



## **Interim Consolidated Financial Statements**

**(Unaudited)**

**Third Quarter and 9 months Ended**

**February 28, 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**

<b>As at</b>	<b>February 28, 2009</b>	<b>May 31, 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	605,827	1,391,404
GST recoverable	48,366	201,947
Prepays, deposits and receivables	216,620	5,543
Subscriptions receivable	-	55,000
	<b>870,813</b>	1,653,894
<b>Investments (Note 5)</b>	<b>229,500</b>	322,000
<b>Mineral properties and deferred exploration</b>		
<b>Expenditures (Note 6)</b>	<b>15,625,139</b>	15,099,783
<b>Leasehold improvements (Note 7)</b>	<b>9,059</b>	10,990
<b>Mill and equipment (Note 8)</b>	<b>2,830,554</b>	2,800,135
<b>Deferred financing costs</b>	<b>124,483</b>	-
	<b>19,689,548</b>	19,886,802
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	2,952,795	4,014,808
Due to related parties (Note 13)	92,965	-
	<b>3,045,760</b>	4,014,808
<b>Asset retirement obligations (Note 10)</b>	<b>645,000</b>	645,000
<b>Convertible loan (Note 11)</b>	<b>2,052,719</b>	
<b>Debenture (Note 12)</b>	<b>1,558,830</b>	
	<b>7,302,309</b>	4,659,808
<b>Shareholders' equity</b>		
<b>Capital Stock</b>		
Common shares (Note 14(a))	21,716,713	21,716,713
Warrants (Note 14(b))	2,491,662	2,491,662
Contributed surplus (Note 15)	2,451,712	2,347,188
Deficit	(13,129,310)	(11,503,869)
Accumulated comprehensive income	(1,143,538)	175,300
	<b>12,387,239</b>	15,226,994
	<b>19,689,548</b>	19,886,802

*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 February 28/29		9 months ended February 28/29	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Interest income</b>	<b>1,519</b>	31,920	<b>7,346</b>	156,515
<b>Operating Expenses</b>				
Office and general	<b>17,152</b>	103,924	<b>210,608</b>	319,514
Consulting and professional fees <i>(Note 13)</i>	<b>25,035</b>	96,042	<b>439,969</b>	451,157
Stock-based compensation	<b>17,182</b>	966,379	<b>104,525</b>	2,184,863
Representation and travel	<b>(2,209)</b>	29,071	<b>49,462</b>	69,813
Shareholder and regulatory reporting	<b>33,220</b>	39,958	<b>82,397</b>	146,122
Management fees	<b>(6,707)</b>	32,287	<b>34,016</b>	106,513
Salaries and benefits	<b>72,460</b>	84,504	<b>250,769</b>	259,462
Interest expense	<b>104,768</b>	-	<b>205,190</b>	-
Financing fees	<b>15,481</b>	210,412	<b>33,454</b>	357,456
Project investigation costs	<b>(73,768)</b>	-	<b>143,010</b>	-
Write-down of deferred exploration expenditures	-	-	-	89,794
	<b>202,614</b>	1,562,577	<b>1,553,400</b>	3,984,694
<b>Net loss before exchange losses</b>	<b>(201,095)</b>	(1,530,657)	<b>(1,546,054)</b>	(3,828,179)
Foreign exchange gain (loss)	<b>98,899</b>	152,975	<b>144,276</b>	584,976
<b>Net loss before income taxes</b>	<b>(102,198)</b>	(1,377,682)	<b>(1,401,778)</b>	(3,243,203)
Future income taxes	-	53,800	<b>(223,663)</b>	53,800
<b>Net loss</b>	<b>(102,198)</b>	(1,323,882)	<b>(1,625,441)</b>	(3,189,403)
Deficit at beginning of period	<b>(13,027,112)</b>	(2,468,526)	<b>(11,503,869)</b>	(603,005)
<b>Deficit at end of period</b>	<b>(13,129,310)</b>	(3,792,408)	<b>(13,129,310)</b>	(3,792,408)
<b>Net loss per share – basic and fully diluted</b>	<b>\$0.00</b>	\$0.01	<b>\$0.03</b>	\$0.06
<b>Weighted average number of shares outstanding (000's)</b>	<b>60,021</b>	55,885	<b>60,021</b>	55,816

