ANACONDA MINING INC.

Interim Consolidated Financial Statements

(Unaudited)

First Quarter and Three Months Ended

August 31, 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Anaconda Mining Inc.
Consolidated Balance Sheets

As at	**August 31, 2009**	May 31, 2009
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	**799,221**	887,200
GST recoverable	**350,367**	70,557
Accounts receivable, prepaids and deposits	**98,316**	46,682
Subscriptions receivable	**-**	15,900
Due from related party	**-**	4,120
Inventory *(note 7)*	**965,571**	129,253
	2,213,475	1,153,712
Investments ***(note 8)***	**566,130**	397,800
Mineral properties and deferred exploration expenditures ***(note 9)***	**5,203,861**	5,045,833
Leasehold improvements ***(note 10)***	**6,927**	7,749
Property, mill and equipment ***(note 11)***	**11,399,612**	11,291,205
	19,390,005	17,896,299
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,449,207**	2,099,983
Convertible loan *(note 12)*	**1,921,947**	1,898,072
	4,371,154	3,998,055
Convertible debentures ***(note 13)***	**1,458,950**	1,445,574
Asset retirement obligations ***(note 14)***	**744,072**	722,400
	6,574,176	6,166,029
Shareholders' equity		
Capital Stock *(note 16)*		
Common shares	**23,519,980**	23,303,314
Warrants	**1,567,417**	1,284,084
Contributed surplus	**4,597,128**	4,561,475
Equity portion of convertible loans and debentures *(notes 12 & 13)*	**316,700**	316,700
Deficit	**(16,262,522)**	(16,668,503)
Accumulated comprehensive income	**(922,874)**	(1,066,800)
	12,815,829	11,730,270
	19,390,005	17,896,299

Going concern ***(note 1)***

The accompanying notes are an integral part of these interim consolidated financial statements

These interim consolidated financial statements have been approved by the company's Board of Directors

Anaconda Mining Inc.
Consolidated Statements of Operations and Deficit

	3 months ended	
	August 31, 2009	August 31, 2008
		Restated *(note 4)*
	$	$
Revenue		
Sales	**3,182,874**	340,249
	3,182,874	340,249
Cost of goods sold		
Mill operations	**532,592**	504,078
Mining costs	**613,754**	141,501
Net smelter returns	**83,865**	-
Toll-milling costs	**993,690**	-
	2,223,901	645,579
Gross margin	**958,773**	(305,600)
Administrative expenses		
Office and general	**194,088**	108,603
Consulting and professional fees	**46,669**	150,638
Stock-based compensation	**35,653**	150,802
Representation and travel	**32,423**	24,926
Shareholder and regulatory reporting	**47,643**	28,873
Salaries and benefits	**77,163**	14,882
Interest expense (income)	**121,767**	13,425
Project investigation costs	**-**	289,560
	555,406	(882,069)
Net gain (loss) before exchange losses	**403,367**	(1,187,359)
Foreign exchange gain (loss)	**(21,790)**	(25,241)
Net gain (loss) before income taxes	**381,577**	(1,212,640)
Future income (taxes) recoveries	**24,404**	(35,090)
Net gain (loss)	**405,981**	(1,247,730)
Deficit at beginning of period	**(16,668,503)**	(11,503,869)
Deficit at end of period	**(16,262,522)**	(12,751,619)
Net gain (loss) per share – basic	**$0.01**	$(0.02)
Net gain (loss) per share – diluted	**$0.00**	$(0.02)
Weighted average number of shares outstanding (000's) – basic	**87,775**	60,021
Weighted average number of shares outstanding (000's) – diluted	**94,636**	60,021

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Anaconda Mining Inc.

