares have traded between \$0.09 and \$0.10, with a closing price on July 20, 2010 of \$0.09. At the current prices, the Anaconda Offer represents a **discount** of 7.42%. This means that Anaconda is offering New Island Shareholders the opportunity to sell control of New Island to Anaconda at a **discount** to current New Island Share trading prices.

5. *The consideration offered under the Anaconda Offer represents a discount to the current trading price of New Island Shares*

- The New Island Shares currently trade above the implied offer price of the Anaconda Offer, supporting the Board of Directors' conclusion that the consideration offered under the Anaconda Offer is inadequate.
- The Board of Directors is of the view that the performance of New Island Shares during this period is a strong indicator that the market believes that the Anaconda Offer undervalues New Island Shares.
- The closing price of New Island Shares on the TSX Venture Exchange on July 20, 2010 was \$0.09. The implied offer price of the Anaconda Offer as of that date was \$0.0833, representing a 7.42% **discount** to that closing price.

Implied Offer Price of the Anaconda Offer Relative to New Island Share Price

<u>Date</u>	<u>Anaconda Share Price</u>	<u>Anaconda Offer (New Island Share/Anaconda Share)</u>	<u>Implied Value of New Island Shares</u>	<u>New Island Share Closing Price</u>
June 10, 2010	\$0.325	0.3333	\$0.1083	\$0.07
July 21, 2010	\$0.25	0.3333	\$0.0833	\$0.09

6. *The value of the consideration offered under the Anaconda Offer is uncertain and entirely dependent on the price of Anaconda Shares, which are subject to significant fluctuations*

- The value of the consideration to be received by New Island Shareholders under the Anaconda Offer is uncertain and will depend entirely on the value of the Anaconda Shares at the time that the New Island Shares are taken up under the Anaconda Offer. Under the terms of the Anaconda Offer, the exchange ratio (0.3333 Anaconda Shares for each New Island Share) will **not** be adjusted to reflect any change, including a decline, in the market value of Anaconda Shares. If the market price of Anaconda Shares declines, the value of the consideration received by New Island Shareholders will decline as well.
- The Anaconda Offer provides that New Island Shareholders will be paid entirely in Anaconda Shares. Anaconda Shares have not performed well on the TSX Exchange during the past months. As recently as March 2010, Anaconda Shares traded at \$0.170. Anaconda proposes to pay New Island Shareholders with shares which have not performed well on the stock market, and which are subject to significant fluctuations in price. Since June 11, 2010, the Anaconda Shares have fallen from \$0.325 to \$0.250, a drop of 23%.

7. *It may be difficult for New Island Shareholders to dispose of Anaconda Shares*

- Under the Anaconda Offer, Anaconda will issue one Anaconda Share for every three New Island Shares. Assuming that Anaconda acquires 100% of the New Island Shares pursuant to the Anaconda Offer, New

Island Shareholders will own an aggregate of 12,767,184 Anaconda Shares, calculated on a fully-diluted basis. This represents approximately 12.6% of the Anaconda Shares that would then be outstanding. Based on the average daily trading volume of Anaconda Shares over the 30 trading days ended July 21, 2010, it would take New Island Shareholders approximately 81 trading days (or 4 months) to exit their position in Anaconda.

8. *The Mountain Lake Plan of Arrangement is superior to the Anaconda Offer*

- As previously stated, based on the closing price of the New Island Shares and the Mountain Lake shares as of July 21, 2010, the MOA Arrangement represents a **premium** of 35.95% over the closing price of the New Island Shares, which is significantly better than the 7.42% **discount** being proposed by Anaconda.
- In addition, New Island sees significant synergies in merging its operation with the operations of Mountain Lake. Mountain Lake brings experienced management in the field of exploration and mine development. It brings the highly rated Valentine Lake gold property which when combined with New Island's Glover Island property and its share of the Pine Cove project can form the basis of a very significant gold mining operation in Newfoundland and Labrador.
- Apart from gold, Mountain Lake holds the advanced Bobby's Pond base metal project near Teck Resources Limited operating base metal mine at Duck Pond, Newfoundland and Labrador. New Island, through its holdings in Prominex Resource Corp., holds an interest in the Tulks Hill base metal deposit south of Buchans, Newfoundland and Labrador.
- Mountain Lake, with its joint venture partner Marathon Mining PGE, is advancing the Valentine Lake gold property in an expeditious manner. A report on Valentine Lake filed in January 2005 indicated a NI 43-101 compliant underground inferred mineral resource of 1,314,780 tonnes grading 10.50 grams per tonne for an estimated resource of 443,000 ounces of gold. Recent drilling results give indications that a 1,000,000 ounce high grade deposit could be firmed up mineable by open pit methods in the near term. Mountain Lake has indicated that it intends to commence a significant and aggressive exploration program to firm up existing gold deposits on Glover Island with the intent of establishing deposits in the 1 – 2,000,000 ounce range.
- The combination of the Valentine Lake and Glover Island gold deposits, together with a share of the Pine Cove deposit, augers well for the development of a sizeable and profitable gold mining operation in Newfoundland and Labrador and a significant increase in shareholder value.
- The combination of the base metal properties offers synergies from an overall direction and management perspectives.

