ANACONDA MINING INC.

Interim Consolidated Financial Statements

(Unaudited)

Second Quarter and Six Months Ended

November 30, 2010

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
(Unaudited)

Canadian Dollars

As at	**November 30, 2010**	May 31, 2010
Assets	**$**	$
Current assets		
Cash and cash equivalents *(note 6)*	**177,017**	533,628
Restricted cash *(note 6)*	**161,650**	96,068
HST recoverable	**143,189**	592,242
Accounts receivable, prepaids and deposits	**898,586**	168,098
Inventory *(note 7)*	**553,318**	903,605
	1,933,760	2,293,641
Investments *(note 8)*	**-**	336,600
Shares of New Island Resources Inc. *(note 9)*	**2,258,897**	-
Deferred transaction costs *(note 9)*	**608,610**	79,581
Restricted cash *(note 6)*	**674,751**	777,479
Mineral properties and deferred exploration expenditures *(note 10)*	**1,584,534**	4,700,641
Leasehold improvements *(note 11)*	**2,868**	4,512
Property, mill and equipment *(note 12)*	**14,535,709**	13,192,874
	21,599,129	21,385,328
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**5,201,142**	2,340,293
Due to related parties *(note 19)*	**473,849**	676,436
Current portion of long-term debt *(notes 13 and 17)*	**1,194,330**	-
	6,869,321	3,016,729
Loans *(note 13)*	**543,246**	-
Convertible loan *(note 14)*	**1,809,654**	1,790,000
Convertible debentures *(note 15)*	**1,528,695**	1,499,986
Debentures *(note 16)*	**2,501,565**	2,411,442
Asset retirement obligations *(note 18)*	**642,227**	605,875
	13,894,708	9,342,032
Shareholders' equity		
Common shares *(note 20(a))*	**29,514,217**	26,252,558
Equity portion of convertible loans and debentures *(notes 14& 15)*	**466,700**	466,700
Warrants *(note 20(b))*	**1,259,316**	1,223,573
Contributed surplus *(note 21)*	**5,577,543**	5,247,362
Deficit	**(28,469,569)**	(20,008,547)
Accumulated comprehensive loss	**(643,786)**	(1,120,350)
	7,704,421	12,061,296
	21,599,129	21,385,328

Going concern *(note 1)*

Subsequent events *(note 25))*

The accompanying notes are an integral part of these unaudited interim consolidated financial statements. These interim consolidated financial statements have been approved by the Company's Audit Committee.

Anaconda Mining Inc.
Consolidated Statements of Operations and Deficit
(Unaudited)

Canadian Dollars

	3 months ended		6 months ended	
	November 30, 2010	November 30, 2009	**November 30, 2010**	November 30, 2009
	$	$	**$**	$
Revenue				
Sales	**1,136,082**	4,457,529	**1,633,043**	7,640,200
	1,136,082	4,457,526	**1,633,043**	7,640,200
Cost of goods sold				
Mill operations	**1,159,869**	885,096	**1,778,066**	1,015,843
Mining costs	**549,125**	937,400	**872,677**	1,551,155
Net smelter returns	**38,206**	164,720	**43,780**	248,585
Toll-milling costs	**-**	1,587,477	**-**	2,581,168
	1,747,200	3,172,848	**2,694,523**	5,396,751
Gross margin	**(611,118)**	1,284,678	**(1,061,480)**	2,243,449
Administrative expenses				
Office and general	**147,985**	216,946	**265,224**	345,155
Consulting and professional fees	**610,753**	92,140	**956,715**	133,809
Stock-based compensation	**102,497**	268,054	**330,182**	303,707
Representation and travel	**36,395**	29,750	**64,960**	75,221
Shareholder and regulatory reporting	**61,678**	36,330	**144,880**	83,973
Salaries and benefits	**476,362**	42,889	**846,399**	120,052
Interest expense	**609,578**	227,969	**911,172**	349,735
Depletion and depreciation	**64,413**	87,506	**259,725**	140,336
Write-down of deferred exploration expenditures (*note 10*)	**1,627**	49,776	**524,440**	49,776
Loss on sale of properties (*note 10)*	**40,875**	-	**1,483,157**	-
Loss on sale of investments (*note 19)*	**1,464,000**	-	**1,464,000**	-
Foreign exchange losses (gains)	**(31,691)**	49,111	**199,558**	70,901
	3,584,472	1,100,471	**7,450,412**	1,677,665
Net income (loss) before income taxes	**(4,195,590)**	184,207	**(8,511,892)**	565,784
Future income (tax) recoveries	**68,618**	(33,282)	**50,870**	(8,878)
Net income (loss)	**(4,126,972)**	150,925	**(8,461,022)**	556,906
Deficit at beginning of period	**(24,342,597)**	(16,262,522)	**(20,008,547)**	(16,668,503)
Deficit at end of period	**(28,469,569)**	(16,111,597)	**(28,469,569)**	(16,111,597)
Net gain (loss) per share – basic	**$(0.04)**	$0.00	**$(0.08)**	$0.01
Net gain (loss) per share – diluted[1]	**$(0.04)**	$0.00	**$(0.08)**	$0.01
Weighted average number of shares outstanding (000's) – basic	**114,534**	88,356	**109,806**	88,062
Weighted average number of shares outstanding (000's) – diluted[1]	**114,534**	98,558	**109,806**	96,788

[1] In periods of loss, inclusion of outstanding options and warrants is anti-dilutive.