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Comprehensive Income (Loss)

	3 months ended	
	August 31, 2009	August 31, 2008
		Restated (note 4)
	$	$
Net income (loss)	**405,981**	(1,247,730)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale investments, net of tax benefit *(note 8)*	**143,926**	(206,910)
Total comprehensive income (loss)	**549,907**	(1,454,640)
Comprehensive gain (loss) per share - basic	**$0.01**	$(0.02)
Comprehensive gain (loss) per share – fully diluted	**$0.01**	$(0.02)

	3 months ended	
	August 31, 2009	August 31, 2008
	$	$
Opening accumulated comprehensive income (loss)	**(1,066,800)**	175,300
Unrealized gain (loss) on available-for-sale investments *(note 8)*	**143,926**	(206,910)
Accumulated comprehensive loss	**(922,874)**	(31,610)

The accompanying notes are an integral part of these interim consolidated financial statements

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Anaconda Mining Inc.

Consolidated Statements of Cash Flow

	3 months ended	
	August 31, 2009	August 31, 2008
		Restated (note 4)
	$	$
Operations		
Net loss	**405,981**	(1,247,730)
Adjustments to reconcile net loss to cash flow from operating activities:		
Depletion and amortization	**48,386**	821
Stock-based compensation	**35,653**	150,802
Future income taxes (recoveries)	**(24,404)**	35,090
Foreign exchange gains (losses)	**8,516**	(1,484)
Interest accretion on convertible loan and debentures	**37,251**	-
Interest accretion on asset retirement obligations	**21,672**	-
Net change in non-cash working capital items:		
GST recoverable	**(279,811)**	94,600
Prepaids, deposits and receivables	**(52,856)**	(49,738)
Inventory	**(836,318)**	-
Accounts payable and accrued liabilities	**333,252**	(275,144)
Demand loan	**-**	495,000
Cash flow used in operating activities	**(302,678)**	(797,783)
Financing		
Issuance of common shares (net of subscriptions receivable)	**515,900**	55,000
Due to related parties	**4,120**	-
Convertible debentures *(notes 12 & 13)*	**-**	1,516,253
Deferred financing costs	**-**	(14,676)
Cash flow provided from (used in) financing activities	**520,020**	1,556,577
Investments		
Expenditures on mineral properties and deferred exploration	**(157,005)**	(1,452,254)
Purchase of property, mill and equipment	**(155,971)**	(19,031)
Cash flow used in investing activities	**(312,976)**	(1,471,285)

Anaconda Mining Inc.

Consolidated Statements of Cash Flow (continued)

	3 months ended	
	August 31, 2009	August 31, 2008
		Restated *(note 4)*
	$	$
Effect of exchange rate changes on cash and cash equivalents	**7,655**	1,484
Net decrease in cash and cash equivalents	**(87,979)**	(711,007)
Cash and cash equivalents at beginning of period	**887,200**	1,391,404
Cash and cash equivalents at end of period	**799,221**	680,397

The accompanying notes are an integral part of these interim consolidated financial statements

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General

Anaconda Mining Inc. (the "Company" or "Anaconda") was incorporated under the laws of British Columbia. On April 18, 2007, Anaconda completed an acquisition (the "Acquisition") of Colorado Mineral Inc. ("Colorado") by issuing 19,701,560 common shares of the Company 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 of Anaconda. Accordingly, for accounting purposes Colorado is deemed to be the acquirer of Anaconda, although Anaconda is the legal parent company and the reporting issuer.

The Company`s principal business activity is that of a mineral exploration and mining company with operations in Canada and Chile. The Company has completed the construction of its mining project in Baie Verte, Newfoundland (the "Pine Cove project") and has brought it into limited production. Anaconda continues to work toward commercial production hereby defined 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"). Once Commercial Production has been achieved, the Company's ownership percentage of the Pine Cove project will be increased to 60% from its current 30%.

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.

1. Significant accounting policies

(i) Going concern

These interim 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. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the consolidated financial statements.

While the operation at Pine Cove continues to be limited with the current configuration of its ore-processing circuit, the Company entered into a toll milling arrangement for processing of Pine Cove ore that is providing positive cash flow to the Company.