9. *New Island's financial advisor has provided a written opinion that, as of the date of such opinion, the consideration offered in the Anaconda Offer is inadequate, from a financial point of view, to New Island Shareholders*

- The Board of Directors has received a written opinion, dated July 20, 2010, from Salman to the effect that, as of such date and subject to the assumptions, limitations and qualifications stated in its opinion, the consideration offered by Anaconda under the Anaconda Offer is inadequate, from a financial point of view, to New Island Shareholders. A copy of Salman's opinion is annexed to this Directors' Circular as Schedule B. The Board of Directors recommends that the Salman opinion be read in its entirety for a description of the procedures followed, matters considered and limitations on the review undertaken. The descriptions do not constitute a recommendation to New Island Shareholders as to whether they should tender their New Island Shares to receive Anaconda Shares. The Board of Directors has reviewed the basis on which Salman reached its opinion and concur with the views expressed therein.

10. *The Anaconda Offer is highly conditional*

- The Board of Directors has reviewed, with the assistance of its financial and legal advisors, the conditions that Anaconda has placed on the Anaconda Offer. The Board of Directors is concerned about the fact that the Anaconda Offer is highly conditional for the benefit of Anaconda.
- There are several conditions which are not subject to materiality thresholds or other objective criteria but rather provide Anaconda with a broad range of grounds upon which it may decline to proceed with the Anaconda Offer, with the result that the tendering of New Island Shares to the Anaconda Offer would, under

a number of circumstances, constitute little more than the grant of an option to Anaconda to acquire New Island Shares. There are at least 17 distinct grounds upon which Anaconda may opt to walk away from the Anaconda Offer.

- In particular, among these conditions are several conditions that Anaconda knew that either New Island was already in breach of, or knew that New Island would likely have to breach in the near term. For example, Anaconda, at page 29 of the Anaconda Circular acknowledges that New Island will “need to raise capital in the near term in order to continue as a going concern” while at the same time making the Anaconda Offer conditional on New Island not issuing any new shares (Anaconda Circular, page 9). Anaconda, deciding on the terms of the Anaconda Offer, chose to include a condition that it knew New Island would likely have to breach.
- Other conditions that Anaconda has put on its offer include a condition that “New Island management or Board of Directors will not have taken any action [Anaconda], in [its] sole discretion, deem[s] to be detrimental” (Anaconda Circular, pages 4 and 13) and a condition that New Island not “propose” or “plan” to enter into a “take-over bid” other than the Anaconda Offer when, at the time that the Anaconda Offer was made, Anaconda knew that New Island was proposing to enter into a “take-over bid” by way of a business combination with Mountain Lake which was publicly disclosed on June 3, 2010, 8 days prior to announcement of the Anaconda Offer.

11. *Anaconda has engaged in a course of conduct aimed at preventing the Board of Directors and New Island Shareholders from having access to the information necessary to make an informed opinion with respect to the Anaconda Offer*

- If Anaconda was confident that that Anaconda Offer was fair to the shareholders of New Island, it would not have engaged in the course of conduct that it did in order to prevent the Board of Directors from completing their analysis of the Anaconda Offer. Anaconda has consistently taken steps to thwart attempts by the Board of Directors to evaluate the Anaconda Offer. These steps include inserting conditions into the Anaconda Circular designed to prevent New Island from raising funds required to engage the necessary advisors to evaluate the Anaconda Offer and denying New Island the opportunity to properly evaluate the Pine Cove property.
- Conditions to the Anaconda Offer designed to prevent the Board of Directors from engaging the required financial advisors include the conditions that:
 - New Island not issue any additional securities when Anaconda knew that New Island would be required to raise additional funds (Anaconda Circular, page 9);
 - New Island not enter into an agreement where a fee will be paid if the [Anaconda Offer] is consummated (Anaconda Circular, page 10); and
 - New Island not dispose of “any assets or securities (except where immaterial in amount and in the ordinary course of business consistent with past practice)” (Anaconda Circular, page 9).

Taken together, the result of these conditions is that New Island is not able to raise funds to pay for a financial advisor, to agree to a contingency arrangement with a financial advisor, or to dispose of any assets in order to raise funds to pay for the services of a financial advisor without being offside of at least one more condition of the highly conditional Anaconda Offer.

- As has been previously disclosed, Anaconda has also consistently denied New Island access to the Pine Cove property in order to enable the Board of Directors to properly evaluate the asset. While New Island acknowledges that initially New Island intended to send two individuals, including a director of Mountain Lake to the Pine Cove site, by the time Anaconda unilaterally reversed itself and withheld access to the Pine Cove project, New Island was no longer proposing that the director of Mountain Lake attend to the site. Without access to the Pine Cove property, New Island is forced to rely on the sporadic and inadequate information provided by Anaconda.

Conclusion and Recommendation

For the principal reasons outlined above, the Board of Directors:

- has unanimously concluded that the Anaconda Offer is financially inadequate and not in the best interests of New Island Shareholders; and
- therefore recommends to New Island Shareholders that they **REJECT** the Anaconda Offer and **NOT TENDER** their New Island Shares to the Anaconda Offer.