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

Anaconda Mining Inc.

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

(Unaudited)

Canadian Dollars

	3 months ended		6 months ended	
	November 30, 2010	November 30, 2009	**November 30, 2010**	November 30, 2009
	$	$	**$**	$
Net income (loss)	**(4,126,972)**	150,925	**(8,461,022)**	556,906
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale investments, net of tax benefit *(notes 8 & 9)*	**(643,786)**	(196,248)	**(748,438)**	(52,322)
Reclassification of realized loss on available-for-sale investments to income*(notes 8 & 9)*	**1,225,002**	-	**1,225,002**	-
	581,216	(196,248)	**476,564**	(52,322)
Total comprehensive income (loss)	**(3,545,756)**	(45,323)	**(7,984,458)**	504,584
Comprehensive loss per share - basic	**$(0.03)**	$(0.00)	**$(0.07)**	$0.01
Comprehensive loss per share – diluted[1]	**$(0.03)**	$(0.00)	**$(0.07)**	$0.01

	3 months ended		6 months ended	
	November30, 2010	November30, 2009	**November30, 2010**	November30, 2009
	$	$	**$**	$
Opening accumulated comprehensive loss	**(1,225,002)**	(922,874)	**(1,120,350)**	(1,066,800)
Other comprehensive income (loss)	**581,216**	(196,248)	**476,564**	(52,322)
Accumulated comprehensive loss	**(643,786)**	(1,119,122)	**(643,786)**	(1,119,122)

[1] ***In periods of loss, inclusion of outstanding options and warrants is anti-dilutive.***

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

These interim consolidated financial statements have been approved by the Company's Audit Committee.

Anaconda Mining Inc.

Consolidated Statements of Cash Flow

(Unaudited)

Canadian Dollars

	3 months ended		6 months ended	
	November 30, 2010	November 30, 2009	**November 30, 2010**	November 30, 2009
	$	$	**$**	$
Operations				
Net income (loss)	**(4,126,972)**	150,925	**(8,461,022)**	556,906
Adjustments to reconcile net loss to cash flow fromoperating activities:				
Depletion and amortization	**64,415**	91,951	**259,724**	140,336
Stock-based compensation	**102,497**	268,054	**330,182**	303,707
Future income taxes (recoveries)	**(68,618)**	33,282	**(50,870)**	8,878
Foreign exchange (gains) losses	**19,489**	59,707	**1,937,164**	52,364
Interest accretion	**105,863**	59,910	**191,044**	118,743
Interest paid with share issuance	**249,797**	-	**249,797**	-
Loss on sale of investments	**1,464,000**	-	**1,464,000**	-
Loss on sale of property	**-**	-	**1,483,157**	-
Write-down of mineral properties and deferred exploration expenditures	**1,692**	-	**524,440**	-
Net change in non-cash working capital items:				
HST/GST recoverable	**53,230**	(120,426)	**449,053**	(400,236)
Prepaids, deposits and receivables	**78,318**	61,323	**(837,066)**	9,659
Inventory	**283,013**	(324,339)	**350,287**	(1,160,657)
Accounts payable and accrued liabilities	**1,104,699**	370,518	**2,282,339**	703,475
Current portion of long-term debt	**-**	-	**1,194,330**	-
Demand loan	**1,084,997**	100,000	**-**	100,000
Cash flow provided from operating activities	**416,420**	750,905	**1,366,559**	433,175
Financing				
Issuance of common shares (net of subscriptions receivable)	**-**	-	**-**	515,900
Due to related parties	**(48,250)**	-	**473,849**	4,120
Exercise of options/warrants	**-**	15,000	**-**	15,000
Long-term debt	**234,783**	-	**562,783**	-
Cash flow provided from financingactivities	**186,533**	15,000	**1,036,632**	535,019

Anaconda Mining Inc.
Consolidated Statements of Cash Flow (cont'd)
(Unaudited)

Canadian Dollars

	3 months ended		6 months ended	
	November 30, 2010	November 30, 2009	**November 30, 2010**	November 30, 2009
	$	$	**$**	$
Investing				
Expenditures on mineral properties and deferred exploration	**(21,514)**	(53,798)	**(817,896)**	(209,747)
Purchase of property, mill and equipment	**(176,416)**	(697,538)	**(1,600,918)**	(853,509)
Deferred transaction costs	**(375,452)**	-	**(529,029)**	-
Proceeds from sale of investments	**153,000**	-	**153,000**	-
Restricted cash	**(58,804)**	-	**37,143**	-
Cash flow used in investing activities	**(479,186)**	(751,336)	**(2,757,700)**	(1,063,256)
Effect of exchange rate changes on cash and cash equivalents	**(16,852)**	(10,826)	**(2,102)**	10,826
Net increase (decrease) in cash and cashequivalents	**106,915**	3,743	**(356,611)**	(84,236)
Cash and cash equivalents at beginning of period	**70,102**	799,221	**533,628**	887,200
Cash and cash equivalents at end of period	**177,017**	802,964	**177,017**	802,964

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

These interim consolidated financial statements have been approved by the Company's Audit Committee.