The Company has raised additional funds *(note 16)* throughout the first quarter of year and has utilized the funds together with the cash flow generated from the toll milling arrangement to supplement its capital requirements to correct the mill configuration problems at its Pine Cove project. As well, the Company has utilized these funds to reduce its current obligations. However, there is no assurance that the Company will be able to raise additional funds in the public or private markets on reasonable terms. 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 on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Anaconda may change and existing shareholders may suffer dilution. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interest or terminate its operations.

(ii) Basis of presentation

These interim consolidated financial statements follow the same accounting policies and their methods of application as the audited consolidated financial statements as at May 31, 2009.

Not all disclosure required by generally accepted accounting principles for annual consolidated financial statements are present, and accordingly, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements.

(iii) Impairment of long-lived assets

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

(iv) Depletion and amortization

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

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

(v) Future accounting changes

International financial reporting standards ("IFRS")

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.

Business combinations

In January 2009, the CICA issued *Handbook Section 1582 - Business Combinations* which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

2. Capital management

The Company's objective when managing capital is to maintain adequate levels of funding to support its exploration and activities and to maintain corporate and administrative functions necessary to support operational activities. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

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

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

There were no changes in the Company's approach to capital management during the three months ended August 31, 2009. The Company is not subject to externally imposed capital restrictions.

3. Financial risk factors

The Board of Directors (the "Board") has responsibility for the review and oversight of the Company's risk management framework and general corporate risk profile. Through its committees, the Board oversees analysis on various risks facing the organization and monitors risk management activities and review the adequacy of such activities. The Company does not enter into transactions involving financial instruments, including derivative financial instruments, for speculative purposes. Financial risk factors and their impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is primarily attributable to cash and cash equivalents and GST recoverable. Cash and cash equivalents are held with a tier A Canadian chartered bank and management believes the risk of loss to be minimal.

Financial instruments included in GST recoverable consist of goods and services taxes receivable from the Canadian government and such amounts are in good standing as at August 31, 2009. Management believes that the credit risk associated with the financial instruments included in GST recoverable is minimal.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. The Company manages liquidity risk through the management of its capital structure as outlined in note 2 together with continued monitoring of operational funds derived from the Pine Cove project and its toll-milling arrangement. Additional future funds may be available to the Company through the issuance of additional equity or it may enter into additional credit facilities. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Anaconda may change and 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.

Market risk

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

(i) Interest rate risk

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

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company is exposed to foreign currency risks as it transacts business in foreign countries the local currency. Fluctuations in these currencies against the Canadian dollar could result in unanticipated and material fluctuations in the financial results of the Company. Anaconda does not use derivative financial instruments to reduce its exposure to foreign currency risk.

(iii) Price risk

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

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

(b) The Company's investment is comprised on common shares of a public-traded company. The value of the investment may fluctuate on a daily basis due to the external market factors that are not within the control of the Company. Anaconda monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions (see note 8 with regard to restrictions on the sale of the securities).

(iv) Derivatives – mineral properties

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

(vi) Political risk

The properties are located in Canada and Chile; accordingly, the Company is subject to risks normally associated with exploration and development of mineral properties in Canada and Chile. The Company's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes over which the Company has no control.

4. Restatement of quarterly comparative amounts

As at May 31, 2009, the Company adopted CICA 3064 – Goodwill and Intangible Assets and as a result expensed $1,426,841 ($305,330 for the quarter ended August 31, 2008) of costs incurred in the pre-operating period during fiscal 2009 that would otherwise have been capitalized as property, mill and equipment. As a result, for the three months ended August 31, 2008, the Company's net loss and comprehensive net loss was increased to $1,247,730 and $1,454,640, respectively. Contemporaneously, as at August 31, 2008, shareholders' equity and mineral properties and deferred exploration expenditures were both reduced by $305,330 to $13,923,156 and $14,363,891, respectively.

5. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

(i) Cash and cash equivalents do not include short-term money market mutual fund units that are subject to floating interest rates. As such, at August 31, 2009, if interest rates had decreased/increased by 1% with all other variables held constant, the gain for the three months ended August 31, 2009 would not be affected. Similarly, as at August 31, 2009, reported shareholders' equity would not have changed.

(ii) The Company's exploration activities are substantially denominated in the Chilean peso. The Company's funds are kept in Canadian dollars and Chilean pesos with a major Canadian and Chilean financial institution.

As at August 31, 2009, the Company's exposure to foreign currency balances of its monetary assets is as follows:

Account	Foreign Currency	Exposure
		$Cdn
Cash and cash equivalents	Chilean peso	533
Cash and cash equivalents	United States dollar	122,777
Receivables prepaids and deposits	Chilean peso	75,797
Accounts payable and accrued liabilities	Chilean peso	41,587

The table below summarizes the effects on foreign exchange gains and losses on net loss and comprehensive loss as a result of a 10% change in the value of the foreign currencies against the Canadian dollar where the Company has significant exposure. The analysis assumes all other variables remain constant.

	Effect of 10% increase in foreign exchange rates on translation and investments in foreign monetary assets	Effect of 10% decrease in foreign exchange rates on translation and investments in foreign monetary assets
	$Cdn	$Cdn
American dollar	12,278	(12,278)
Chilean peso	3,474	(3,474)

(iii) The Company's investments are subject to fair value fluctuations. As at August 31, 2009, if the fair value of investments had decreased/increased by 50% with all other variables held constant, net comprehensive income for the three months ended August 31, 2009 would have been approximately $71,963 lower/higher. Similarly, as at August 31, 2009, reported shareholders' equity would have been approximately $71,963 lower/higher as a result of a 50% decrease/increase in the fair value of investments.

6. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with the banks in general non-interest bearing accounts totaling $203,023 (May 31, 2009 - $291,077) and interest-generating money-market accounts $596,198 (May 31, 2009 - $596,123).

CICA 1540.52 calls for the disclosure of cash or cash equivalents that may be available for current purposes but on a restricted basis. The following chart discloses the Company’s cash and cash equivalents that are restricted.

	August 31, 2008	May 31, 2009
	$	$
General purpose		
Cash	**91,142**	255,958
Cash equivalents	**66**	30,689
	91,208	286,647
Restricted		
Cash[1]	**111,815**	35,053
Cash equivalents[2]	**596,198**	565,500
	708,013	600,553
Total cash and cash equivalents	**799,221**	887,200

[1]This cash is restricted as a debt-reduction escrow account as part of the agreement for the convertible debentures *(note 13)*. This cash can be utilized for debt service and/or principal repayments.

[2]This cash is restricted in concert with the Company's ARO obligations. It has issued letters of credit in the amount of $565,500 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development. This cash equivalent is restricted by a non-revocable letter of credit that can only be lifted by the Newfoundland and Labrador government.

7. Inventory

As at August 31, 2009, the Company's inventory balance of $965,571 (2009 - $Nil) is represented by gold dore/bullion that is either on deposit with the Company's refiner or is in the final stages of the refinement process.

8. Investments

The investments consist of 1,530,000 common shares of MERC International Minerals Inc. ("MIMI"), a company traded on the TSX Venture Exchange ("TSXV") and were measured at their fair value as determined by the closing prices of MIMI's shares on the TSXV on the day of receipt. Anaconda has identified these investments as available-for-sale and has measured their fair value, as determined by the closing price of the securities on the TSXV on August 31, 2009, resulting in a gain, net of tax recoveries of $24,404 (August 31, 2008 – tax expense $35,090) of $143,926 (August 31, 2008 – loss of $206,910) in these investments and a corresponding decrease in accumulated other comprehensive income. For the current quarter, the future tax liability associated with this gain has been reduced to zero and the corresponding future tax recovery is included in the current net income. For the quarter ended August 31, 2008, the future tax asset associated with loss was offset with a valuation allowance and the corresponding future income taxes were included in the period's net loss. As at August 31, 2009, the carrying value of the 1,530,000 (May 31, 2009 – 1,530,000) MIMI shares was $566,130 (May 31, 2009 - $397,800) and the accumulated comprehensive loss relating to these shares was $922,874 (May 31, 2009 – $1,066,800).