The foregoing summary of the information and factors considered by the Board of Directors is not intended to be exhaustive of the factors considered by them in reaching their conclusions and making their recommendations, but includes the material information, factors and analysis considered by the Board of Directors. The members of the Board of Directors evaluated the various factors summarized above in light of their own knowledge of the business, financial condition and prospects of New Island, and based upon the advice of the financial advisors and New Island's legal counsel. In view of the numerous factors considered in connection with their evaluation of the Anaconda Offer, the Board of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching their conclusions and recommendations. In addition, individual members of the Board of Directors may have given different weight to different factors. The conclusions and recommendations of the Board of Directors were made after considering the totality of the information and factors involved.

ALTERNATIVES TO THE ANACONDA OFFER – MOUNTAIN LAKE OFFER

In accordance with the letter of intent signed on June 2, 2010 (the “**Mountain Lake LOI**”), New Island has entered into a definitive arrangement agreement with Mountain Lake dated July 20, 2010 (the “**Definitive Agreement**”). Under the terms of the transaction, which is structured as a plan of arrangement under the Alberta *Business Corporations Act*, New Island Shares will be exchanged for common shares in Mountain Lake on the basis of 4.25 New Island Shares for one Mountain Lake share and all of the outstanding New Island options and warrants to will be exchanged for Mountain Lake options and warrants at the same ratio. The transaction is subject to standard conditions precedent applicable to plans of arrangement, including standard commercial conditions precedent, approval of the New Island Shareholders, and court approval. The transaction is scheduled to close in the fourth quarter of 2010.

Pursuant to the Definitive Agreement, the board of directors of the combined company shall consist of seven directors, six nominated by Mountain Lake and one nominated by New Island. Samuel Walters, currently Chair of the Board of Directors, shall act as New Island's nominee on the board. The officers of the combined company shall be comprised of the members of Mountain Lake's existing management team.

In accordance with the Letter of Intent, each company has agreed under the Definitive Agreement to pay a termination fee under certain circumstances to the other party equal to the greater of 5% of an alternate acquisition proposal or \$300,000.

A full copy of the Definitive Agreement will be filed by New Island with the Canadian securities regulatory authorities and will be available at www.sedar.com. A detailed description of the definitive agreement will be included in a management information circular that will be mailed to New Island Shareholders as soon as practicable.

As will be more fully set forth in the management information circular, the Board of Directors has unanimously determined that the Definitive Agreement is fair to New Island Shareholders and that it is in the best interests of New Island that the arrangement is completed. The factors considered by the Board of Directors included:

- Based on Mountain Lake's closing price on July 21, 2010, the consideration to New Island Shareholders represents a 74.9% premium to New Island's closing price on the TSX Venture Exchange on June 10, 2010
- Based on Mountain Lake's closing price on July 21, 2010, the consideration to New Island Shareholders represents a 36% premium to New Island's closing price on the TSX Venture Exchange on July 21, 2010;
- The Mountain Lake shares offered in connection with the arrangement provide New Island shareholders with the opportunity to participate as shareholders in a larger, well capitalized, diversified company, with a strong board of directors and management team, experienced in the field of exploration and mine development; and
- Mountain Lake is focused on gold exploration in Newfoundland and Labrador. Mountain Lake's projects include its interest in the Valentine Lake gold property which, together with New Island's interest in the Pine Cove property and its Glover Island property, augers well for the development of a large, focused and profitable gold mining operation in Newfoundland and Labrador.

BACKGROUND TO THE ANACONDA OFFER AND NEW ISLAND RESPONSE

The following is a chronology of the principal events relating to the Anaconda Offer and New Island's response:

Prior Events

In April, 2010, New Island was in negotiations with Mountain Lake concerning the Mountain Lake LOI. In order to properly evaluate the proposed Mountain Lake LOI, the Board of Directors of New Island determined to explore what other strategic options were available to maximize shareholder value in New Island. As New Island and Anaconda collectively hold 100% of the interest in the Pine Cove property pursuant to an option and joint venture agreement (the "**2003 Option and Joint Venture Agreement**"), the Board of Directors identified Anaconda as a potential acquiror. Currently, New Island holds a 70% interest in the Pine Cove Property and Anaconda holds a 30% interest. Should Anaconda attain commercial production, as such term is defined in the 2003 Option and Joint Venture Agreement, Anaconda's interest in the Pine Cove property will increase to 60% and New Island's interest will decrease to 40%. The Board of Directors believed that, given the acrimonious relationship between New Island and Anaconda, and the potential claims of New Island against Anaconda related to Anaconda's continuing failure to achieve commercial production at the Pine Cove property, Anaconda may have been willing to pay a significant control premium to consolidate 100% of the interest in the Pine Cove property.

In early May, 2010, an independent director of New Island spoke with the president of Anaconda and informed the president that the Board of Directors would be open to receiving an offer from Anaconda. On May 12, 2010, and again on May 14, 2010, the independent board member discussed the possibility of a merger with the president and chairman of the board of directors of Anaconda. The Board of Directors ultimately concluded that Anaconda appeared to be using the possibility of a merger as a negotiating strategy in an effort to settle ongoing arbitration between New Island and Anaconda. At that time, the independent board member informed Anaconda that New Island would not entertain any bid from Anaconda until the arbitration between the parties was settled.