Interim Consolidated Financial Statements

Interim Consolidated
Financial Statements

ANACONDA MINING INC.

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 Anaconda common shares to the shareholders of Colorado in exchange for all the issued and outstanding shares of Colorado. As a result of the issuance, the former shareholders of Colorado owned approximately 50.8% of the then outstanding Anaconda common shares thereby affecting a reverse takeover (“RTO”) of Anaconda. Accordingly, for accounting purposes Colorado is deemed to be the acquirer of Anaconda, although Anaconda is the legal parent company and the reporting issuer.

The Company`s principal business activity is that of a mineral exploration and mining company with operations in Canada and Chile. As at May 31, 2009, the Company had completed the construction of its mining project in Baie Verte, Newfoundland (the “Pine Cove project”) and had brought it into limited production. During fiscal 2010, the Company undertook a capital program to expand its existing mill to enable processing of up to 700 tonnes of ore per day. Commissioning of the expanded mill occurred during the first quarter of fiscal 2011 (July 2010).

During the first fiscal quarter of 2011, Anaconda reached the production requirements pursuant to the terms of its Option and Joint venture Agreement with New Island Resources Inc. (“New Island”), allowing it to announce on September 7, 2010 that it had achieved Commercial Production (as defined therein) and therefor had earned its 60% interest in the Pine Cove project. Anaconda also announced that it and New Island had reached an agreement on a friendly transaction that would result in Anaconda acquiring New Island’s 40% interest in the Pine Cove project *(note 9)*.

1. Going concern

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should Anaconda be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that would differ from those shown in these consolidated financial statements. The unanticipated delay in reaching Commercial Production at the Pine Cove project has caused the Company to utilize available working capital and incur further indebtedness to fund operations and capital requirements at the mine site, thereby impeding its ability to fund other areas of its operations. The Company will require significant amounts of additional capital to fund losses until profitable operating levels are achieved at the Pine Cove project.

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 exploration expenditures and property, mill and equipment 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 its properties and upon future profitable production or, alternatively, the Company’s ability to dispose of its interests on an advantageous basis, all of which are uncertain.

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

2. *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, 2010.

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.

Certain prior year amounts have been reclassified to conform to account presentation in the current year.

(ii) Use of estimates

The preparation of these interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the period. The most significant estimates and assumptions include those related to the ability of Anaconda to continue as a going concern, the mineral properties and related deferred costs, asset retirement obligations and stock-based payments. Actual results could differ from those estimates.

(iii) Carrying value of mineral properties and deferred exploration expenditures

The Company records its interest in mineral properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If a property is placed into production, deferred costs will be amortized and depleted using the unit-of-production method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold or abandoned. If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year.

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

Proceeds from partial dispositions of mineral properties during the exploration stage are credited as a reduction to carrying costs. No gain or loss is realized until all carrying costs of the specific interest have been recovered.

(iv) Impairment of long-lived assets

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

(v) Depletion and amortization

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

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

(vi) Financial instruments

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

Effective June 1, 2009, Anaconda adopted the amendment to CICA Handbook Section 3862, financial instruments, which require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

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

(vii)Future accounting changes

International financial reporting standards (“IFRS”)

In January 2006, the Canadian Accounting Standards Board (“AcSB”) published a 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.

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 production, the mineral properties of Anaconda are in the exploration and development stage and, as a result, the Company currently has limited operating cash flow. The Company intends to supplement the cash flow from its Pine Cove projectand raise such funds as and when required to support its other activities or for general working capital purposes. 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 and/or warrants (not within the Company's control), the sale of equity capital of the Company, the issuance of further loans and/or debentures or the sale by Anaconda of an interest in any of its properties, in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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

There were no changes in the Company's approach to capital management during the 3 months ended November 30, 2010. The Company is not subject to externally imposed capital restrictions.

3. Property and financial risk factors

(i) Property risk – 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 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.

(ii) Financial risk factors and their impact on Anaconda'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, HST recoverable and accounts receivable, prepaids and deposits. Cash is held with a tier A Canadian chartered bank and one of Chile's largest banks. As such, management believes the risk of loss to be minimal.

Financial instruments included in HST recoverable consist of goods and services taxes recoverable from the Canadian government and such amounts are in good standing as at November 30, 2010. Management believes that the credit risk associated with the financial instruments included in HST/GST recoverable is minimal.