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

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**Anaconda Mining Inc.**  
**Consolidated Statements of Comprehensive Loss**  
**and Accumulated Comprehensive Income**

	3 months ended February 28/29		9 months ended February 28/29	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net loss	(102,198)	(1,323,882)	(1,625,441)	(3,189,403)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities, net of tax benefit (Note 5)	-	-	(1,318,838)	-
<b>Total comprehensive loss</b>	<b>(102,198)</b>	<b>(1,323,882)</b>	<b>(2,944,279)</b>	<b>(3,189,403)</b>
<b>Comprehensive loss per share –     basic and fully diluted</b>	<b>\$0.00</b>	<b>\$0.01</b>	<b>\$0.05</b>	<b>\$0.06</b>

	3 months ended February 28/29		9 months ended February 28/29	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of period	(1,143,538)	-	175,300	-
Unrealized gain (loss) on available-for-sale securities, net of tax benefit (Note 5)	-	-	(1,318,838)	-
<b>Accumulated comprehensive income</b>	<b>(1,143,538)</b>	<b>-</b>	<b>(1,143,538)</b>	<b>-</b>

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Anaconda Mining Inc.

Consolidated Statements of Cash Flow

	3 months ended February 28/29		9 months ended February 28/29	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Operations</b>				
Net loss	(102,198)	(1,323,882)	(1,625,441)	(3,189,403)
Adjustments to reconcile net loss to cash flow from operating activities:				
Amortization	390	951	1,931	2,519
Write-down of resource properties	-	-	-	89,794
Stock-based compensation	17,182	966,379	104,525	1,284,864
Financing fees	6,916	284,903	13,829	357,456
Interest accretion on debenture <i>(Note 9)</i>	8,565	-	17,130	-
Future income taxes	-	(53,800)	223,663	(53,800)
Foreign exchange gains	5,793	183,486	(1,501)	184,385
Net change in non-cash working capital:				
GST recoverable	7,682	(147,134)	153,581	(440,742)
Prepays, deposits and receivables	(120,405)	(23,626)	(211,077)	(125,079)
Accounts payable and accruals	(29,386)	3,327,425	(370,638)	2,714,575
Promissory note <i>(Note 9)</i>	(118,357)	-	-	-
Convertible loan <i>(Note 11)</i>	-	-	1,544,096	-
<b>Cash flow provided from (used in) operating activities</b>	<b>(323,818)</b>	<b>3,214,702</b>	<b>(149,897)</b>	<b>1,724,569</b>
<b>Financing</b>				
Issuance of common shares (net of subscriptions receivable)	-	845,378	55,000	1,136,378
Issuance costs	-	-	-	(80,603)
Project loan	-	(1,207,727)	-	(1,740,994)
Convertible loan <i>(Note 11)</i>	504,000	-	504,000	-
12% convertible debenture <i>(Note 7)</i>	-	-	1,593,090	-
Deferred call option premiums	-	-	-	(74,491)
Deferred financing costs	-	-	(138,315)	-
Due to related parties	92,965	-	92,965	(1,000)
<b>Cash flow provided from (used in) financing activities</b>	<b>596,965</b>	<b>(362,349)</b>	<b>2,106,740</b>	<b>(686,219)</b>

**Anaconda Mining Inc.**  
**Consolidated Statements of Cash Flow**  
**(Cont'd)**

	3 months ended February 28/29		9 months ended February 28/29	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Investments</b>				
Expenditures on mineral properties and deferred exploration	(310,539)	(4,309,648)	(2,712,502)	(7,305,098)
Purchase of property, plant and equipment	(9,610)	(318,018)	(30,419)	(917,050)
<b>Cash Flow used in investing activities</b>	<b>(320,149)</b>	<b>(4,627,666)</b>	<b>(2,743,921)</b>	<b>(8,222,148)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(5,793)</b>	<b>(4,328)</b>	<b>1,501</b>	<b>(5,186)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(52,795)</b>	<b>(1,779,641)</b>	<b>(785,577)</b>	<b>(7,188,984)</b>
Cash and cash equivalents at beginning of period	658,622	4,574,634	1,391,404	9,983,977
<b>Cash and cash equivalents at end of period</b>	<b>605,827</b>	<b>2,794,993</b>	<b>605,827</b>	<b>2,794,993</b>

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**Anaconda Mining Inc.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**  
**For the 9 months ended February 28, 2009 and**  
**For the period 9 months ended February 29, 2008**

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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 Minerals 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 ("RTO") of Anaconda. Accordingly, for accounting purposes Colorado is deemed to be the acquirer of Anaconda, although Anaconda is the legal parent company and the reporting issuer.