On June 2, 2010, New Island and Anaconda settled the arbitration in question, and on June 3, 2010, New Island and Mountain Lake agreed to the terms of the Mountain Lake LOI.

June 2010

On June 11, 2010, Anaconda launched the Anaconda Offer by way of newspaper advertisements and delivered a copy of the Anaconda Circular to New Island's transfer agent.

On June 16, 2010, the president of New Island formally requested by letter that Anaconda provide access to the Pine Cove property to an independent mining consultant retained by New Island to conduct a review of the Pine Cove property pursuant to New Island's rights under the 2003 Option and Joint Venture Agreement.

On June 17, 2010, the president of Anaconda responded and agreed in principle to allow New Island's independent consultant access to the Pine Cove property, as is permitted pursuant to the 2003 Option and Joint Venture Agreement. The president's agreement was subject to certain terms as was contemplated by the 2003 Option and Joint Venture Agreement.

After some correspondence between New Island and Anaconda, New Island and Anaconda agreed to the terms upon which the independent consultant would access the Pine Cove property on June 23, 2010.

At 4 p.m. (Newfoundland Time) on June 22, 2010, Anaconda informed New Island that New Island would not be permitted access to the Pine Cove property until after the property has been commissioned.

On June 25, 2010, New Island finalized the retainer of its financial advisor, Salman.

On June 25, 2010, Anaconda filed a Notice of Variation and Extension of the Offer to Purchase extending the expiry time of the offer to purchase to 5:00 p.m. (Toronto time) on August 3, 2010.

On June 28, 2010, New Island filed a Directors' Circular as required by Multilateral Instrument 62-104 – *Take-over Bids*, in which no recommendation was made to shareholders of New Island in connection with the Anaconda Offer and advising shareholders not to tender their shares to the Anaconda Offer until further communication from the directors of New Island. The board of directors of New Island considered it necessary to have additional time to complete its evaluation of the Anaconda Offer (including the receipt and analysis of the then forthcoming of its financial advisor, Salman) and to permit further negotiations with Mountain Lake pursuant to the Mountain Lake LOI).

On June 30, 2010, the president of New Island requested once again by letter that Anaconda provide access to the Pine Cove property to allow New Island to conduct a review of the Pine Cove property pursuant to New Island's rights under the 2003 Option and Joint Venture Agreement.

July 2010

On July 2, 2010, the president of Anaconda responded to the written request from New Island dated June 30, 2010 that the commissioning process at the Pine Cove property had not been completed and that New Island would not be permitted access to the Pine Cove property until the commissioning process was underway.

On July 8, 2010, New Island filed a Material Change Report with securities regulators appending a copy of the Mountain Lake LOI.

On July 8, 2010, New Island issued a press release reporting on the refusals of Anaconda to provide access to the Pine Cove property.

On July 9, 2010, New Island issued a press release reporting that a private placement had been arranged for the sale and issuance by New Island of 3,500,000 New Island Shares at a subscription price per share of \$0.08 for aggregate proceeds of \$280,000. Completion of this placement was subject to, *inter alia*, the approval of the TSX Venture Exchange. This placement of shares was to raise sufficient funds for New Island to have for its immediate needs and was contemplated in the Mountain Lake LOI as an anticipated change in New Island's capitalization pending finalization of a definitive agreement between New Island and Mountain Lake. New Island requested TSX Venture Exchange approval on July 9, 2010.

On July 12, 2010, New Island received an offer from Navina Asset Management Inc. ("**Navina**"), a shareholder of New Island, to subscribe for 3,000,000 New Island Shares for a subscription price of \$0.10 per New Island Share. The Navina offer included formal assurances that notwithstanding a press release dated June 18, 2010 in which Navina initially expressed support for the Anaconda Offer, it would consider all offers during the take-over bid process before making a final determination on whether to tender its New Island shares to the Anaconda Offer or an alternative offer.

On July 13, 2010, Anaconda issued a press release reporting that the construction phase of the expansion and re-development of the mill at the Pine Cove property was complete and that the process of commissioning of the mill had commenced and alleging that New Island's requests for access to the Pine Cove property were in violation of the joint venture agreement between New Island and Anaconda, an allegation which New Island denies.

On July 19, 2010, New Island issued a press release reporting that due to the fact that TSX Venture Exchange approval of the July 9, 2010 private placement had not been issued, New Island could not accept the subscriptions of the subscribers to that placement, which had been subjected to written objections by special counsel to Anaconda. In its July 19, 2010 press release, New Island reported an alternative private placement of 3,000,000 New Island Shares to Navina for a subscription price of \$0.10 per New Island Share and aggregate proceeds of \$300,000, subject to approval of the TSX Venture Exchange.

On July 22, 2010, New Island issued a press release to report that it had concluded a definitive agreement with Mountain Lake on the terms of a Plan of Arrangement under which shareholders of New Island may exchange their common shares of New Island for common shares of Mountain at a rate of 4.25 New Island Shares for 1 Mountain Lake common share.

OPINION OF THE FINANCIAL ADVISOR

Salman was retained to assess the Anaconda Offer and to provide advice to the Board of Directors in connection with the Anaconda Offer. Salman has delivered a written opinion addressed to the Board of Directors concluding that, subject to the assumptions, limitations and qualifications set out in the opinion, as of the date thereof, the consideration under the Anaconda Offer is inadequate, from a financial point of view, to the New Island Shareholders.