Accounts receivable, prepaids and deposits consists deposits paid for the Company's office space and is due from it landlord, a large national real estate company. Management believes the credit risk associated with the financial instruments contained in accounts receivable, prepaids and deposits is minimal.

Liquidity risk

As at November 30, 2010, the Company had a working capital deficiency of $4,935,561 (November 30, 2009 - $2,314,360).The Company utilized the proceeds from the financings and related-party loans through-out the first half of fiscal 2011 for its working capital requirements. However, in order to meet other short to medium-term working capital obligations, the Company intends to utilize any cash flow generated from the Pine Cove project's operationsand seek further debt and equity financing for general working capital purposes and capital projects. As discussed previously, there can be no assurance that Anaconda will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

At November 30, 2010, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

Market risk

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

(i) Interest rate risk

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

(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 into Canadian dollars. 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) 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 investments are comprised of common shares of public-traded companies. 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 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 some ofthese 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.

4. Fair value of financial assets and liabilities

Anaconda has, designated its cash as held-for-trading, HST/GST recoverable is classified for accounting purposes as loans and receivables, which are measured at amortized cost which equal fair value. Investments (including the shares of New Island that Anaconda acquired – *note 9*) are classified as held-for-sale with fair value based on Level 1 measurements. Accounts payable and accrued liabilities and amounts due to related parties are classified for accounting purposes as other financial liabilities, which are measure at amortized cost which also equals fair value. Fair values of accounts receivable, prepaids and deposits, accounts payable and accrued liabilities and amounts due to related parties are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

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 include short-term money market mutual fund units that are subject tofloating interest rates. As at November 30, 2010, if interest rates had decreased/increased by 1% withall other variables held constant, the difference in loss for the year ended November 30, 2010would not be material, as a result of lower/higher interest income from cash and cashequivalents. As at November 30, 2010, reported shareholders' equity would also have been immaterially lower/higher as a result of lower/higher interest income from cash and cash equivalents.

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

As at November 30, 2010, 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	3,785
Cash and cash equivalents	United States dollar	123,524
Receivables prepaids and deposits	Chilean peso	836,109
Accounts payable and accrued liabilities	Chilean peso	281,513

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	12,352	(12,352)
Chilean peso	55,838	(55,838)

(iii) The Company's investments are subject to fair value fluctuations. As at November 30, 2010, if the fair value of investments had decreased/increased by 50% with all other variables held constant, net comprehensive income for the six months ended November 30, 2010 would have been approximately $1,129,000 lower/higher. Similarly, as at November 30, 2010, reported shareholders' equity would have been approximately $1,129,000 lower/higher as a result of a 50% decrease/increase in the fair value of investments.

(iv) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market prices of precious metals. Commodity prices have fluctuated significantly in recent years. If the fair value for commodity prices had decreased/increased by 10% with all other variables held constant, net loss for the year ended November 30, 2010 would have been approximately $126,000 higher.

6. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with the banks in general non-interest bearing accounts totaling $176,951 (2010 - $32,846) and interest-generating money-market accounts with no stipulated terms of maturity, of $66 (2010- $500,782).

Restricted cash balances consist of short-term cash on deposit with banks in interest-generating money-market accounts with maturities of 60 days, or less, of $161,650 (2010 - $96,068), and long-term cash on deposit with a bank in an interest-generating money-market account with no stipulated terms of maturity of $674,750 (2010 - $777,479).

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:

	November 30, 2010	May 31, 2009
	$	$
General purpose		
Cash	**176,951**	32,846
Cash equivalents	**66**	500,782
Total cash and cash equivalents	**177,017**	533,628
Restricted		
Cash[1]	**161,650**	96,068
Cash equivalents[2]	**674,750**	777,479
Total restricted cash	**836,400**	873,547

[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]The majority of this cash balance is restricted in concert with the Company's asset retirement obligations. It has issued non-revocable letters of credit totalling $644,500 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development. This amount is classified as long term on the balance sheet.

7. Inventory

Anaconda's inventory balance of $553,518 (2010 - $903,605) was represented by $397,842 (2010 - $903,605) of allocated costs to ore stockpiles based on quantities of material stockpiled and included cost allocations from waste mining costs, overheads, amortization, depletion and depreciation relating to mining operations and $155,676(2010 - $Nil) was represented by gold dore/bullion that was either on deposit with the Company's refiner or is in the final stages of the refinement process.

8. Investments

During the second fiscal quarter, the Company sold the shares it held in Merc International Minerals Inc. ("MIMI"), a company traded on the TSX Venture Exchange ("TSXV"), for proceeds of $153,000 (2010 - $Nil). As this investment had been classified as available-for-sale, periodic unrealized adjustments to fair value (using the closing price of the securities on the TSXV on the period-end date) had been recorded to other comprehensive income. The prior years' accumulated loss of $1,225,002 as well as the comprehensive loss from the first quarter (both now realized) on this investment has been reclassed and charged to income during the current quarter.