The Company's principal business activity is that of a mineral exploration and mining company with operations in Canada and Chile. As at February 28, 2009, the Company has completed the construction of its mining project in Baie Verte, Newfoundland (the "Pine Cove project") and continues to work toward commercial production, being the first day of the month following the first month in which gold has been produced from the project for a period of thirty consecutive days at an average rate of not less than 70% of the initial-rated capacity of the mill ("Commercial Production").

The Company has not yet established whether its mineral properties in Chile contain resources 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 resources, 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. Summary of Significant Accounting Policies**

**(i) 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, 2008.

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.

**(ii) 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.

Currently, the Company's only source of revenue is from the Pine Cove project. The operation continues to experience difficulties with the current configuration of its ore-processing circuit. Recoveries have been impacted by the inefficiencies encountered in the concentrator circuit and throughput has been low, due to down time.

**Anaconda Mining Inc.**  
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The unanticipated and continued delay in reaching Commercial Production at the project has caused the Company to utilize available working capital on operations and capital requirements at the mine site, impeding its ability to deploy the funds in other areas of its operations.

The Company intends to raise additional funds to supplement its capital requirements at the Pine Cove project to correct the inefficiencies noted above. As well, the Company will utilize these funds to reduce its current obligations. However, there is no assurance that the Company will be able to raise such funds 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 will 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.

If the going concern assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in these financial statements.

**(iii) 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 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.

**2. Capital Management**

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

Aside from its Pine Cove project which is now in limited production, the mineral properties of Anaconda are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to Anaconda are through the exercise of outstanding stock options, the sale of equity capital of the Company or the sale by Anaconda of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions



**Anaconda Mining Inc.**  
**Notes to the Consolidated Financial Statements**  
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as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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

There were no changes in the Company's approach to capital management during the three months ended February 28, 2009. The Company is not subject to externally imposed capital restrictions.

### **3. Risk Factors**

The Company's major projects are its Pine Cove project and its San Gabriel property (the "Projects"). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon the Projects, and specifically its Pine Cove mining project. Any adverse developments affecting the Company's Projects would have a material adverse effect on the Company's financial condition and results of operations.

Other 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 GST recoverable. Cash is 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 February 28, 2009. Management believes that the credit risk associated with the financial instruments included in GST recoverable is minimal.

#### ***Liquidity Risk***

As at February 28, 2009, the Company had an unrestricted working capital deficiency of approximately \$2.8 million. The Company utilized the proceeds from the drawdown of the Convertible Loan (*Note 11*) and the Debenture (*Note 13*) to discharge some of its current obligations. However, in order to meet its other short to medium-term working capital obligations, the Company intends on securing further financing to reduce its current obligations.. As discussed in *Note 1 (ii)*, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

**Anaconda Mining Inc.**  
**Notes to the Consolidated Financial Statements**  
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***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.

***(i) Interest rate risk***

The Company has no 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 transacts business using the Canadian dollar, the US dollar and the Chilean peso.

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

***(iii) Commodity price risk***

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

***(iv) Stock market volatility risk***

For certain option rights it has granted on some of its properties, the Company has taken in consideration, common shares of the optionee company. Such common shares have been issued by a company whose shares trade on the Toronto Stock Exchange's Venture Exchange. The value of these financial instruments fluctuate on a daily basis due to external market factors that are not within the control of the Company. The Company 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.

***4. Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on deposit with the banks of \$9,795 (May 31, 2008 - \$784,237) and cashable guaranteed investment certificates of \$596,031 (May 31, 2008 - \$607,167).