These investments are held as security for the convertible debentures and as such, the Company is restricted in its ability to sell the securities before repayment of the convertible debentures in full.

9. Mineral properties and deferred exploration expenditures

Property	May 31, 2009	Additions	Written-off	Transferred	**August 31, 2009**
	$	$	$	$	**$**
San Gabriel	4,320,576	158,028	-	-	**4,478,604**
Borthwick Lake	480,741	-	-	-	**480,741**
Lingman Lake	244,516	-	-	-	**244,516**
	5,045,833	158,028	-	-	**5,203,861**

Property	May 31, 2008	Additions	Written-off	Transferred	**May 31, 2009**
	$	$	$	$	**$**
San Gabriel	2,773,858	1,097,391	-	449,327	**4,320,576**
Other Chilean[1]	852,279	196,989	(599,941)	(449,327)	**-**
Pine Cove[2]	8,802,184	-	-	(8,802,184)	**-**
Damoti Lake	1,947,068	(1,947,068)	-	-	**-**
Borthwick Lake	480,122	619	-	-	**480,741**
Lingman Lake	244,272	244	-	-	**244,516**
	15,099,783	(651,825)	(599,941)	(8,802,184)	**5,045,833**

[1] This balance represented local IVA (recoverable tax for services rendered) that the Company has written off except for balances related to its San Gabriel property. $449,327 has been transferred to San Gabriel.

[2] Balances were transferred to property, mill and equipment..

10. Leasehold improvements

As at	**August 31, 2008**		May 31, 2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Leasehold Improvements	**16,765**	**9,838**	16,765	9,046
	16,765	**9,838**	16,765	9,046
Net Book Value	**6,927**		7,749	

11. Property, mill and equipment

As at	August 31, 2009		May 31, 2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Property	**8,832,828**	**33,729**	8,832,828	-
Mill	**2,443,145**	**9,008**	2,287,174	-
Equipment	**171,203**	**4,827**	171,203	-
	11,447,176	**47,564**	11,291,205	-
Net Book Value	**11,399,612**		11,291,205	

During the current quarter, the Company commenced depletion and amortization of property, mill and equipment using the “units-of-production” basis.

12. Convertible loan

	August 31, 2009	May 31, 2009
	$	$
Principal balance repayable		2,000,000
Less: Value of conversion feature		(184,000)
Carrying value at beginning of period	**1,898,072**	1,816,000
Add: Interest accretion on conversion feature	**23,875**	82,072
Carrying value at end of period	**1,921,947**	1,898,072

13. Convertible debentures

	August 31, 2009	May 31, 2009
	$	$
Principal balance repayable		1,713,000
Less: Discount on issuance		(171,300)
Cash proceeds received		1,514,700
Less: Value of conversion feature		-
Original carrying value at beginning of period	**1,445,574**	1,409,000
Add: Interest accretion on conversion feature	**13,376**	36,574
Carrying value at end of period	**1,458,950**	1,445,574

14. Asset retirement obligations

A reconciliation of the provision for asset retirement obligations is as follows:

	August 31, 2009	May 31, 2009
	$	$
Opening balance	**722,400**	645,000
Additions to provision for reclamation	**-**	-
Interest accretion	**21,672**	77,400
Closing balance	**744,072**	722,400

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. The provision for reclamation is provided against the Company's Pine Cove project and is based on the project plan approved by the Government of Newfoundland.

In concert with the Company's ARO obligations, it has issued letters of credit in the amount of $565,500 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development plan.