This investment washeld as security against the Company's issued debentures and convertible debentures (*notes 15 and 16*) and pursuant to the security agency agreements that govern the administration of the collateral, the Company required the approval of the majority of the debenture holders (for each series) in order to sell the securities. Approval was received from the required number of debenture holders and the investments were sold.

A portion of the sale was made to insiders of Anaconda (*note 19*).In accordance with *CICA Section*

*3840 – Related Party Transactions,*in accounting for the related-party loss,the transaction was measured at the exchange amount.

9. Shares of New Island Resources Inc.

On June 11, 2010, Anaconda announced that it formally commenced a share exchange takeover bid for New Island to acquire all of the issued and outstanding common shares of New Island on the basis of 0.3333 Anaconda commonshares for each whole New Island share (the "Offer"). The Offer contained a minimum tender condition of 66 2/3% of all New Island shares be deposited under the Offer and was open for acceptance until August 3, 2010. A number of extensions and variations occurred throughout August, 2010 with the final offer expiring on August 31, 2010. Pursuant to the Offer, Anaconda acquired a total of 25,098,860 New Island shares and issued 10,541,520 Anaconda common shares in consideration therefor.

On August 30, 2010, Anaconda and New Island issued a joint press release announcing that they reached agreement on a friendly transaction (the "Proposed Transaction") to be structured as a plan of arrangement, pursuant to which 22,602,315 Anaconda common shares will be distributed to the shareholders of New Island in exchange for New Island's interest in the Pine Cove project. In addition, pursuant to the proposed plan of arrangement, all of the 25,098,860 New Island shares acquired by Anacondapursuant to its current take-over bid will be returned to tendering shareholders. The Proposed Transaction is expected to close on or before January 14, 2011 after New Island shareholder and court approval has been obtained.

As New Island's shares are quoted in an active market (TSXV), *CICA Section 3051.06*, provides that the investment shall be accounted for at fair value. The Company has classified these shares as available-for sale and, as such, the changes in fair value have been recorded in other comprehensive income. The shares closed at $0.09 on November 30, 2010 resulting in a fair value of the New Island shares held by the Company of $2,258,897. The unrealized loss (net of taxes of $109,180) of $643,786 has been recorded in other comprehensive income.

The Company has incurred $608,610 (2010 - $Nil) of transaction costs as at November 30, 2010. These costs are shown as deferred transaction costs on the consolidate balance sheet and will be expensed upon completion of the Proposed Transaction.

10. Mineral properties and deferred exploration expenditures

Property	May 31, 2010	Additions	Disposals[1]	Loss on Sale[1]	November 30, 2010
	$	$	$	**$**	**$**
San Gabriel	4,700,641	784,506	(2,040,322)	(2,007,597)	**1,437,308**
Other Chilean properties[2]	-	147,226	-	**-**	**147,226**
	4,700.641	931,812	(2,040,322)	(2,007,597)	**1,584,534**

Property	May 31, 2009	Additions	Written-off	May 31, 2010
	$	$	$	**$**
San Gabriel	4,327,565	302,371	70,705[3]	**4,700,641**
Borthwick Lake	473,752	6,988	(480,740)	**-**
LingmanLake	244,516	-	(244,516)	**-**

	5,045,833	309,359	(654,551)		**4,700,641**

[1]During the quarter, Anaconda sold a 50% interest in its San Gabriel project in exchange for a 50% interest in surrounding iron exploration concessions in the immediate area of San Gabriel.

[2] As further consideration regarding its 50% sale of the San Gabriel project, Anaconda also received a 20% interest in a private Chilean company that has an 82.5% interest in four main project areas east of the port city of Taltal. This interest is characterized as Other Chilean properties.

[3] 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.

11. Leasehold improvements

As at	**November 30, 2010**		May 31, 2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Leasehold Improvements	**16,765**	**13,897**	16,765	12,253
	16,765	**13,897**	16,765	12,253
Net Book Value	**2,868**		4,512	

12. Property, mill and equipment

As at	**November 30, 2010**		May 31, 2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Mill	**5,974,612**	**178,857**	2,725,567	148,268
Equipment	**744,774**	**37,905**	2,541,090	29,733
Property	**8,670,828**	**637,743**	8,670,828	566,610
	15,390,214	**854,505**	13,937,485	744,611
Net Book Value	**14,535,709**		13,192,874	

During the first fiscal quarter of 2011, the Company commenced depreciation of its expanded millcosts using the “units-of-production” basis.

13. Loans

On August 25, 2010, Anaconda drew down and received $437,000 pursuant to a loan agreement with an agency of the federal government of Canada. The maximum amount that may be drawn under the loan is $500,000. The loan provided for drawdowns until November 1, 2010, however the Company made no further draws on the loan. The loan is non-interest bearing and repayable in twelve monthly payments commencing on June 1, 2011 and ending on May 1, 2012.