**Anaconda Mining Inc.**  
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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 as a result of cash held by its Canadian bank in interest bearing deposits securing letters of credit issued regarding the Pine Cove project:

	February 28, 2009	May 31, 2008
	\$	\$
<b>General Purpose</b>		
Cash	8,125	784,237
Cash equivalents	66	66
	<b>8,191</b>	<b>784,303</b>
<b>Restricted</b>		
Cash	1,604	-
Cash equivalents	596,031	607,101
	<b>597,635</b>	<b>607,101</b>
<b>Total Cash and Cash Equivalents</b>	<b>605,827</b>	<b>1,391,404</b>

**5. 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 at February 28, 2009, based on the last available closing price of the securities on the TSXV on the nearest prior date to February 28, 2009. As such, the Company has estimated a fair value per share of \$0.15, resulting in a 9-month decrease of \$1,337,900 in these investments and a decrease in accumulated other comprehensive income of \$1,143,538 offset by future income recoveries of \$193,963 that have been included in the current period's net loss.

See Note 9 for restrictions on the Company's ability to trade these securities.

**6. Mineral Properties and Deferred Exploration Expenditures**

	February 28, 2009	May 31, 2008
	\$	\$
<b>Mineral Properties</b>		
Balance at beginning of period	6,564,886	9,148,770
Acquisitions costs <sup>1</sup>	(1,653,043)	(1,321,003)
Costs written off	-	(1,263,881)
Balance at end of period	<b>4,911,843</b>	<b>6,564,886</b>

**Anaconda Mining Inc.**  
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**For the period 9 months ended February 29, 2008**

	February 28, 2009	May 31, 2008
<b>Deferred Exploration Expenditures</b>		
Balance at beginning of period	7,890,897	1,701,435
Deferred exploration expenditures	2,177,399	10,652,195
Costs written off	-	(4,463,011)
Balance at end of period	<b>10,068,296</b>	7,890,619
<b>Asset Retirement Obligation (note 10)</b>		
Balance at beginning of period	645,000	250,000
Additions for the period	-	435,000
Balance at end of period	<b>645,000</b>	645,000
	<b>15,625,139</b>	15,099,783

<sup>1</sup>Balance at May 31, 2008, reflects US\$2.05 million option payment received from Minera Peñoles de Chile. Balance at February 28, 2009 reflects an option payment received in accordance with an agreement entered into with MIMI, referenced below.

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

<b>Property</b>	May 31, 2008	Additions	Written-off	<b>February 28, 2009</b>
	\$			\$
San Gabriel	2,773,858	990,305	-	<b>3,764,163</b>
Other Chilean	852,279	197,092	-	<b>1,049,371</b>
Pine Cove	8,802,184	1,235,027	-	<b>10,037,211</b>
Damoti Lake <sup>1</sup>	1,947,068	(1,897,068)	-	<b>50,000</b>
Borthwick Lake	480,122	-	-	<b>480,122</b>
Lingman Lake	244,272	-	-	<b>244,272</b>
	15,099,783	525,356	-	<b>15,625,139</b>

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**Notes to the Consolidated Financial Statements**  
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**For the period 9 months ended February 29, 2008**

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

<sup>1</sup> Additions for period reflect \$1,897,068 of option payments received from MIMI, referenced below.

<sup>2</sup> Balance and additions for period reflects US\$2.05 million option payment received from Minera Peñoles de Chile.

<sup>3</sup> Balance reflects an option payment received in accordance with an agreement entered into with MIMI, referenced below.

***Inca de Oro Sur***

On November 20, 2008, the Company announced that it had received notice from its JV partner Minera Penoles de Chile Ltda ("Penoles") that it would not continue into the second year of the option and joint venture agreement governing the project.

In December 2008, the Company's discussions with the project's vendor on deferring or renegotiating the terms that remain outstanding on its underlying option, were not successful. The Company did not make the US\$1 million option payment that was due on December 10, 2008 and the property was returned to the vendor.

***Damoti Lake***

Pursuant to an option agreement dated August 1, 2008, Anaconda optioned its interest in the Damoti Lake gold project to MIMI. Under the terms of the option agreement, the Company received \$250,000 as an option payment, \$208,000 as reimbursement for security deposits held by government authorities regarding the land and water use on the project and 1,250,000 common shares of MIMI (fair-valued on the date of receipt at \$1.16 per share, or \$1,450,000).

***Borthwick Lake***

Pursuant to an option agreement dated December 3, 2007, Anaconda optioned its interest in Borthwick Lake to MIMI. Under the terms of the option agreement, the Company received \$25,000 as an option payment and 250,000 common shares of MIMI (fair-valued on the date of receipt at \$0.39 per share, or \$97,500).