15. Related party transactions

As at August 31, 2008, the consolidated financial statements include $105,293 (August 31, 2008 - $68,601) in consulting and interest expenses incurred with directors and/or officers of the Company or corporations controlled by them. These transactions are measured at their exchange amounts, being the amounts agreed upon between the Company and the related parties.

16. Capital stock

(a) Common shares

Anaconda's authorized share capital consists of an unlimited number of Common shares.

The issued and outstanding Common shares are as follows:

	Number of Shares	$
Balance at May 31, 2008	**60,021,260**	**21,716,713**
Issued for cash:		
Private placement	18,938,250	1,893,825
Issued on trade debt conversion	6,061,750	606,176
Costs of financings	-	(50,400)
Fair value of issued warrants	-	(863,000)
Balance at May 31, 2009	**85,021,260**	**23,303,314**
Issued for cash:		
Private placement	3,333,334	500,000
Fair value of issued warrants	-	(283,334)
Balance at August 31, 2009	**88,354,594**	**23,521,980**

The table above reflects the legal number of outstanding shares of Anaconda but the book value associated with them for accounting purposes is based upon Colorado's share capital account. The dollar amount of the legal stated capital of Anaconda therefore differs from the amounts reflected above.

Private Placement – Fiscal 2010

In June 2009, Anaconda closed a non-brokered private placement of units at a price of $0.15 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant expires on June 17, 2011 and has an exercise price of $0.25. The issuance consisted of 3,333,334 units for gross proceeds of $500,000.

Private Placement – Fiscal 2009

At the end of April 2009, Anaconda closed a first tranche of a non-brokered private placement of units at a price of $0.10 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant expires on 24 months from closing and has an exercise price of $0.15 for the first 12 months and then $0.20 for the remaining 12 months until expiry. The first tranche consisted of 20.2 million units for gross proceeds of $2.02 million.

At the beginning of May 2009, Anaconda closed a second tranche of the non-brokered private placement financing. The second tranche consisted of 4.8 million units for gross proceeds of $480,000, bringing the total gross proceeds of the private placement to $2.5 million. The proceeds of the private placement were used to fund preliminary mining and related activities at the Pine Cove gold mine in conjunction with the then proposed custom milling arrangement with Crew Gold Canada Inc. ("Crew") and for general working capital purposes.

The 20,200,000 and 4,800,000 share purchase warrants were assigned a value of $697,000 and $166,000 respectively, using the Black-Scholes valuation model with the following assumptions: a two year expected term; 137.3% and 139.8% volatility, risk free interest rate of 0.01% and a dividend yield of Nil%.

The Company paid a total of $50,400 in finder's fees and commissions regarding private placement.

(b) Warrants

The outstanding Issued Warrants balance at August 31, 2009, is comprised as follows:

Date of Expiry	Type	Fair Value	No. of Warrants	Exercise Price $
November 14, 2009	Purchase warrants	313,004	1,000,000	1.25
November 30, 2009	Purchase warrants	85,362	292,500	1.25
April 23, 2011	Purchase warrants	697,000	20,200,000	(1) 0.15
April 23, 2011	Purchase warrants	22,718	500,000	0.20
May 11, 2011	Purchase warrants	166,000	4,800,000	(1) 0.15
June 17, 2011	Purchase warrants	283,333	3,333,334	0.25
Total		**1,567,417**	**30,125,834**	

(1) Exercisable at a price of $0.15 until the first anniversary and thereafter at a price of $0.20 until expiry.

The outstanding Issued Warrants balance at May 31, 2009, is comprised as follows:

Date of Expiry	Type	Fair Value	No. of Warrants	Exercise Price $
November 14, 2009	Purchase warrants	313,004	1,000,000	1.25
November 30, 2009	Purchase warrants	85,362	292,500	1.25
April 23, 2011	Purchase warrants	697,000	20,200,000	(1) 0.15
April 23, 2011	Purchase warrants	22,718	500,000	0.20
May 11, 2011	Purchase warrants	166,000	4,800,000	(1) 0.15
Total		**1,284,084**	**26,792,500**	

(1) Exercisable at a price of $0.15 until the first anniversary and thereafter at a price of $0.20 until expiry.