On November 3, 2010, Anaconda drew down and received $500,000 pursuant to a loan agreement with the government of Newfoundland. The term of the loan is 30 months and it accrues interest at 5.5% annually with monthly blended (interest and principal) repayments commencing on January 16, 2011 and ending on June 16, 2013.

See also *note 24* – Subsequent events – promissory notes.

The following table provides the details of the short and long-term components of the loans:

	$
Principal balance repayable	937,000
Less: Short-term component (due within 1 year)	(394,086)
Long-term component– November 30, 2010	**542,914**

14. Convertible loan

	$
Principal balance repayable	2,000,000
Less: Value of conversion feature	(184,000)
Original carrying value	1,816,000
Add: Interest accretion on conversion feature	82,072
Ending carrying value – May 31, 2009	**1,898,072**
Add: Interest accretion for year	101,928
Less: Principal repayment	(60,000)
Less: Value of conversion feature of new loan	(150,000)
Ending carrying value – May 31, 2010	**1,790,000**
Add: Interest accretion for 6 months	19,654
Ending carrying value– November 30, 2010	**1,809,654**

The convertible loan accrue interest at 12% per annum, payable monthly and matures on September 15, 2013. The holder may 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 on conversion, 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.

15. Convertible debentures – series I

	$
Principal balance repayable	1,713,000
Less: Discount on issuance	(171,300)
Cash proceeds received	1,541,700
Less: Value of conversion feature	(132,700)
Original carrying value	1,409,000
Add: Interest accretion for year	36,574
Ending carrying value – May 31, 2009	**1,445,574**
Add: Interest accretion for year	54,412
Ending carrying value – May 31, 2010	**1,499,986**
Add: Interest accretion for 6 months	28,709
Ending carrying value – November 30, 2010	**1,528,695**

The convertible debentures – series I accrue interest at 12% per annum, payable semi-annually on September 15 and March 15 and mature on September 15, 2013. The holder may convert the indebtedness into common shares of the Company on the following basis: Until September 15, 2012 at $0.90 per common share; from September 16, 2012 until September 15, 2013 at $1.10 per common share. Anaconda will have the right to call for the conversion of the debenture into the number of shares as set out above, so long as the Company's shares trade at least 100% above the conversion price for at least 20 consecutive trading days.

16. Debentures – series II

	$
Principal balance repayable	3,247,000
Less: Discount on issuance	(324,700)
Cash proceeds received	2,922,300
Less: Warrant value	(565,737)
Original carrying value	**2,356,563**
Add: Interest accretion for period	54,879
Ending carrying value – May 31, 2010	**2,411,442**
Add: Interest accretion for 6 months	90,123

Ending carrying value – November 30, 2010	**2,501,565**

The debentures – series II accrue interest at 12% per annum, payable annually on September 15. Pursuant to the terms of the debenture, the Company may satisfy the interest due with the issuance of common shares of the Company, with the value based on the 5-day weighted average closing price for the 5-day trading period immediately preceding the interest payable date. During the period, interest payable in the amount of $249,797 on these series II debentures was satisfied with the issuance of Anaconda common shares (*note 20*).

17. Debentures – series III

On September 20, 2010, the Company closed the first tranche ($770,000) of the issuance of $841,667 aggregate principal amount of 12.5% secured, non-convertible debentures maturing July 20, 2011 (the "Series III Debentures"). On October 22, 2010, Anaconda closed on the final tranche ($71,667) of the Series III Debentures. The Series III Debentures also included the issuance of 258,227 warrants and have been valued using Black-Scholes pricing model with risk-free return of 1.5%, dividend yield of 0%, volatility of 138.0% and a forfeiture rate of nil, at $35,743 (*note 20(b)*). Each whole warrant entitles the holder to acquire one common share of Anaconda at a price of $0.30 per common share until March 20, 2012 for tranche 1 and until April 22, 2011 for tranche 2. The Series III Debentures were issued at a discount with aggregate net proceeds of $819,780 being received by Anaconda. The discount-to-face-value amount and the warrant value will be accreted to interest expense over the term of the Series III Debentures. The Series III Debentures is secured by a charge over Anaconda's Chilean assets.

Interest is payable quarterly until maturity and as at November 30, 2010, interest of $16,206(2010 - $Nil) has been incurred with such amount included in interest expense on the consolidated statements of operations and deficit. See *note 24* – Subsequent events.

As the Series III Debentures are due within the next year, the entire carrying value of $938,163 is included in current portion of long-term debt on the consolidated balance sheets. The balance as at November 30, 2010 is made up as follows:

	$
Principal balance repayable	841,667
Less: Discount on issuance	(21,886)
Cash proceeds received	819,781
Less: Value of warrants	(35,743)
Original carrying value	784,038
Add: Interest accretion for period	16,206
Ending carrying value - November 30, 2010	**800,244**

18. Asset retirement obligations

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

	November 30, 2010	May 31, 2010
	$	$
Opening balance	**605,875**	722,400
Additions/(deductions) to provision for reclamation	**-**	(162,000)
Interest accretion	**36,352**	45,475
Closing balance	**642,227**	605,875

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 $644,550 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development plan.