On a quarterly basis, management of the Company reviews exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or

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exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year.

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties. Proceeds from gold sales during the bulk sampling development stage and the net realizable value of gold concentrate in inventory will be netted against deferred exploration and development costs.

**7. Leasehold Improvements**

As at	February 28, 2009		May 31, 2008	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Leasehold Improvements	16,765	7,706	16,765	5,775
	<b>16,765</b>	<b>7,706</b>	16,765	5,775
<b>Net Book Value</b>	<b>9,059</b>		10,990	

**8. Mill and Equipment**

As at	February 28, 2009		May 31, 2008	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Mill	2,287,174	-	2,287,174	-
Equipment	543,380	-	512,961	-
	<b>2,830,554</b>	-	2,800,135	-
<b>Net Book Value</b>	<b>2,830,554</b>		2,800,135	

As per the Company's accounting policy, amortization of the building, plant and equipment will begin once Commercial Production commences at its Pine Cove project.

**9. Promissory Note**

In September 2008, the Company signed a promissory note payable to Auramet Trading, LLC in exchange for extending the final payment of US\$255,000 due on the forward-buy contracts that the Company closed out prior to year end. The promissory note carries interest of 10% on the outstanding balance and was repayable by December 31, 2008. In January 2009, the Company repaid the outstanding amount of this note.

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**10. Asset Retirement Obligations**

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

	<b>February 28, 2009</b>	May 31, 2008
	\$	\$
Opening balance	<b>645,000</b>	250,000
Additions to provision for reclamation	-	395,000
Closing balance	<b>645,000</b>	645,000

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 asset retirement 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.

Upon Commercial Production activities, this provision will be accreted over the life of the mine on a units-of-production basis, to the estimated retirement obligation payable through charges to operations.

**11. Convertible Loan**

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

Upon the closing of the Convertible Loan, the Company valued the conversion portion of the loan amount as described per *CICA 3861* using a discount factor of 15%, a factor it considered to be consistent with interest costs for a similar loan with no conversion feature. Since this factor is greater than the interest rate on the loan, the value attributable to the equity component of the loan was zero.

In January 2009, the Company re-negotiated the terms of the Convertible Loan, whereby the maximum amount of the facility was increased to \$2 million, the maturity date was extended by one year to May 31, 2010 and the interest rate changed to 12% with interest payable monthly. Accrued interest of \$48,719 was rolled into the amended Convertible Loan and the Company subsequently

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drew down an additional \$451,281 in principal. Accrued interest on the amended Convertible Loan to February 28, 2009, amounted to \$52,719 with such amount included in the Convertible Loan balance.

**12. Debenture**

During August 2008, the Company obtained and drew down on a demand loan (the "Demand Loan") in the amount of \$495,000. The terms of the loan provided that interest would be paid quarterly, in arrears, at a rate of 12% per annum and that the principal was to be repaid from the proceeds of a debenture facility that was completed by the Company in September, 2008.

On September 16, 2008, the Company closed on a portion of a non-brokered, secured, convertible, 12% debenture financing (the "Debenture"). The Debenture consists of a total of up to 3,300 debenture units (the "Debenture Units") with a face value of \$1,000 per Debenture Unit, maturing September 15, 2013 (the "Maturity"), and a subscription price of \$900 per Debenture Unit. The amount closed consisted of 1,713 Debenture Units and raised \$1,541,700 of discounted proceeds. The Demand Loan was repaid in full from these proceeds.

The discount-to-face-value amount will be accreted to interest expense over the term of the Debenture. For the 9 months ended February 28, 2009, \$17,130 has been charged to interest expense.

Interest is payable semi-annually until Maturity and the Debenture may be prepaid in whole or in part (including accrued interest) at any time without penalty or bonus. The Company paid finders' fees of \$12,924, regarding debenture amounts raised to-date. As at February 28, 2009, interest of \$102,780 has been accrued with such amount included in the accounts payable and accrued liabilities account.

The Debenture is secured by a charge over certain of the Company's assets, including the common shares of MIMI (the "MIMI Shares") that it currently owns (*Note 5*). During the time that the MIMI Shares are held as security hereunder, the Company has surrendered the share certificates to a trustee pursuant to the General Security and Pledge Agreement.