The full text of the written opinion of Salman is annexed as Schedule B to this document. New Island Shareholders are urged to read the Salman opinion carefully and in its entirety for a description of the procedures followed, matters considered and limitations on the review undertaken. The Salman opinion addresses only the adequacy of the consideration offered under the Anaconda Offer from a financial point of view. The Salman opinion does not constitute a recommendation to any New Island Shareholder as to whether they should tender their New Island Shares.

ARRANGEMENTS OR AGREEMENTS REGARDING ANACONDA

No contract or arrangement or agreement has been made, or to the knowledge of the directors or officers of New Island is

proposed to be made, between Anaconda and any of the directors or officers of New Island relating to any matter, including arrangements or agreements with respect to compensation for loss of office or as to their remaining in or retiring from office. No director or officer of New Island is a director or officer of Anaconda or of any subsidiary of Anaconda.

Jim O'Reilly, a director of New Island, currently holds 43,000 Anaconda Shares through a holding company he controls. No other directors or officers of Anaconda hold any stock in the company.

ARRANGEMENTS OR AGREEMENTS REGARDING NEW ISLAND

Except as set out below, no contract or arrangement or agreement has been made, or is proposed to be made, between New Island and any of the directors or officers of New Island pursuant to which a payment or other benefit is to be made or given by way of compensation for loss of office or as to their remaining in or retiring from office if the Anaconda Offer is successful.

Employment Agreements

In April 2007 employment contracts were put in place with respect to the services of the President/CEO, Treasurer/Assistant Secretary and Corporate Secretary and reported annually in the Corporation's Information Circular to New Island Shareholders. Under the terms of these contracts, in the event of a change of control or change of Head Office outside the Province of Newfoundland and Labrador, within a two year period of such change, the President/CEO may elect to receive a payment of three times annual salary and the Treasurer/Assistant Secretary and Corporate Secretary may elect to receive a payment of two times annual salary.

MATERIAL CONTRACTS

Other than as may be set out in this Directors' Circular, none of the directors or officers of New Island or any of their associates, and to the knowledge of such directors and officers after reasonable inquiry, no person or company who owns more than 10% of any class of equity securities of New Island for the time being outstanding, has any interest in any material contract to which Anaconda is a party.

OWNERSHIP OF SECURITIES OF NEW ISLAND

The following table sets out the names and positions with New Island of each director and officer of New Island and the number, designation and percentage of outstanding securities beneficially owned, directly or indirectly, or over which control or direction is exercised by each such person and, where known after reasonable inquiry, by each associate or affiliate of New Island, any insider of New Island and such insider's associates or affiliates, and any person or company acting jointly or in concert with New Island.

<u>Securities of New Island beneficially owned directly or indirectly</u>					
<u>Name</u>	<u>Position with New Island</u>	<u>New Island Shares</u>	<u>% of New Island Shares</u>	<u>New Island Options</u>	<u>% of New Island Options</u>
Sam Walters	Chairman of the Board of Directors	240,000	0.48%	200,000	6%
Harold Wareham ¹	President, CEO, Director	2,384,914	4.74%	700,000	22%
James P. O'Reilly	Director	20,000	0.04%	550,000	17%
Eric Jerrett	Director	112,500	0.22%	600,000	18%
Leo Power	Director	31,500	0.06%	700,000	22%
Lorna Coles	Corporate Secretary	160,187	0.32%	150,000	5%
Lisa Hodge ²	Treasurer, Assistant Secretary & CFO	945,000	1.88%	150,000	5%

Securities of New Island beneficially owned directly or indirectly

<u>Name</u>	<u>Position with New Island</u>	<u>New Island Shares</u>	<u>% of New Island Shares</u>	<u>New Island Options</u>	<u>% of New Island Options</u>
¹ Harold Wareham	Direct	20,039			
	Indirect (Atlantis Corp.)	49,875			
	Indirect (Atlantis Tech.)	2,315,000			
² Lisa Hodge	Direct	180,000			
	Indirect (Tolisco Ltd.)	765,000			

INTENTION OF DIRECTORS AND OFFICERS WITH RESPECT TO THE ANACONDA OFFER

Each of the directors and officers of New Island has indicated that he has not accepted, and does not intend to accept, the Anaconda Offer. To the knowledge of the directors and officers of New Island, after reasonable enquiry, no associate or affiliate of New Island nor any insider of New Island, nor any of such insider's associates or affiliates nor any person or company acting jointly or in concert with New Island has indicated that they have tendered or intend to tender any New Island Shares to the Anaconda Offer.

PRINCIPAL SHAREHOLDERS

As of July 22, 2010, to the best knowledge of New Island, except as set out below, no person beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the New Island Shares.

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of Shares</u>
Navina Asset Management Inc.	6,048,000 ¹	11.35%

¹ Subject to TSX-Venture approval of a private placement of 3,000,000 New Island Shares on July 19, 2010.

TRADING IN SECURITIES OF NEW ISLAND

Except as set out below, during the six months preceding the date hereof, none of New Island, the directors, officers or other insiders of New Island or, to the knowledge of the directors and officers of New Island, after reasonable inquiry, any of their respective associates or affiliates or any person or company acting jointly or in concert with New Island, has traded any securities of New Island.