19. Related party transactions

3 months ended November 30, 2010

For the 3 months ended November 30, 2010, the interim consolidated financial statements include $205,270 (2010 - $38,400) in consulting expenses and $68,770 (2010 - $84,620) of interest charges of which $10,729 (2010 - $24,785) is non-cash interest accretion regarding the conversion feature of the convertible loan. $38,906 (2010 - $Nil) of the interest payable for the 3 months ended November 30, 2010 has been accrued but not paid upon approval of the lender. The consulting expenses and interest charges were incurred with directors and/or officers of the Company or corporations controlled by them.

During the second quarter, the Company repaid a net of $35,000 (2010 - $Nil) against related party loans ($25,000 was advanced and$60,000 repaid during the period).

During the second quarter, insiders of the Company purchased $26,500 (2010 - $Nil) of the total of $153,000 (2010 - $Nil) of the investments that were sold by Anaconda (*note 8*).

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

6 months ended November 30, 2010

For the 6 months ended November 30, 2010, the interim consolidated financial statements include $244,070 (2010 - $83,200) in consulting expenses, $136,373 (2010 - $168,989) of interest charges of which $19,654 (2010 - $48,660) is non-cash interest accretion regarding the conversion feature of the convertible loan. The consulting expenses and interest charges were incurred with directors and/or officers of the Company or corporations controlled by them.

The consolidated financial statements include demand loans of $473,849 (2010 - $Nil) represented by advances of $547,099 (2010 - $Nil) offset by repayments of $73,250 (2010 - $Nil) to officers and/or directors of the Company or corporations controlled by them. The demand loans are interest free and have no fixed terms of repayment. The balance of the demand loans is shown as due to related parties on the consolidated balance sheet.

As at November 30, 2010, the accounts receivable balance includes amounts due from the Company's Chilean general manager, Inversiones SBX Limitada ("SBX") (or companies controlled by it), of $821,968 (2010 - $Nil).

As at November 30, 2010, the accounts payable and accrued liabilities balance of includes $226,452 (May 31, 2010 - $47,087) amounts due to related parties for unpaid interest on the convertible loan and consulting costs as well as amounts due from (reduction to balance) of $38,492 (May 31, 2010 - $Nil) for reimbursement of office occupancy costs and rental deposits on the Company's office premises.

As at May 31, 2010, the due to related party balance of $676,436 is due to the Company's Chilean general manager, SBX (or companies controlled by it).

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

20. 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, 2009	**85,021,260**	**23,303,314**
Issued for cash:		
Private placement	3,333,334	500,000
Exercise of warrants	14,809,277	2,221,392
Fair value of exercised warrants	-	511,186
Fair value of issued warrants	-	(283,335)
Balance at May 31, 2010	**103,163,871**	**26,252,557**
Issued for pursuant to New Island take-over offer *(note 9)*	10,541,520	3,011,863
Issued in lieu of series II debenture interest (*note 16*)	979,585	249,797
Balance at November 30, 2010	**114,684,976**	**29,514,217**

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.

(b) Warrants

The outstanding warrants balance at November 30, 2010, is comprised as follows:

Date of Expiry	Type	Fair Value	No. of Warrants	Exercise Price $
April 23, 2011	Purchase warrants	324,009	9,394,923	0.20
April 23, 2011	Purchase warrants	22,719	500,000	0.20
May 11, 2011	Purchase warrants	27,775	795,800	0.20
June 17, 2011	Purchase warrants	283,333	3,333,334	0.25
July 25, 2011	Purchase warrants	565,737	3,984,069	0.22
March 20, 2012	Purchase warrants	33,276	236,000	0.30
April 22, 2012	Purchase warrants	2,467	22,227	0.30
Total		**1,259,316**	**18,266,353**	

The outstanding warrants balance at May 31, 2010, is comprised as follows:

Date of Expiry	Type	Fair Value	No. of Warrants	Exercise Price $
April 23, 2011	Purchase warrants	324,009	9,394,923	0.20
April 23, 2011	Purchase warrants	22,719	500,000	0.20
May 11, 2011	Purchase warrants	27,775	795,800	0.20
June 17, 2011	Purchase warrants	283,333	3,333,334	0.25
July 25, 2011	Purchase warrants	565,737	3,984,069	0.22
Total		**1,223,573**	**18,008,126**	

(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 November 30, 2010, the Company has 4,243,498 (2010 – 4,420,459) options available for issuance under the plan. Continuity of the unexercised options to purchase common shares is as follows:

	November 30, 2010		May 31, 2010	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of period	**0.38**	**7,225,000**	0.90	2,645,000
Transactions during the period:				
Granted	**-**	**-**	0.21	5,455,000
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	0.91	(875,000)
Expired	**-**	**-**	-	-
Outstanding at end of period	**0.38**	**7,225,000**	0.38	7,225,000
Exercisable at end of period		**4,222,500**		2,060,000

The following table provides additional information about outstanding stock options at November 30, 2010:

Range of Exercise Prices ($)	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**	**No. of Options Currently Exercisable**
0.00 – 0.50	5,455,000	3.4	0.21	2,452,500
0.51 – 0.99	1,195,000	1.7	0.81	1,195,000
1.00 – 1.50	575,000	1.1	1.10	575,000
	7,225,000	**3.0**	**0.38**	**4,222,500**

Stock-based compensation

The fair value of the stock options granted for the 6 months ended November 30, 2010 was $Nil (November 30, 2009 – $303,707).The weighted average grant-date fair value of options granted during the 6 months ended November 30, 2010 was $Nil (November 30, 2009 – $0.19) per option issued.

21. Contributed surplus

	$
Balance at May 31, 2009	**4,561,475**
Stock-based compensation	287,521
Fair value of expired warrants transferred from warrants	398,366
Balance at May 31, 2010	**5,247,362**
Stock-based compensation	330,181
Balance at November 30, 2010	**5,577,543**

22. 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:

6 months ended	**November 30, 2010**	November 30, 2010
	($)	($)
Revenues:		
Canada	**1,633,043**	7,640,200
Consolidated revenues	**1,633,043**	7,640,200
Net loss		
Canada	**(5,403,746)**	1,385,887
Chile	**(3,057,276)**	(828,981)
Consolidated net income (loss)	**(8,461,022)**	556,906

As at	**November 30, 2010**	May 31, 2010
Identifiable Assets:		
Canada	**19,048,633**	16,106,599
Chile	**2,550,496**	5,278,729
Consolidated identifiable assets	**21,559,129**	21,385,328

6 months ended	**November 30, 2010**	November 30, 2010
Significant non-cash items:		
Canada		
Stock-based compensation	**330,182**	303,707
Interest accretion	**191,044**	118,743

Interest paid with share issuance	**249,797**	-
Write-down of deferred exploration expenditures	**-**	-
Future income tax expense (recovery)	**(50,870)**	8,878
Loss on sale of investments	**1,464,000**	-
Depreciation, depletion and amortization	**258,081**	138,710
	2,442,154	570,038
Chile		
Write-down of deferred exploration expenditures	**524,440**	-
Loss on disposition of property	**1,483,157**	-
Amortization	**1,644**	1,626
	2,009,241	1,626
Consolidated significant non-cash items	**4,451,395**	571,664

24. Commitments

During the quarter, Anaconda entered into a lease agreement for its new office premises. The lease commences on April 1, 2011 and runs through March 31, 2017, inclusive. Under the terms of the lease, Anaconda is also responsible for realty taxes, insurance, maintenance and its proportionate share of common area costs. Minimum payments over the lease period are as follows: Fiscal 2011 - $171,000; fiscal 2012 - $292,000; fiscal 2013 - $292,000; fiscal 2014 - $292,000; fiscal 2015 - $292,000; fiscal 2016 – $122,000

25. Subsequent Events

Rights offering

On December 23, 2010, Anaconda announced that it was planning to complete a rights offering (the "Rights Offering") to raise funds for working capital purposes following the completion of the Proposed Transaction with New Island. The Company intends on issuing rights to purchase shares in an amount up to 25% of its capitalization at the time, at a price not to exceed $0.10 per share. The Rights Offering is estimated to be completed by mid to end of February, 2011.

A portion of the Rights Offering will be guaranteed pursuant to a standby guarantee agreement (the "Guranatee"). The Guarantee provides that a syndicate of shareholders (the "Standby Guarantors") will purchase up to maximum of 16,647,000 common shares that remain unsubscribed under the Rights Offering. In consideration for the Guarantee, the Standby Guarantors will be issued a total of 4,116,750 warrants (the "Standby Warrants") entitling the Standby Guarantors to purchase 4,116,750 common shares of Anaconda at $0.10 per share for a period of twenty-four months from the closing date; provided however that if the Standby Guarantor fails or otherwise refuses to purchase any Common Shares which remain unsubscribed for pursuant to the Guarantee, the Guarantor Warrants will be void and of no further force or effect.

A portion of the expected capital-raise has been backstopped by the Standby Guarantors. The amount of the backstop is not yet finalized but is expected to be approximately $1,500,000. Any amounts backstopped and advanced to the Company will be satisfied by the issuance of short-term promissory notes by the Company. The promissory notes will be interest free and be issued at a 9.1% discount to face value.

Promissory notes

Subsequent to November 30, 2010, the Company issued promissory notes with a face value of $1,497,000 and a maturity of March31, 2011. The promissory notes were issued pursuant to the backstop provision of the upcoming Rights Offering and carry no interest but were issued at a 9.1% discount to face amount.