The Company has also established a debt reduction escrow account (the "Escrow Account") funded from gold sales from the Company's Pine Cove gold project from which debt service and/or principal repayments will be made.

Each Debenture Unit may be converted (the "Conversion") into common shares of the Company on the following basis:

<b>Period</b>	<b>Conversion Rate per common share</b>
Until September 15, 2010	\$0.75
September 16, 2010 until September 15, 2012	\$0.90
September 16, 2012 until September 15, 2013	\$1.10



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The Company may accelerate conversion of the Debentures if the closing price of the Company's shares (listed on the Toronto Stock Exchange –TSX) is equal to or exceeds 100%, of the underlying conversion price for a period of 20 consecutive trading days during any conversion period.

The Company valued the conversion portion of the loan amount as described per *CICA 3861* using a discount factor of 15%, a factor it considered to be consistent with interest costs for a similar loan with no conversion feature. Since this factor is greater than the yield on the debentures, the value attributable to the equity component of the debentures was zero.

**13. Related Party Transactions**

As at February 28, 2009, in addition to the Convertible Loan (*Note 11*), the consolidated financial statements include \$170,319 (2008 - \$110,000) in consulting and interest costs and \$92,965 (2008 - \$Nil) in demand loans (interest free with no fixed term of repayment), 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.

**14. 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	\$
<b>Balance at May 31, 2007</b>	<b>55,420,635</b>	<b>17,759,127</b>
Issued for cash:		
Private placement	2,585,000	2,585,000
Exercise of options	192,500	144,000
Exercise of warrants	331,250	212,500
Exercise of agent warrants	991,875	793,500
Costs of financings	-	(153,053)
Fair value of issued warrants	-	(398,366)
Fair value of exercised options	-	71,350
Fair value of exercised warrants	-	396,655
Issued for options on mineral properties	400,000	176,000
Issued on partial conversion of Auramet loan	100,000	130,000
<b>Balance at May 31, 2008 and February 28, 2009</b>	<b>60,021,260</b>	<b>21,716,713</b>

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

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dollar amount of the legal stated capital of Anaconda therefore differs from the amounts reflected above.

**Private Placement – Fiscal 2008**

The Company completed a 2-tranche, non-brokered private placement whereby it issued 2,585,000 units at a price of \$1.00 per unit, for gross proceeds of \$2,585,000. Each unit consists of 1 common share of the Company and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$1.25 per share until November 14, 2009 (for 1,000,000 warrants that closed during tranche 1 of the financing) and November 30, 2009 (for the remaining 292,500 warrants that closed during tranche 2 of the financing).

The 1,000,000 and 292,500 share purchase warrants were assigned a value of \$313,004 and \$85,362 respectively, using the Black- Scholes valuation model with the following assumptions: a eighteen month expected term; 93.1% and 94.1% volatility, risk free interest rate of 2.98% and 3.16% and a dividend yield of Nil%.

The Company paid total finder's fees on the private placement of \$45,000.

**(b) Warrants**

The outstanding Issued Warrants balance at February 28, 2009, is comprised as follows:

<b>Date of Expiry</b>	<b>Type</b>	<b>Fair Value</b>	<b>No. of Warrants</b>	<b>Exercise Price \$</b>
April 17, 2009	Purchase	2,093,296	8,184,375	1.20
Nov. 14, 2009	Purchase	313,004	1,000,000	1.25
Nov. 30, 2009	Purchase	85,362	292,500	1.25
<b>Total</b>		<b>2,491,662</b>	<b>9,476,875</b>	

The outstanding Issued Warrants balance at May 31, 2008, is comprised as follows:

<b>Date of Expiry</b>	<b>Type</b>	<b>Fair Value</b>	<b>No. of Warrants</b>	<b>Exercise Price \$</b>
April 17, 2009	Purchase	2,093,296	8,184,375	1.20
Nov. 14, 2009	Purchase	313,004	1,000,000	1.25
Nov. 30, 2009	Purchase	85,362	292,500	1.25
<b>Total</b>		<b>2,491,662</b>	<b>9,476,875</b>	