<u>Name</u>	<u>Nature of Transaction</u>	<u>Date of Transaction</u>	<u>Number of New Island Shares</u>	<u>Price per New Island Share</u>
Newfoundland Goldbar Resources Inc.	Disposal of loan security held by New Island	May 5, 2010	366,000	\$0.060
		May 5, 2010	200,000	\$0.055
		May 11, 2010	600,000	\$0.060
		May 26, 2010	122,000	\$0.060
		June 4, 2010	200,000	\$0.085
Atlantis Technologies Limited	Disposal of loan security held by New Island	March 20, 1020	250,000	\$0.050
		April 5, 2010	250,000	\$0.050
Navina Asset Management Inc. ¹	Acquisition of Shares by Private Placement	July 19, 2010	3,000,000	\$0.10

¹ Subject to TSX-Venture approval of a private placement of 3,000,000 New Island Shares on July 19, 2010.

ISSUANCES OF SECURITIES OF NEW ISLAND

No New Island Shares or other securities convertible or exchangeable into New Island Shares have been issued to the current directors or officers of New Island or other insiders of New Island during the two years preceding the date hereof, other than as

set out in the following table:

<u>Name</u>	<u>Nature of transaction</u>	<u>Date of transaction</u>	<u>Number of New Island Shares</u>	<u>Price per New Island Share</u>
Navina Asset Management Inc. ¹	Private Placement of Shares	July 19, 2010	3,000,000	\$0.10

¹ Subject to TSX-Venture approval of a private placement of 3,000,000 New Island Shares on July 19, 2010.

OWNERSHIP OF SECURITIES OF ANACONDA

James P. O'Reilly, a director of New Island, currently holds 43,000 Anaconda Shares through a holding company he controls. No other directors or officers of New Island hold any stock in Anaconda.

Except for James P. O'Reilly, neither New Island nor any of the directors or officers of New Island or, to their knowledge after reasonable enquiry, any associate or affiliate of New Island, any insider of New Island or any such insider's associates or affiliates or any person acting jointly or in concert with New Island, owns, directly or indirectly, or exercises control or direction over, any securities of Anaconda.

MATERIAL CHANGES IN THE AFFAIRS OF NEW ISLAND

Except as otherwise described or referred to in this Directors' Circular, no other information is known to the directors or officers of New Island that indicates any material change in the affairs or prospects of New Island since March 31, 2010, the date of New Island's most recent interim financial statements.

OTHER INFORMATION

Except as disclosed in this Directors' Circular, there is no information that is known to the directors and officers of New Island that would reasonably be expected to affect the decision of the holders of New Island Shares (or securities convertible into New Island Shares) to accept or reject the Anaconda Offer.

PERSONS OR ASSETS EMPLOYED, COMPENSATED OR USED

Salman was retained to render financial advisory services to the Board of Directors in connection with the analysis and consideration of, and response to, the Anaconda Offer. New Island will pay Salman reasonable and customary compensation for its services and will reimburse Salman for its reasonable out-of-pocket expenses. New Island has agreed to indemnify Salman against certain liabilities arising out of or in connection with its engagement.

Except as set forth above, neither New Island nor any person acting on its behalf has employed, retained or agreed to compensate any person making solicitations or recommendations to New Island Shareholders in connection with the Anaconda Offer.

STATUTORY RIGHTS

Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

AVAILABILITY OF DOCUMENTS

New Island is a reporting issuer or equivalent in British Columbia, Newfoundland and Labrador and Alberta and files its continuous disclosure documents and other documents with the securities authorities of such provinces. New Island's continuous disclosure documents are available at www.sedar.com.

APPROVAL OF THE DIRECTORS' CIRCULAR

The contents of this Directors' Circular and the delivery thereof have been approved and authorized by the Board of Directors of New Island.

CONSENT OF SALMAN PARTNERS INC.

To: The Board of Directors of New Island Resources Inc.

Salman Partners Inc. hereby consents to the references in the Directors' Circular dated July 22, 2010 (the "**Circular**") of New Island Resources Inc. (the "**Corporation**") to our firm's name and to our opinion letter dated July 22, 2010 (the "**Salman Opinion**") addressed to the Board of Directors (the "**Board**") of the Corporation's board of directors (the "**Board of Directors**"), and to the inclusion of a copy of the Salman Opinion as Schedule B to the Circular. In providing our consent, we do not intend or permit that any person other than the Board of Directors may rely upon the Salman Opinion.

DATED at Toronto, Canada this 22nd day of July, 2010.

CERTIFICATE

July 22, 2010

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

On behalf of the Board of Directors

(signed) Sam Walters

Chairman of the Board of Directors

(signed) Leo Power

Director

**SCHEDULE A
GLOSSARY OF TERMS**

The following provides the definition of certain terms used in this Directors' Circular.

“**Anaconda**” means Anaconda Mining Inc., a corporation incorporated under the *Business Corporations Act* (Ontario), having its head office and principal place of business at 120 Adelaide Street W, Suite 2400, Toronto, ON M5H 1T1.

“**Anaconda Circular**” means the circular dated June 11, 2010, accompanying the Anaconda Offer, as amended on June 25, 2010.