(c) Options

Anaconda has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at August 31, 2009, the Company has 5,610,459 (2008 – 2,007,126) options available for issuance under the plan. Continuity of the unexercised options to purchase common shares is as follows:

	August 31, 2009		May 31, 2009	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of period	**0.90**	**2,645,000**	0.93	4,012,500
Transactions during the period:				
Granted	**0.23**	**580,000**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	0.94	(1,267,500)
Expired	**-**	**-**	0.67	(100,000)
Outstanding at end of period	**0.79**	**3,225,000**	0.90	2,645,000
Exercisable at end of period	**0.90**	**2,645,000**	0.90	2,645,000

The following table provides additional information about outstanding stock options at August 31, 2009:

Range of Exercise Prices ($)	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**	**No. of Options Currently Exercisable**	**Weighted Average Exercise Price ($) of Exercisable Options**
0.00 – 0.50	580,000	4.8	0.23	-	-
0.51 – 0.99	1,745,000	3.1	0.67	1,745,000	0.81
1.00 – 1.50	900,000	3.2	1.10	900,000	1.10
	3,225,000	**3.3**	**0.79**	**2,645,000**	**0.90**

Stock-based compensation

The fair value of the stock options granted for the 3 months ended August 31, 2009 was $35,653 (August 31, 2008 – $150,802), which amount has been expensed in the statement of operations. The weighted average grant-date fair value of options granted during the 3 months ended August 31, 2009 was $0.185 (August 31, 2008 – Nil) per option issued.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table below summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2010 and 2009.

The weighted-averages used in the Black-Scholes option pricing method were as follows:

	2010	2009
Dividend Yield	-	-
Expected volatility	160.7%	135%
Risk-free interest rate	2.61	0.01%*
Expected life (years)	2.4	2.0

*As per CICA 3855, 0.01% has been used in the determination of the fair value of options or warrants with a step-up exercise price.

17. Contributed surplus

	$
Balance at May 31, 2008	**2,347,188**
Stock-based compensation	120,992
Fair value transferred on exercised options	2,093,295
Balance at May 31, 2009	**4,561,475**
Stock-based compensation	35,653
Balance at August 31, 2009	**4,597,128**

18. Segmented information

The Company has assets and operations in Chile and Canada. Information regarding the Company's reportable segments, that are by geographical area, is as follows:

	August 31, 2009	May 31, 2009
	$	$
Identifiable assets:		
Canada	**14,816,825**	13,524,761
Chile	**4,573,180**	4,371,538
Consolidated identifiable assets	**19,390,005**	17,896,299

For the three months ended August 31	**2009**	2008
	$	$ Restated *(note 4)*
Canada	**562,159**	(950,051)
Chile	**(156,178)**	(297,679)
Consolidated net income (loss)	**405,981**	(1,247,730)

	August 31, 2009	May 31, 2009
	$	$
Significant Non-Cash Items		
Canada		
Issuance of securities to repay trade debt	**-**	606,176
Stock-based compensation	**35,653**	120,992
Interest accretion on convertible loans and debentures	**37,251**	118,646
Interest accretion on asset retirement obligation	**21,672**	77,400
Write-down of property, mill and equipment	**-**	366,845
Future income tax expense (recovery)	**(24,404)**	182,100
Financing fees	**-**	22,718
Depletion and amortization	**47,565**	-
	117,737	1,494,877
Chile		
Write-down of resources properties	**-**	599,941
Amortization	**821**	3,241
	821	603,182
Consolidated Significant Non-Cash Items	**118,558**	2,098,059

19. Subsequent Events

On September 1, 2009, the Company issued 1,200,000 options with an exercise price of $0.23 and a term of 2 years.