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**(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 February 28, 2009, the Company has 2,407,126 (2008 – 2,210,444) options available for issuance under the plan. Continuity of the unexercised options to purchase common shares is as follows:

	February 28, 2009		May 31, 2008	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of period	0.91	4,012,500	0.81	250,000
Transactions during the period:				
Granted	-	-	0.92	4,055,000
Exercised	-	-	0.75	(192,500)
Forfeited	1.15	(492,500)	0.88	(100,000)
Expired	-	-	-	-
<b>Outstanding at end of period</b>	<b>0.89</b>	<b>3,520,000</b>	0.93	4,012,500
<b>Exercisable at end of period</b>	<b>0.89</b>	<b>3,432,500</b>	0.91	3,322,500

The following table provides additional information about outstanding stock options at February 28, 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
0.50 – 0.99	2,505,000	2.8	0.75	2,417,500	0.74
1.00 – 1.50	1,015,000	3.7	1.10	1,015,000	1.10
	<b>3,520,000</b>	<b>3.5</b>	<b>0.90</b>	<b>3,432,500</b>	<b>0.85</b>

**Stock-based compensation**

There were no stock options granted during the quarter. The fair value of the stock options vesting for the 9 months ended February 28, 2009 was \$104,525 (2008 – \$2,184,863) 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 February 28, 2009 was \$Nil (2007 – Nil) per option issued.

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**15. Contributed Surplus**

	\$
<b>Balance at May 31, 2007</b>	-
Stock-based compensation	2,418,538
Fair value transferred on exercised options	(71,350)
<b>Balance at May 31, 2008</b>	<b>2,347,188</b>
Stock-based compensation	104,524
<b>Balance at February 28, 2009</b>	<b>2,451,712</b>

**16. Income Taxes**

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	February 28, 2009 (\$)	%	May 31, 2008 (\$)	%
Income taxes (recoveries) at Federal and Provincial statutory rates	<b>(487,818)</b>	<b>(34.8)</b>	(3,803,800)	(34.8)
Difference between Canadian and foreign tax rates	<b>(7,200)</b>	<b>(0.5)</b>	816,500	7.5
Expenses deductible for tax purposes:				
1/2 Capital (gain) loss treatment	-	-	(90,500)	(0.8)
Expenses not deductible for income tax purposes:				
Stock-based compensation	<b>105,000</b>	<b>7.5</b>	841,700	7.7
Other	<b>(31,000)</b>	<b>(2.2)</b>	2,400	0.0
Valuation allowance	<b>197,355</b>	<b>14.1</b>	2,239,100	20.1
<b>Future income taxes (recoveries)</b>	<b>(223,663)</b>	<b>(15.9)</b>	(29,700)	(0.3)

**Future Income Tax Liability**

The tax effects of temporary differences that give rise to significant portions of future tax assets and liabilities are:

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	February 28, 2008	May 31, 2008
	(\$)	(\$)
<b>Future tax asset:</b>		
Temporary timing differences on long-term assets	306,100	(811,700)
Capital and non-capital losses available for carry forward	(914,100)	(968,100)
Deductible Financing Fees	(332,400)	(332,400)
Future tax asset on unrealized losses on "Available-for-sale" investments	(193,900)	
<b>Future tax liability:</b>		
Future tax payable on unrealized gains on "Available-for-sale" investments	-	29,700
<b>Valuation Adjustment</b>	<b>1,134,300</b>	<b>2,082,500</b>
<b>Future Income Tax Liability</b>	<b>-</b>	<b>-</b>

**17. 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:

	February 28, 2009	May 31, 2008
	(\$)	(\$)
<b>Identifiable Assets:</b>		
Canada	14,641,393	16,934,141
Chile	5,048,155	6,238,017
<b>Consolidated Identifiable Assets</b>	<b>19,689,548</b>	<b>23,402,928</b>
<b>For the 9 months ended February 28/29</b>		
	<b>2009</b>	<b>2008</b>
Canada	(1,637,149)	(3,261,565)
Chile	11,708	18,362
<b>Consolidated Net Loss</b>	<b>(1,625,441)</b>	<b>(3,243,203)</b>

**18. Subsequent Events**

**Demand Loan**

In March 2009, Thorsen advanced the company a further \$60,035 in the form of an unsecured demand loan with no fixed maturity, accruing interest at 12% per annum.