“**Anaconda Offer**” means the unsolicited offer dated June 11, 2010 made by Anaconda to acquire all of the issued and outstanding New Island Shares, as amended on June 25, 2010.

“**Anaconda Shares**” means the common shares of Anaconda.

“**Board of Directors**” means the Board of Directors of New Island, consisting of Sam Walters, Harold Wareham, James O’Reilly, Eric Jerrett and Leo Power.

“**Cox & Palmer**” means Cox & Palmer, legal counsel to New Island.

“**Directors' Circular**” means this Directors' Circular dated July 22, 2010.

“**Mountain Lake**” means Mountain Lake Resources Inc., a corporation incorporated under the Business Corporations Act (British Columbia) having its registered office at Suite 1700-1959 Upper Water Street, Halifax, NS, B3J 3N2.

“**Mountain Lake LOI**” means the letter of intent between New Island and Mountain Lake with respect to a proposed plan of arrangement between the parties dated June 2, 2010.

“**New Island**” means New Island Resources Inc., a corporation incorporated under the *Business Corporations Act* (Alberta), having its registered office at 1600 Bow Valley Square II, 205 - 5 Avenue S.W., Calgary, AB T2P 2V7.

“**New Island Shareholders**” means the holders of the New Island Shares.

“**New Island Shares**” means the common shares of New Island.

**SCHEDULE B
OPINION OF SALMAN PARTNERS INC.**



July 21, 2010

The New Island Resources Inc. Board of Directors
New Island Resources Inc.
Suite 602, TD Place
140 Water Street
St. John's, NL
A1C 6H6

To the Board of Directors of New Island Resources Inc.:

Salman Partners Inc. ("Salman Partners") understands that Anaconda Mining Inc. ("Anaconda") has made an unsolicited offer (the "Offer") to purchase all of the outstanding shares (the "New Island Shares") of New Island Resources Inc. ("New Island"), at a purchase price of 0.3333 Anaconda common shares (an "Anaconda Share") per New Island Share.

The Offer is subject to certain conditions, including, without limitation, that not less than 66 $\frac{2}{3}$ % of the New Island Shares (on a fully diluted basis) will have been validly deposited under the Offer and not withdrawn at the expiry time.

The Board of Directors of New Island (the "New Island Board") has retained Salman Partners to provide an opinion (the "Opinion") as to the fairness, from a financial point of view, of the Offer.

SALMAN PARTNERS ENGAGEMENT AND BACKGROUND

Salman Partners was formally engaged by the New Island Board pursuant to a letter agreement dated June 25, 2010 (the "Engagement Agreement").

Under the terms of the Engagement Agreement, Salman Partners will receive a fixed fee for the preparation of the Opinion, no portion of which is conditional upon the Opinion being favourable or contingent upon a change in control of New Island or the non-completion of the Offer. Additionally, New Island has agreed to reimburse Salman Partners for its reasonable out-of-pocket expenses and to indemnify Salman Partners in certain circumstances.

Subject to the terms of the Engagement Agreement, Salman Partners consents to the inclusion of the Opinion, with a summary thereof in a form acceptable to Salman Partners, in the New Island Directors' circular (the "Directors' Circular") and the filing thereof with applicable securities regulatory authorities, including stock exchanges.

CREDENTIALS OF SALMAN PARTNERS

Salman Partners is an independent Canadian investment dealer whose business includes corporate finance, mergers and acquisitions, equity sales and trading and investment research. Salman Partners has participated in a significant number of transactions in the mining industry generally and in the precious metals industry in particular.

The opinion expressed herein represents the opinion of Salman Partners and the form and content hereof has been reviewed and approved for release by a committee comprised of directors and officers of Salman Partners, each of whom has extensive experience in merger, acquisition, divestiture, valuation, fairness opinion and capital market matters.

INDEPENDENCE OF SALMAN PARTNERS

Salman Partners is not an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Alberta) (the “Act”) or the rules promulgated thereunder) of New Island, Anaconda, or any of their respective subsidiaries, associates or affiliates (collectively, the “Interested Parties”) and is not an advisor to any person or entity other than the New Island Board with respect to the matters set forth herein and described in the Engagement Agreement.

Neither Salman Partners nor its affiliates has provided any financial advisory services or participated in any financings involving the Interested Parties within the past two years.

Other than as set forth above, there are no understandings, agreements or commitments between Salman Partners and any of the Interested Parties with respect to any future business dealings. Salman Partners may however, in the normal course of its business, provide financial advisory or investment banking services to the Interested Parties from time to time. In addition, in the ordinary course of business, Salman Partners may actively trade the securities of the Interested Parties for its own account and for the accounts of Salman Partners’ customers and accordingly has or may, at any time, hold a long or short position in such securities and has or may, from time to time, execute transactions in respect of such securities for which it has received or may receive compensation. As an investment dealer, Salman Partners conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties.

SCOPE OF REVIEW

In connection with the Opinion, Salman Partners has reviewed and relied upon, among other things, the following:

- a) The most recent draft of the Directors’ Circular of New Island to be dated July 22, 2010, the (“Director’s Circular”);
- b) The take-over bid circular of Anaconda dated June 11, 2010, (the “Circular”);
- c) Public filings of New Island and Anaconda available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) and deemed relevant to the Transaction, including annual reports, management information circulars, annual information forms, audited annual financial statements, unaudited interim financial statements, material change reports, press releases and technical reports;
- d) Other public information relating to the business, operations and financial performance of New Island and Anaconda;

- e) Certain other financial information provided by management of New Island;
- f) Discussions with the New Island Board, New Island's legal counsel, and senior management of New Island;
- g) Current and historic stock market trading information relating to the common shares of New Island and Anaconda;
- h) Information with respect to selected merger and acquisition transactions we considered relevant;
- i) A certificate of representation as to certain factual matters as at the date hereof provided by senior management of New Island and addressed to Salman Partners (the "Certificate"); and
- j) Such other corporate, industry and financial market information, investigations, analyses, and discussions (including discussions with the management of New Island, New Island's technical consultants, and other third parties) as Salman Partners considered necessary or appropriate in the circumstances.

Salman Partners has not, to the best of its knowledge, been denied access by New Island to any information requested. Salman Partners did not meet with the auditors of New Island and has assumed the accuracy and fair presentation of the audited consolidated financial statements of New Island and the reports of the auditors thereon.

The Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada ("IIROC"), however, IIROC has not been involved in the preparation or review of the Opinion.

ASSUMPTIONS AND LIMITATIONS

We have not been asked to prepare and have not prepared a formal valuation or appraisal of New Island or any of its securities or assets, and our Opinion should not be construed as such. We have, however, conducted such analyses as we considered necessary in the circumstances to render the Opinion. In addition, the Opinion is not, and should not be construed as, advice as to the price at which the securities of New Island may trade at any future date. Salman Partners was similarly not engaged to review any legal, tax or accounting aspects of the Offer. Furthermore, Salman Partners considered the Offer from the perspective of Shareholders generally and did not consider the specific circumstances, particularly with respect to income tax consequences, of any particular Shareholder. The Opinion is not to be construed as a recommendation to any securityholder of New Island as to whether to tender their New Island Shares to the Offer.

With the New Island Board's approval and as provided for in the Engagement Agreement, Salman Partners has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources or provided by New Island, its subsidiaries and the respective directors, officers, associates, affiliates, consultants, advisors and representatives thereof (collectively, the "Information"). The Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, Salman Partners has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

With respect to forecasts, projections, estimates and/or budgets provided to Salman Partners and used in its analyses, we note that projecting future results of any company is inherently subject to uncertainty. We have assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using

the assumptions identified therein, which, in the opinion of the management of New Island, are (or were at the time and continue to be) reasonable in the circumstances.

Senior officers of New Island have represented to Salman Partners in the Certificate, among other things, that (i) the Information provided by New Island to Salman Partners relating to New Island for the purpose of preparing the Opinion was, at the date the Information was provided to Salman Partners, and is, as of the date hereof, except as has been disclosed in writing to Salman Partners, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact (as such term is defined in the Act) in respect of New Island or omit to state a material fact necessary to make the Information not misleading in light of the circumstances under which the Information was provided; and (ii) since the dates on which the Information was provided to Salman Partners, there has been no material change or new material fact which is of a nature as to render any portion of the Information untrue or misleading in any materially adverse respect, except for changes that have been updated by more current Information provided in writing to Salman Partners.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of New Island and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to Salman Partners in discussions with management of New Island. In its analyses and in preparing the Opinion, Salman Partners made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Salman Partners or any of the Interested Parties.

Other than as provided herein, the Opinion has been provided solely for the use of the New Island Board and may not be used by any other person or relied upon by any other person other than the New Island Board without the express written consent of Salman Partners. The Opinion is given as of the date hereof and Salman Partners disclaims any undertaking or obligation to advise any person of any change in any fact or matter which affects the Opinion that may come or be brought to the attention of Salman Partners after the date hereof. Without limiting the generality of the foregoing, in the event that there is any material change in any fact or matter which affects the Opinion after the date hereof, Salman Partners reserves the right to change, modify, amend or supplement the Opinion.

Salman Partners believes that its analysis must be considered as a whole and that selecting portions of its analysis or the factors considered by it, without considering all factors and analysis together, could create a misleading view of the process underlying the Opinion. The preparation of the Opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular fact or analysis.

Salman Partners does not assume any responsibility or liability for losses occasioned by the New Island Board or any other party as a result of the circulation, publication, reproduction or use of the Opinion (in whole or in part) contrary to the provisions set out herein.

FAIRNESS ANALYSIS

In considering the fairness, from a financial point of view, of the Offer, Salman Partners considered and relied upon, among other things, (i) a comparison of the Offer to the results of a net asset value analysis of New Island, (ii) a comparison of the multiples implied under the Offer to an analysis of recent precedent transactions, (iii) a comparison of the Offer to the recent trading levels of the common shares of New Island; and (iv) a comparison of the Offer to recent trading levels of the shares of companies comparable to New Island.

FAIRNESS CONCLUSION

Based upon and subject to the foregoing, Salman Partners is of the opinion that, as of the date hereof, the Offer is inadequate, from a financial point of view, to the Shareholders.

Yours truly,

Salman Partners Inc.

SALMAN PARTNERS INC.

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